Availability of Punitive Damages for Trademark Infringement

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Introduction

Punitive or exemplary damages for trademark infringement can be awarded in addition to a prevailing plaintiff's actual damages and costs in many jurisdictions. Courts use punitive damages to advance the public policy goals of punishing a defendant that is guilty of a willful wrong, deterring the defendant from future misconduct and generally deterring the future misconduct of others by making an example of the defendant. This article provides a brief overview of the availability of punitive damages for trademark violations in many jurisdictions.

Punitive damages are available under state law in many U.S. jurisdictions. If punitive damages are available as a tort remedy, generally they are also available for trademark infringement. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:95 (4th ed. 2007). However, courts may award punitive damages only if the defendant has been guilty of oppression, fraud or malice or has engaged in malicious or wanton misconduct. *Id.*

The concept of punitive damages generally is absent from European law. In some jurisdictions the court may in its discretion increase the damage award if the defendant's conduct is extreme. For example, an Austrian court may award damages in excess of the plaintiff's demonstrated losses where the defendant was grossly negligent. The excess damages are not considered punitive in nature. Rather, the increased awards are compensatory in principle.

A. The United States

Federal Law

The Lanham Act does not include punitive damages as a remedy for infringement of federally registered marks. Section 35(a) of the Act expressly states that damages "shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a). Federal courts have uniformly interpreted this provision to mean that punitive damages are unavailable under the Act. See e.g. Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103, 112 (2d Cir. 1988); McCarthy, supra § 30:95.

However, Section 35(a) of the Act allows courts to enter a judgment for amounts above actual damages and above actual profits.* The increased damages provision, although deemed compensatory, enables the court to

defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may

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 $^{^{*}}$ Section 35(a) of the U.S. Lanham Act (15 U.S.C. § 1117(a)), Recovery for violation of rights:

⁽a) Profits; damages and costs; attorney fees. When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a) or (d) [15 USCS § 1125(a) or (d)], or a willful violation under section 43(c) [15 USCS § 1125(c)], shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 [15 USCS §§ 1111, 1114], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove

punish a wrongdoer for its willful misconduct. Moreover, treble damages and attorney's fees may also be awarded for counterfeiting under Section 35(b).

2. State Law

Punitive damages may be available for willful trademark infringement under state trademark law.

In most states, the plaintiff carries a heavy burden of proof on the issue of the defendant's bad intent. For example, in Charles *Jacquin et Cie, v. Destileria Serralles, Inc.*, the plaintiff filed suit under Lanham Act Section 43(a) and under Pennsylvania common law for trade dress infringement of its uniquely shaped liquor bottle. 921 F.2d 467, 472 (3d Cir. 1990). The jury found that the plaintiff's bottle had acquired secondary meaning and that consumer confusion was likely. The court acknowledged that punitive damages were available for the common-law trade dress infringement claims. Pennsylvania courts follow Section 908(2) of the Restatement (Second) of Torts, and punitive damages are allowed under Section 908 for "conduct that is outrageous because of the defendant's evil motive or his reckless indifference to the rights of others." While the plaintiff had presented some evidence of intentional copying, the court declined to award punitive damages absent a showing of outrageous behavior by the defendant.

Similarly, in *Zelinski v. Columbia 300, Inc.*, the Seventh Circuit held that ordinary negligence will not support an award of punitive damages in an action for trademark infringement. 335 F.3d 633, 638 (7th Cir. 2003). There, the plaintiff filed suit asserting claims of trademark infringement and unfair competition under the Lanham Act and Illinois state law. The jury found in the plaintiff's favor and awarded him \$70,000 in actual damages and \$710,000 in punitive damages. After trial, the district court granted the defendant's motion to vacate the punitive damages award because the defendant "reasonably believed it had an oral agreement" to sell the infringing product.

On appeal, the Seventh Circuit observed that, under Illinois law, punitive damages are recoverable only "where the alleged misconduct is outrageous either because the acts are done with malice or an evil motive or because they are performed with a reckless indifference toward the rights of others." Ordinary negligence would not support an award of punitive damages. The plaintiff, therefore, was required to prove more than "mere inadvertence, mistake, errors of judgment and the like." Much of the evidence showed that the defendant's representatives were negligent, "not that they had a conscious and deliberate disregard for the rights of others." The Seventh Circuit affirmed the district court's ruling that the plaintiff did not put forth sufficient evidence to recover punitive damages.

In many jurisdictions, state legislatures have also expressly addressed the availability of punitive damages for trademark infringement. The table below provides an overview of relevant trademark, unfair competition or business

enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

code provisions. Where no statutory provision exists, courts have nonetheless imposed punitive damages under tort law.

