**15.29 Trademark Damages—Defendant’s Profits**

**(15 U.S.C. § 1117(a))**

 In addition to actual damages, the plaintiff is entitled to any profits earned by the defendant that are attributable to the infringement, which the plaintiff proves by a preponderance of the evidence. You may not, however, include in any award of profits any amount that you took into account in determining actual damages.

 Profit is determined by deducting all expenses from gross revenue.

 Gross revenue is all of defendant’s receipts from using the trademark in the sale of a [product]. The plaintiff has the burden of proving a defendant’s gross revenue by a preponderance of the evidence.

 Expenses are all [operating] [overhead] and production costs incurred in producing the gross revenue. The defendant has the burden of proving the expenses [and the portion of the profit attributable to factors other than use of the infringed trademark] by a preponderance of the evidence.

 Unless you find that a portion of the profit from the sale of the [*specify goods*] using the trademark is attributable to factors other than use of the trademark, you should find that the total profit is attributable to the infringement.

**Comment**

 “[D]isgorgement of profits is a traditional trademark remedy,” *Jerry’s Famous Deli, Inc. v. Papanicolaou*, 383 F.3d 998, 1004-05 (9th Cir. 2004) (describing remedy, in enforcement of trademark injunction case, as “akin to an award of the infringer’s profits under trademark law” and noting “[u]nder established law, once gross profits related to the infringement are established, [infringer] has the burden of documenting any legitimate offsets”).

 “Recovery of both plaintiff’s lost profits and disgorgement of defendant’s profits is generally considered a double recovery under the Lanham Act.”  *Nintendo of America, Inc. v. Dragon Pacific Int’l*, 40 F.3d 1007, 1010 (9th Cir. 1994).

 Regarding establishing and calculating defendant’s profits, *see Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405-1408 (9th Cir. 1993) (“The intent of the infringer is relevant evidence on the issue of awarding profits and damages and the amount;” determining that in order to establish damages under the lost profits method, plaintiff must make prima facie showing of reasonably forecast profits.); *Louis Vuitton S.A. v. Spencer Handbags Corp.*, 765 F.2d 966, 973 (2d Cir.1985) (holding that defendant’s own statements as to profits provided sufficient basis for calculation of defendant’s profits under 15 U.S.C. § 1117(a)). *See also American Honda Motor Co. v. Two Wheel Corp.*, 918 F.2d 1060, 1063 (2d Cir.1990) (holding that plaintiff is entitled to amount of gross sales unless defendant adequately proves amount of costs to be deducted from it); *Polo Fashions, Inc. v. Dick Bruhn, Inc*., 793 F.2d 1132, 1135 (9th Cir. 1986) (awarding receipts from sales pursuant to 15 U.S.C. § 1117(a)); 5 J. Thomas McCarthy, Trademarks and Unfair Competition § 30.65 (4th ed. 2015) (discussing computation of defendant’s profits from infringing sales).

 Plaintiff has the burden of proof as to damages. *See Rolex Watch, U.S.A., Inc., v. Michel Co.*, 179 F.3d 704, 712 (9th Cir. 1999) (holding that plaintiff carries burden to show with “reasonable certainty” defendant’s gross sales from infringing activity); *Lindy Pen Co.,* 982 F.2d at 1405-1408; *Nintendo of America,* 40 F.3d at 1012 (holding that when infringing and noninfringing elements of work cannot be readily separated, all of defendant’s profits should be awarded to plaintiff).

 A district court “has discretion to increase the profit award above the net profits proven ‘[i]f the court shall find . . . the amount of the recovery . . . inadequate.’” *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1077 (9th Cir. 2015) (“district court should award actual, proven profits unless the defendant infringer gained more from the infringement than the defendant’s profits reflect”). In addition, the court “ought to tread lightly . . . because granting an increase could easily transfigure an otherwise acceptable compensatory award into an impermissible punitive measure.” *Id*.

“[A] trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate.” *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1497 (2020). However, a plaintiff need not show that a defendant acted with a particular mental state, such as willfulness, in order to be entitled to an award of profits. *See id.*; *Harbor* *Breeze Corporation v. Newport Landing Sportfishing, Inc.*, 28 F.4th 35, 38 (9th Cir. 2022).

 The defendant may also raise a defense that the purchasers bought goods bearing the infringing mark for reasons other than the appeal of the mark, and that the infringement had no cash value in sales made by the defendant.  *Id.* If such a defense is raised, an appropriate instruction should be drafted.

 An award of speculative damages is inappropriate.  *See* *McClaran v. Plastic Industries, Inc.*, 97 F.3d 347, 361-62 (9th Cir. 1996) (holding that jury’s finding of lost profits, based on theory that designer would have entered market but for infringement, was too speculative when no one had in fact profited from designed products).

 The Ninth Circuit has held that the Seventh Amendment does not provide a right to a jury trial on the amount of profits to be disgorged. *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1074-76 (9th Cir. 2015).

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