

AWARDS OF ATTORNEY FEES TO “PREVAILING PARTIES” IN TRADEMARK CASES: BOTH SWORD AND SHIELD FOR DEFENDANTS

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I. Statutory Basis for Awards

“Prevailing parties” in trademark cases deemed “exceptional” can recover attorney fees pursuant to Section 1117(a) of the Lanham Act. 15 U.S.C. § 1117(a). The statute provides:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office or a violation of section 1125(a) ... of this title, ... shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover . . . the costs of the action The court in exceptional cases may award reasonable attorney fees to the prevailing party.

This recovery is available to parties who have prevailed in either pursuing or defending cases based, at least in part, on any claims raised under the Lanham Act, including trademark infringement of both registered¹ and unregistered² marks, or claims of trademark dilution,³ trade

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The authors thank Jodi Bromberg, an associate in the Litigation Department of Montgomery, McCracken, Walker & Rhoads, LLP for her research assistance in connection with this article.

¹ 15 U.S.C. § 1114(1)(a). *See, e.g., Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273 (3d Cir. 2000) (registered mark); *Nat’l Nonwovens, Inc. v. Consumer Prods. Enter., Inc.*, 397 F. Supp. 2d 245 (D. Mass. 2005) (trademark registered on the Supplemental Register); *IMAF, S.p.A. v. J.C. Penney Co., Inc.*, 810 F. Supp. 96, 98 (S.D.N.Y. 1992) (“The provision applies to cases involving registered and unregistered trademarks alike.”).

² 15 U.S.C. § 1125(a); *see also Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117, 123 (8th Cir. 1987) (“Although Hartman does not have a registered mark under section 1117, we have held the remedies under this section, including attorney fees, are available in cases involving disputes over unregistered marks.”).

³ 15 U.S.C. § 1125(c); *see also Cairns v. Franklin Mint Co.*, 115 F. Supp. 2d 1185 (C.D. Cal. 2000) (prevailing defendant recovered its attorney fees following dismissal of plaintiff’s dilution claim).

dress infringement,⁴ unfair competition,⁵ false advertising,⁶ or cybersquatting.⁷ In addition, section 1117(b) provides for the mandatory recovery of attorney fees in cases where a plaintiff can prove that the defendant engaged in the counterfeiting of plaintiff's registered mark.⁸

With this statutory background in mind, the boundaries that courts have established may be instructive to defendants seeking 1) to recover some measure of the attorney fees they have incurred in defending against unsuccessful claims; and/or 2) to avoid the imposition of attorney fees in trademark cases in which they do not prevail.

II. Availability of Recovery to Both Parties

Congress intended that both parties be able to obtain an award of attorney fees when the situation warranted such a recovery. *See* S. Rep. No. 1400, 93rd Cong., 2d Sess., as reprinted in 1974 U.S.C.C.A.N. 7132. The standard by which each party can obtain a recovery, however, may be differently articulated depending on whether the requesting party is a plaintiff or a defendant. Congress recognized the distinction and explained that this mechanism “would make a trademark owner’s remedy complete in enforcing his mark against willful infringers, and would give defendants a remedy against unfounded suits.” *Id.* at 7137.

III. Defining “Exceptional” Circumstances

Despite the potential for recovery by either party that succeeds in a trademark case, courts will award attorney fees only when “exceptional” circumstances are proven. 15 U.S.C. § 1117(a). Congress did not define the term “exceptional.” Attorney fee awards are not automatically granted once a party prevails on its claims,⁹ and courts have the discretion to find “exceptional” circumstances when appropriate. *See Ale House Mgmt., Inc. v. Raleigh Ale House, Inc.*, 205 F.3d 137, 144 (4th Cir. 2000) (“Awards of attorneys fees under both the Lanham Act and the Copyright Act are not to be made as a matter of course, but rather as a matter of the

⁴ 15 U.S.C. § 1125(a); *see also Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863 (8th Cir. 1994) (prevailing defendant in trade dress infringement case recovered attorney fees).

⁵ 15 U.S.C. § 1125(a); *see also United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219 (10th Cir. 2000) (plaintiff prevailed on, among other things, its unfair competition claim and recovered its attorney fees).

⁶ 15 U.S.C. § 1125(a); *see also Cairns*, 115 F. Supp. 2d at 1188 (prevailing defendant on dismissed false advertising claim recovered its attorney fees).

⁷ 15 U.S.C. § 1125(d); *see also Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001) (affirming award of attorney fees to prevailing plaintiff in cybersquatting case).

⁸ Section 1117(b) provides that a court “shall” treble the award of damages or profits (whichever is greater) and award attorney fees when defendants have “violated section 1114(1)(a)” by willfully counterfeiting a registered trademark. *See also Gucci Am., Inc. v. Rebecca Gold Enter., Inc.*, 798 F. Supp. 177, 183 (S.D.N.Y. 1992) (concluding that counterfeiting was deliberate, court held that award of attorney fees was mandatory).

⁹ *See, e.g., Nat’l Ass’n of Prof’l Baseball Leagues, Inc. v. Very Minor Leagues, Inc.*, 223 F.3d 1143, 1146 (10th Cir. 2000) (“[B]eing the prevailing party is not, by itself, enough to justify an award of attorney fees.”); *Nat’l Nonwovens, Inc.*, 397 F. Supp. 2d at 259 (“[M]ere fact that Defendant has prevailed on all counts is insufficient to make the case as a whole ‘exceptional.’”).

court's considered discretion. . . .”). As a result, the determination of whether certain conduct creates “exceptional” circumstances justifying an award of attorney fees necessarily requires an analysis of the individual facts presented; no hard-and-fast rules govern when fees will be awarded.

In most circuits, courts also permit both parties to recover attorney fee awards where the opposing party engaged in litigation tactics that were “oppressive and harassing” or unreasonably increased the costs of the moving party’s efforts to pursue its case. *See, e.g., S Indus., Inc. v. Centra 2000, Inc.*, 249 F.3d 625, 626 (7th Cir. 2001) (prevailing defendant); *Securacomm Consulting, Inc.*, 224 F.3d at 273 (prevailing plaintiff). Overall, courts tend to focus on whether the conduct at issue (by the losing plaintiff or defendant) constituted bad faith sufficient to warrant the recovery of the prevailing party’s fees. In this way, despite the subtle variations among circuits as to the interpretation of the “exceptional” circumstances that each prevailing party must prove, courts generally treat plaintiffs and defendants similarly in determining the award of attorney fees.

IV. Do Different Standards Apply for Prevailing Defendants and Prevailing Plaintiffs?

In *Fogerty v. Fantasy, Inc.*,¹⁰ the U.S. Supreme Court ruled on the availability of attorney fees in copyright cases. The *Fogerty* Court also suggested in *dictum* in a footnote at the end of the opinion that prevailing defendants and prevailing plaintiffs should be treated the same in trademark cases when courts consider whether the award of attorney fees is justified in a particular case. *Fogerty*, 510 U.S. at 525 n.12. Since then, however, many courts have interpreted this statement as a firm requirement that prevailing parties, whether plaintiffs or defendants, prove that the losing party acted in bad faith. *See, e.g., Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 827 (9th Cir. 1997) (“[A]fter *Fogerty*, the standard . . . under which bad faith or other malicious conduct satisfies the exceptional circumstances requirement . . . applies to both prevailing plaintiffs and prevailing defendants seeking attorney’s fees under the Lanham Act.”).

Given the different procedural postures in which plaintiffs and defendants find themselves, it makes sense that prevailing plaintiffs who have demonstrated the existence of “exceptional” circumstances have concentrated on the nature of the infringement or other legally culpable conduct. Prevailing defendants, on the other hand, tend to focus on the manner in which plaintiffs initiated their complaints or conducted themselves during litigation. *See Nat’l Ass’n of Prof’l Baseball Leagues, Inc.*, 223 F.3d at 1148 (clarifying the impact of the *Fogerty*

¹⁰ In *Fogerty*, the defendant prevailed in defending against copyright claims, but was denied its motion for attorney fees pursuant to 17 U.S.C. § 505 (copyright attorney fees). *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520 (1994). On its eventual appeal to the U.S. Supreme Court, the defendant argued that the “dual standard” affirmed by the U.S. Court of Appeals for the Ninth Circuit in analyzing whether attorney fees were warranted was in conflict with other circuits’ “evenhanded” approaches to this analysis. *Id.* at 520-21. The “dual standard” reflected the general rule in the Ninth Circuit (and a few others) that fees were awarded to prevailing plaintiffs in copyright cases “as a matter of course,” but that prevailing defendants were required to prove that the “original suit was frivolous or brought in bad faith.” *Id.* In rejecting this dual standard, the *Fogerty* Court compared the availability of attorney fee awards in copyright cases to those in patent and trademark cases (in which cases a showing of “exceptional circumstances” was also required), noting that “federal fee-shifting statutes in the patent and trademark fields, which are more closely related to that of copyright, support a *party-neutral approach*.” *Id.* at 525 n.12 (emphasis added).

decision, the court “disagree[d] that there should be, or even could be, perfect harmony between the standard for awarding attorney fees to a prevailing plaintiff and a prevailing defendant. The underlying conduct under scrutiny is different.”). Some courts have concluded that the *Fogerty* requirement of equivalent treatment in courts’ analyses of the recoverability of attorney fees meant only that courts were required to determine fairly whether a prevailing party demonstrated the existence of exceptional circumstances. *See, e.g., TE-TA-MA Truth Found. Family of URI, Inc. v. World Church of the Creator*, 392 F.3d 248, 262 (7th Cir. 2004).

V. **Prevailing Defendants**

Congress expressly intended prevailing defendants to be able to recover their attorney fees in defending against “exceptional” trademark cases as a means to discourage “unfounded suits brought by trademark owners for harassment and the like.” 1974 U.S.C.C.A.N. at 7136. Again, no further guidance is provided in the statute to identify the level of conduct that would justify an award.

A. **Must a Prevailing Defendant Prove “Bad Faith” to Recover its Fees?**

Courts are split about whether prevailing defendants must show that plaintiffs engaged in “bad faith” before attorney fees will be awarded. A majority of the circuits hold that, while bad faith is a factor to be considered in determining whether attorney fees should be granted in a particular case, it is not the only factor that could justify such an award. *See, e.g., S Indus., Inc. v. Space-Age Techn.*, No. 00-1916, 2004 WL 2537565, at *1 (7th Cir. Nov. 2, 2004) (“[F]inding of bad faith on the part of the plaintiff is not necessary for a prevailing defendant to prove that the case is ‘exceptional.’”); *Nat’l Ass’n of Prof’l Baseball Leagues, Inc.*, 223 F.3d at 1147 (“Some circuits point out, we think correctly, that the test should not focus solely on bad faith, but rather should incorporate a broader range of factors.”); *Hartman*, 833 F.2d at 123 (“Bad faith is not a prerequisite to a Lanham Act fee award.”).

Still other courts hold that prevailing defendants must prove “bad faith” on the part of the plaintiff before an award of attorney fees will be justified. Notably, the U.S. Court of Appeals for the Second Circuit has consistently affirmed that prevailing parties on both sides must demonstrate the existence of bad faith before attorney fees will be awarded. *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187 (2d Cir. 1996); *see also Scotch Whisky Ass’n v. Majestic Distilling Co., Inc.*, 958 F.2d 594, 599 (4th Cir. 1992) (concluding that the U.S. Court of Appeals for the Second, Sixth, Ninth and Eleventh Circuits “appear to require an unqualified showing of bad faith, irrespective of the prevailing party, to succeed in an application for attorney fees”).

Finally, the U.S. District Court for the District of Columbia has created a third alternative: it has concluded that “a prevailing defendant needs to show “[s]omething less than bad faith” to recover its attorney fees. *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 526 (D.C. Cir. 1985). The U.S. Court of Appeals for the Fourth Circuit has agreed with this alternate proposal. *Scotch Whisky Ass’n*, 958 F.2d at 599 (“Like the *Noxell* court, we believe that a finding of bad faith on the part of a plaintiff is not necessary for a prevailing defendant to prove an ‘exceptional’ case under section 35(a) of the Lanham Act.”); *see also Ale House Mgmt.*, 205 F.3d at 144 (suggesting that “economic coercion,” “groundless argument[s]” and “failure to cite controlling law” would suffice to find a case “exceptional”).

“Bad faith” has been defined in different ways by the various circuits, but includes generally groundless or maliciously prosecuted cases. In some courts, “bad faith” is synonymous with “baseless, capricious, unreasonable, or otherwise . . . bad faith.” *Banff, Ltd. v. Colberts, Inc.*, 810 F. Supp. 79, 80 (S.D.N.Y. 1992) (requiring bad faith as a prerequisite to the recovery of attorney fees). In others, “bad faith” has been equated with “oppressive” or is found where the infringement is “malicious, fraudulent, willful, or deliberate.” *Eagles, Ltd. v. Am. Eagles Found.*, 356 F.3d 724, 728 (6th Cir. 2004).

B. Plaintiffs’ Conduct that Merits Award of Fees to Defendants

Courts in various jurisdictions have concluded that behavior that goes “beyond the pale of acceptable conduct” merits the award of attorney fees to prevailing defendants. *Aromatique, Inc.*, 28 F.3d at 877.

1. Plaintiffs’ Claims Lacked Substance or Factual Basis

First, defendants frequently obtain awards of attorney fees where plaintiffs filed claims without any real substance or factual basis. *New Sensor Corp. v. CE Distribution LLC*, 367 F. Supp. 2d 283, 288 (E.D.N.Y. 2005) (plaintiff “knew or should have known that its claims were not well grounded in fact and one can only speculate about the motives which prompted its suit and nothing laudable comes readily to mind”); *Cairns*, 115 F. Supp. 2d at 1189 (“The claim is also unreasonable because plaintiffs should have either not brought the claim in the first instance, or voluntarily dismissed it when it was clear that there was no evidence to support it.”); *Diamond Supply Co. v. Prudential Paper Prods. Co.*, 589 F. Supp. 470, 476-77 (S.D.N.Y. 1984) (plaintiff “presented virtually no evidence whatsoever against [one defendant]. . . . Its pursuit of this action constitutes bad faith and harassment”); *Viola Sportswear, Inc. v. Mimun*, 574 F. Supp. 619, 620 (E.D.N.Y. 1983) (president of plaintiff corporation admitted during deposition that there was no basis upon which a reasonable person could conclude that the claims in the complaint were valid or had any basis in fact). Indeed, “a suit can be oppressive because of lack of merit and cost of defending even though the plaintiff honestly though mistakenly believes that he has a good case and is not trying merely to extract a good settlement based on the suit’s nuisance value.” *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 126 F.3d 1028, 1032 (7th Cir. 1997).

2. Plaintiff Filed Lawsuit to Extort Payments from Defendant

Second, defendants can obtain attorney fee awards when they prove that the plaintiff filed the lawsuit solely to extort some payment or to interfere in the defendant’s business. In one case, a defendant obtained an award of attorney fees by proving that the “lawsuit [was] utilized for ulterior motives, including business advantage and inhibiting competition.” *New Sensor Corp.*, 367 F. Supp. 2d at 287.

3. Plaintiff Filed Lawsuit to Harass Defendants

Third, when a defendant introduces sufficient evidence that the plaintiff filed suit with the intent to harass the defendant, including where the filing of the lawsuit causes undue hardship, that defendant can recover its attorney fees. *Id.* (concluding that the plaintiff “harbored a harassing purpose in instituting the action”). Indeed, proof that a plaintiff lied to a defendant in a cease and desist letter before the lawsuit commenced (which lie was continued through the

course of the litigation) as part of an attempt to cause defendant to waive its rights in a particular form of trade dress suffices to support an award of fees. *Aromatique, Inc.*, 28 F.3d at 878 (awarding fees where plaintiff's lie caused defendant to change its packaging and formed the basis of plaintiff's claim of secondary meaning in support of its trade dress application with the U.S. Patent & Trademark Office).

4. Plaintiffs Engaged in Bad Conduct During Litigation

Further, after a case has been filed, new conduct can emerge that constitutes sufficiently "exceptional" circumstances to warrant a defendant's recovery of fees. For instance, a plaintiff's refusal to respond "to discovery requests, repeatedly failing to properly serve or sign motions filed with the court, and failing to satisfy the requirements of the local rules of the district court" justifies the award of attorney fees to a defendant. *Centra 2000, Inc.*, 249 F.3d at 628. In *Centra 2000, Inc.*, the court concluded that plaintiff took its aggressive litigation strategies too far:

Even after being chided for filing an oppressive suit and losing its opposition to an award of attorneys fees, [plaintiff] continued its antics. It refused to cooperate with [defendant] and provide specific objections to the requested fee amounts. It ignored a filing deadline, submitted motions late, or failed to properly file them at all. Its counsel missed a scheduled hearing and then had the gall to allege that the fee amount was intentionally determined in his absence. This last maneuver cost [defendant] an additional 9 months of delay and required two judges to again review [plaintiff's] unfounded arguments. Without a doubt, this suit was oppressive and an award of attorneys fees was warranted.

Courts generally disfavor conduct by a plaintiff whose claims have no merit and increase dramatically the litigation costs to the other party. *See, e.g., IMAF, S.p.A.*, 810 F. Supp. at 100 (defendant "was forced to incur expenses and devote time to defend against a lawsuit that continued for six years and utterly lacked a solid legal foundation"); *Noxell*, 771 F.2d at 527 (concluding that attorney fee award was justified where plaintiff initiated litigation across the country from where defendant could be found, creating a genuine hardship for the defendant – especially in light of U.S. Supreme Court precedent directly prohibiting it).

Some of this conduct can simply be "oppressive," resulting in justified attorney fees. For example, "[a] suit is oppressive if it lacked merit, had elements of an abuse of process claim, and plaintiff's conduct unreasonably increased the cost of defending against the suit" and thus warranted the award of attorney fees. *Centra 2000, Inc.*, 249 F.3d at 627; *see also Door Sys., Inc.*, 126 F.3d at 1032 (remanded case for consideration of attorney fee petition to district court where plaintiff "honestly though mistakenly" believed that his case was strong and was not trying to extort a settlement from defendant where defendant's litigation costs were high and plaintiff's case lacked merit).

Moreover, when it becomes clear through the course of litigation that plaintiff lacks pivotal evidence it needs to support its claims, the continuation of the lawsuit can become itself an oppressive act. *See, e.g., IMAF, S.p.A.*, 810 F. Supp. at 100 (granting attorney fees to

defendant when plaintiff failed to produce any evidence to establish consumer confusion and when court concluded that plaintiff failed to make a sincere attempt to support its claims).

In addition, some courts have held that even if a case initially had been filed in good faith, it “may become ‘exceptional’ enough to warrant an award of attorneys’ fees since ‘litigation conduct’ is relevant to the fee inquiry.” *J&J Snack Foods, Corp. v. Earthgrains Co.*, Civil Action No. 00-6230, 2003 WL 21051711, at *4 (D.N.J. May 9, 2003); *see also Grey v. Campbell Soup Co.*, 650 F. Supp. 1166, 1176 (C.D. Cal. 1986) (awarding attorney fees when a losing party’s bad faith “would make it grossly unjust for the prevailing party to be left with the burden of its litigation expenses”).

5. Counsel Can Be Liable for Payment of Attorney Fee Award

Finally, while it is clear that the parties themselves can be liable for the payment of attorney fees to a prevailing opponent, at least one court concluded that the attorney was also liable for the payment of attorney fees where his own conduct was reprehensible. *Viola Sportswear, Inc.*, 574 F. Supp. at 621 (“If a court may assess counsel fees against a party who has litigated in bad faith, it certainly may assess those expenses against counsel who willfully abuse judicial process.”).

C. Conduct that is Insufficient to Justify Attorney Fee Awards to Defendants

There are also certain instances where courts will not award attorney fees because the complained-of-conduct does not meet the “exceptional” threshold.

1. Plaintiffs’ Claims Were Not Patently Baseless

For instance, when a plaintiff’s claims were at least colorable and not so patently baseless to constitute bad faith, courts have denied defendants’ fee petitions. *See Eagles, Ltd.*, 356 F.3d at 729 (affirming that defendant’s attorney fee petition was properly denied where plaintiff had “colorable legal arguments and legitimate reasons for choosing to dismiss the lawsuit”); *Stephen W. Boney, Inc.*, 127 F.3d at 827 (concluding that plaintiff’s legitimate reasons for bringing suit undermined defendant’s arguments seeking attorney fee recovery). Courts similarly have been persuaded that attorney fee awards may not be justified even when plaintiffs relied on invalid legal theories if they properly pled the cause of action, *Banff, Ltd.*, 810 F. Supp. at 81, or introduced some evidence to support their claims, *Scott Fetzer Co. v. Williamson*, 101 F.3d 549, 555 (8th Cir. 1996).

2. Plaintiffs’ Claims Were Objectively Reasonable When Filed

At least one court has also denied an attorney fee petition by a prevailing defendant when the plaintiffs’ claims in the complaint were objectively reasonable at the time they were filed. There, the defendant prevailed when plaintiff voluntarily dismissed the complaint, but the court denied defendant’s petition for attorney fees noting that defendant had failed to prove either fraud or bad faith. *New York Stock Exchange, Inc. v. Gahary*, No. 00 Civ. 5764 RLC, 2003 WL 68038, at *3 (S.D.N.Y. Jan. 8, 2003). Indeed, the court commented that plaintiff’s submissions “did not evidence any bad faith or malicious intent, and that the worst that could possibly be said on the basis of these submissions is that the Exchange overestimated the strength of its claims

somewhat.” *Id.* at *2. The court also explained that it was “simply unconvinced that plaintiff’s moving for voluntary dismissal [on the eve of trial] was anything but a legitimate tactical decision.”

3. Plaintiff Asserted its Rights Promptly, Even if Mistakenly

In addition, when a plaintiff acts promptly to attempt to protect what it believed were its trademark rights, even when it is mistaken, courts can be persuaded that the necessary vexatious conduct is absent and may decline to grant a prevailing defendant’s petition for attorney fees as a result. For instance, in one case, Quality Inns filed a declaratory judgment action seeking a determination that the use of “Mc” in its new trademark (“McSleep”) would not infringe on the marks owned by fast-food restaurant, McDonald’s. *Quality Inns Int’l, Inc. v. McDonald’s Corp.*, 695 F. Supp. 198 (D. Md. 1988). The court concluded that plaintiff’s use of the mark was infringing, but declined to award attorney fees to McDonald’s (as the prevailing defendant), because the court was persuaded partially by plaintiff’s promptness in pursuing its claims and defendant’s lack of any damages. *Id.* at 222.

4. Defendant’s Own Bad Faith Conduct Nullified Equity of Award

Finally, a plaintiff’s demonstrable bad faith can be overshadowed by defendant’s own bad faith conduct during the course of the litigation, and thus a prevailing defendant may not recover its fees. *Lamb-Weston, Inc. v. McCain Foods, Inc.*, 818 F. Supp. 1376, 1399 (E.D.Wash. 1993), *aff’d in part, vac’d in part on other grounds*, 78 F.3d 540 (Fed. Cir. 1996) (court concluded that prevailing defendant “proceeded with total disregard of its possible infringement of plaintiff’s rights,” which conduct the court called “commercial buccaneering” when it declined to award attorney fees).

VI. **Prevailing Plaintiffs**

Congress also intended to provide plaintiffs with a means to discourage the “deliberate and flagrant infringement” of trademark owners’ rights, thus providing prevailing plaintiffs in trademark cases with the right to recover a “complete remedy including attorney fees for acts which courts have characterized as malicious, fraudulent, deliberate and willful.” 1974 U.S.C.C.A.N at 7136. Congress provided no further guidance on the conduct that would rise to the level that warranted the award of attorney fees, but courts have generally concluded that attorney fee awards pursuant to 15 U.S.C. § 1117(a) are intended to make prevailing plaintiffs “whole in trademark cases where the infringement was malicious, fraudulent, willful or deliberate.” *Sovereign Order of Saint John of Jerusalem, Inc. v. Grady*, 119 F.3d 1236, 1244 (6th Cir. 1997) (internal quotations omitted).

The various circuits are generally consistent in requiring that a prevailing plaintiff demonstrate some bad faith or malicious conduct on the part of the defendant. *See Scotch Whisky Ass’n*, 958 F.2d at 599 (“[F]or a prevailing plaintiff to succeed in a request for attorney fees, she must show that the defendant acted in bad faith.”). The circuits are not consistent, however, in their definitions of “bad faith”. Some require proof of willful infringement (and thus a finding that a defendant would be legally culpable for the wrongful conduct alleged in the

plaintiff's complaint), while others agree that some lesser standard of bad faith (such as vexatious litigation conduct during the course of the case) may suffice to justify the award.

A. **Must Prevailing Plaintiffs Prove Bad Faith by Defendants?**

While courts have not been consistent in their requirement that prevailing plaintiffs demonstrate bad faith conduct to support an award of attorney fees, the various courts generally conclude that some culpable or obstreperous conduct must be demonstrated. Some courts have required plaintiffs to demonstrate that defendants' conduct qualifies as undertaken in bad faith.

Other courts have concluded that while fraud or bad faith might justify the award of attorney fees, in some instances, mere willfulness may suffice. *See, e.g., Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 32 (1st Cir. 2002) ("Fraud or bad faith may justify an attorneys' fee award in some cases, but a finding of bad faith or fraud is not a necessary precondition. Willfulness short of bad faith or fraud will suffice when equitable considerations justify an award and the district court supportably finds the case exceptional.").

Finally, still other courts have held that even if plaintiffs could not demonstrate willful infringement by defendants, they can still recover their fees when defendants engage in obstreperous conduct during the course of litigation. *See, e.g., Securacomm Consulting, Inc.*, 224 F.3d at 277.

B. **Defendants' Conduct that Merits Award of Fees to Plaintiffs**

Courts will award attorney fees to a prevailing plaintiff when such award is capable of making the plaintiff whole.

1. **Defendants Violated Injunction**

For instance, when defendants continue to use an infringing mark after the court has imposed a preliminary or permanent injunction against such use, courts will generally award attorney fees to the plaintiff who prevailed on obtaining the injunction. *Tamko Roofing Prods., Inc.*, 282 F.3d at 32 (concluding that attorney fee was justified where defendant intentionally continued to use mark on its web sites and brochures in violation of injunction); *Ahava (USA), Inc. v. J.W.G., Ltd.*, 286 F. Supp. 2d 321, 323 & 324 (S.D.N.Y. 2003) (finding that defendant's letter to the court refusing to acknowledge its jurisdiction and confirming that it would continue to use the mark despite the injunction warranted the award of attorney fees to prevailing plaintiff).

2. **Defendants Violated Formal Agreements with Plaintiffs**

Similarly, when formal agreements, such as franchise or license agreements, between plaintiffs and defendants are terminated, a defendant's continuing use of the trademark owner's marks will justify the award of fees. *Ramada Franchise Systems, Inc. v. Boychuk*, 283 F. Supp. 2d 777, 793 (N.D.N.Y. 2003) (awarding attorney fees to prevailing plaintiff when defendant-franchisee continued to use plaintiff's marks after plaintiff terminated the agreement); *Kappa Sigma Fraternity v. Kappa Sigma Gamma Fraternity*, 654 F. Supp. 1095, 1103 (D.N.H. 1987) (awarding attorney fees to prevailing plaintiff where defendant continued to use plaintiff's marks

to solicit, and receive, alumni donations after it had voluntarily discontinued association with plaintiff).

3. Defendants Violated Their Own Promises Not to Use Mark(s)

Even more remarkable are those cases in which defendants actively promise not to use particular marks, either during the course of settlement agreements or more informal negotiations with plaintiffs, and yet continue to use the marks for months thereafter. *See Mobius Mgmt. Systems, Inc. v. Fourth Dimension Software, Inc.*, 880 F. Supp. 1005, 1026 (S.D.N.Y. 1994) (finding that defendant's breach of settlement agreement and continuing to use plaintiff's mark exactly as it promised not to do was sufficiently "exceptional" to warrant the award of attorney fees). That court was persuaded that "[p]laintiff should not be forced to bear the burden of its attorney fees to challenge many of the same issues that it already had litigated successfully." *See also, United Phosphorus, Ltd.*, 205 F.3d at 1232 (attorney fee award was justified against defendant who violated a settlement agreement by re-labeling inferior product using plaintiff's mark and continuing to market that inferior product even after repeated warnings not to do so).

4. Defendants Engaged in Bad Conduct During Litigation

As mentioned briefly above, a defendant's improper behavior during the course of litigation will justify the award of attorney fees to a prevailing plaintiff, especially if the costs of the litigation were dramatically increased by defendant's obstreperous conduct. In one case, the defendant convinced its religious followers to threaten and harass plaintiffs, and sought to solicit the attempted murder of the trial court judge. *TE-TA-MA Truth Found.*, 392 F.3d at 264. In another case, the court found that defendant sought to "bury [plaintiff] financially and take everything he had," which conduct the court described as "seeking to destroy a financially weaker adversary through oppressive litigation conduct." *Securacomm Consulting, Inc.*, 224 F.3d at 275 & 277. In a further example, defendant attempted to undermine the reputation of plaintiff's company by posting comments on a competing web site to "bad mouth" the plaintiff and attempt to divert some portion of plaintiff's business to himself. *Cardservice Int'l, Inc. v. McGee*, 950 F. Supp. 737, 742 (E.D. Va. 1997). Still further, defendant's key witnesses lied to the court under oath. *Coach, Inc. v. We Care Trading Co., Inc.*, Nos. 01-7968, 01-9162, 2002 WL 32103175, at *5 (2d Cir. 2002). In each of these cases, the courts granted attorney fees to the prevailing plaintiffs. One court distinguished the bad conduct undertaken during litigation that would justify a fee award from mere aggressiveness in the conduct of a case: "Obviously, aggressive litigation conduct undertaken in good faith and falling within the bounds of zealous advocacy is a far cry from the sort of egregious harassment . . . which clearly qualifies as oppressive." *TE-TA-MA Truth Found.*, 392 F.3d at 264.

5. Defendant Willfully Copied Mark(s)

Finally, at least one court has held that a defendant's mere willful copying of plaintiff's mark (simply disregarding plaintiff's rights) could warrant the award of attorney fees. *Knorr-Nahrmittel A.G. v. Reese Finer Foods, Inc.*, 695 F. Supp. 787, 795-96 (D.N.J. 1988) ("The powerful evidence of a willful and deliberate copying of the Knorr package design is alone sufficient to render this case exceptional and support an award of fees. But there is more, . . . the sale at discount of all of defendants' inventory [during the time when the parties knew the

judge was predisposed to granting plaintiff its motion for an injunction], . . . [and] the continued shipment of soup in the infringing packages and the failure to commence the recall of soup [previously shipped].”).

C. Circumstances Insufficient to Justify Attorney Fee Awards to Plaintiffs

There are also certain situations in which the court will not award fees to prevailing plaintiffs.

1. Defendant Reasonably Believed It Had a Right to Use Mark

For instance, when defendants reasonably believe that they have the right to use a particular mark, courts may decline to award the prevailing plaintiff its attorney fees, even when infringement is demonstrated where the defenses in dispute relate to an area of the law that is unclear. *See, e.g., McGraw-Hill Co., Inc. v. Vanguard Index Trust*, 139 F. Supp. 2d 544, 556 n.6 (S.D.N.Y. 2001) (noting that case involved “divergent interpretations of an ambiguous license agreement, not willful infringement of a plaintiff’s trademarks”).

2. Defendants Pursued Defense in Good Faith

Even if a defendant is unsuccessful in its defense on the merits, courts will give weight to evidence that defendants pursued these defenses in good faith, and deny the prevailing plaintiff’s petition for attorney fees. *See Sovereign Order of Saint John*, 119 F.3d at 1244 (denying plaintiff’s fee petition where defendant’s intentional use of the mark was not malicious because he believed that he was rightfully entitled to use it); *Buca di Bacco, Inc. v. Buca di Bacc’, Inc.*, 828 F. Supp. 31, 32 (S.D. Tex. 1993) (even when deliberate copying occurs, a case may not be “exceptional” if the defendant “presents what it in good faith believes may be a legitimate defense,” despite the flaws in the defense). Courts have been persuaded that even if a defendant’s case is weak, defendants are generally “entitled to require plaintiffs to meet their burdens in proving all of the elements of their claims. Litigation is an adversarial process, and [a defendant] should not be penalized simply for utilizing the available tools.” *Braun Inc. v. Dynamics Corp. of Am.*, 775 F. Supp. 33, 40 (D. Conn. 1991), *aff’d in part, rev’d in part on other grounds*, 975 F.2d 815 (Fed. Cir. 1992).

3. Defendant Reasonably Relied on the Advice of Counsel

Courts have also been persuaded to deny plaintiffs’ petitions for attorney fees when defendants prove that they reasonably relied on the advice of their counsel in undertaking the defensive position they advanced during the case. *See Aero-Motive Co. v. U.S. Aeromotive, Inc.*, 922 F. Supp. 29, 43-45 (W.D. Mich. 1996) (concluding that defendant’s reliance on its counsel’s advice relating to filing the alleged trademark application was reasonable and denying fee petition). In order to succeed in avoiding the imposition of attorney fees on this basis, defendants must waive their attorney-client privilege as to that advice and introduce the actual content of the advice. *Takecare Corp. v. Takecare of Oklahoma, Inc.*, 889 F.2d 955, 957 (10th Cir. 1989) (concluding that merely asserting reliance on the advice of counsel was insufficient to avoid the award of attorney fees).

4. Plaintiff Failed to Prove Actual Damages

Further, where plaintiff failed to prove that it suffered any actual damage, courts may be reluctant to award fees. *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 47 (3d Cir. 1991) (concluding that the absence of any proof of pecuniary losses has been “deemed relevant” as a factor to be considered when deciding the outcome of the various fee petitions); *Buca di Bacco, Inc.*, 828 F. Supp. at 32 (concluding that evidence of plaintiff’s lack of damages in a trademark case would be a factor to be considered by the court when it determines whether to award a prevailing plaintiff the recovery of its attorney fees).

5. Plaintiff’s Own Bad Faith Conduct Nullified Equity of Award

Finally, even where a culpable defendant has engaged in bad faith conduct, plaintiff’s own bad faith will negate the possibility for the award of attorney fees. *See Tamko Roofing Prods., Inc.*, 282 F.3d at 32 n.7 (“Nonetheless, it is also possible that a finding of bad faith by one party might not justify an award if equity required otherwise: for example, in a case where there is equivalent bad faith by the other party.”).

VII. **Right of Appeal**

Parties who applied for an award of attorney fees and were denied such recovery can appeal the decision to the circuit courts. The decisions will only be reversed if the appellate court finds that the district court abused its discretion in denying the recovery. *See Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 829 (Fed. Cir. 1992) (finding no abuse of discretion, affirmed the denial of attorney fees).

VIII. **Conclusion**

Courts rely extensively on the exercise of their discretion in considering the facts presented to them in trademark cases. As a result, it would be impossible to predict exactly which conduct would be sanctionable by an award of attorney fees to the prevailing party. Based on the cases that have been surveyed above, some general guidelines emerge: plaintiffs cannot recover fees unless they prove some culpable conduct or bad faith by defendants, and defendants cannot recover fees unless they demonstrate that plaintiffs lacked the foundation to sue or that the case was filed for a harassing or oppressive purpose. Moreover, poor litigation conduct rising to “exceptional” levels by either unsuccessful party will result in the award of attorney fees to the prevailing party. Finally, poor litigation conduct by both parties in a case may negate an argument that either one was damaged, and courts have declined to award fees to either one in those cases.