State	Statute	Statutory Provision
Alabama	Ala. Code §§ 8-12-18 (2002 Repl. Vol.)	The statute does not provide for punitive damages as a remedy for trademark infringement.
Alaska	Alaska Stat. 45.50.180	The court may enter judgment for punitive damages in an amount not to exceed three times the profits and damages
Arizona	A.R.S. 44-1451	The statute does not provide for punitive damages as a remedy for trademark infringement.
Arkansas	A.C.A. §4-71-214	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits and damages or reasonable attorney's fees of the prevailing party, or both, in cases where the court finds the other party committed wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
California	Cal. Bus. & Prof. Code §§14330	The statute does not provide for punitive damages as a remedy for trademark infringement.
Colorado	Colo. Rev. Stat. §§7-70-112	The statute does not provide for punitive damages as a remedy for trademark infringement.
Connecticut	Conn. Gen. Stat. ch. 621a, §35-11i(b)	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits and damages and a reasonable attorney's fee of the prevailing party in such cases where the court finds the other party committed such wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
Delaware	6 Del. C. §3314	The statute does not provide for punitive damages as a remedy for trademark infringement.
Distr. of Col.	D.C. Code Ann. §28- 3905(k)(1)	The statute provides that the court may, in its discretion, enter an award of punitive damages to the prevailing party.
Florida	Fla. Stat. §495.141	The statute does not provide for punitive damages as a remedy for trademark infringement.
Georgia	O.C.G.A. §§10-1-450	The statute does not provide for punitive damages as a remedy for trademark infringement.
Hawaii	HRS §482-33(a)	The court, in its discretion, may enter judgment for an amount not to exceed three times the lost profits and damages incurred by the owner, and award reasonable attorneys' fees to the owner when the court finds that the defendants committed the wrongful acts knowingly or in bad faith.
Idaho	I.C. §§48-514	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant.

State	Statute	Statutory Provision
Illinois	765 ILC S 1036/70	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant
Indiana	Ind. Code §§24-2-1- 14	A court may enter judgment for:
		 (1) an amount not to exceed the greater of: (A) three times the profits derived from; or (B) three times the damages suffered by reason of; the intentional use of a counterfeit mark, knowing it to be a counterfeit in connection with the goods or services for which the mark is registered; and (2) in exceptional cases, reasonable attorney's fees to the prevailing party.
lowa	lowa Code ch. 548.114	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant
Kansas	K.S.A. §81-215(a)	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant
Kentucky	K.R.S. 365.603	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant
Louisiana	La. R.S. 51:223	The statute does not provide for punitive damages as a remedy for trademark infringement.
Maine	10 M.R.S.A. §1531	The statute does not provide for punitive damages as a remedy for trademark infringement.
Maryland	Md. Bus. Reg. Code Ann. §1-414	The statute does not provide for punitive damages as a remedy for trademark infringement.
Massachusetts	ALM GL ch. 110H, §§13-14(2007)	The court, in its discretion, may enter judgment for an amount not to exceed 3 times the profits and damages and reasonable attorneys' fees of the prevailing party in the cases where the court finds the other party committed wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
Michigan	Mich. Comp. Laws Ann. §429.43	The statute does not provide for punitive damages as a remedy for trademark infringement.

State	Statute	Statutory Provision
Minnesota	M.S.A. §333.29	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits and damages and reasonable attorneys' fees of the prevailing party if the court finds the other party committed wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
Mississippi	Miss. Code Ann. (1972) §75-25-25, -27	The court, in its discretion, may enter judgment for an amount not to exceed three times the defendant's profits and damages and may award reasonable attorney's fees and costs of suit to the prevailing party in such cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise, as the circumstances of the case may warrant
Missouri	Mo. Rev. Stat. (2004) §417.061(2)	The statute does not provide for punitive damages as a remedy for trademark infringement.
Montana	Mont. Code Ann. §§30-13-333, 335	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits and damages and reasonable attorney fees of the prevailing party in cases in which the court finds that the other party committed the wrongful acts with knowledge, in bad faith, or otherwise as according to the circumstances of the case.
Nebraska	Neb. Rev. Stat. §87- 141 (R.S. Supp. 2004)	The statute does not provide for punitive damages as a remedy for trademark infringement.
Nevada	N.R.S. 600.430	A court of competent jurisdiction may require the defendant to pay to the owner treble damages on all profits derived from the willful and wrongful acts of the defendant and treble damages on all damages suffered by reason of his acts
New Hampshire	N.H. RSA. 350-A:12, RSA 350-A:13	The statute does not provide for punitive damages as a remedy for trademark infringement.
New Jersey	N.J. Stat. Ann. §§ 56:3-13.16, -13.18	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits or damages and may also award reasonable attorneys' fees and costs of suit to the prevailing party in cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or if the court finds the other party's conduct so egregious as to justify such an award
New Mexico	N.M.S.A. 57-3B-16	The court, in its discretion, may enter judgment for an amount not to exceed three times the profits and damages and for reasonable attorney fees of the prevailing party in those cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or as otherwise the circumstances of the case may warrant.
New York	New York Gen. Bus. Law § 360m.	The court, in its discretion, may enter judgment for an amount not to exceed three times such profits and damages and/or reasonable attorneys' fees of the prevailing party in such cases where the court finds the other party committed such wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
North Carolina	N.C.G.S. § 75-16	The statute provides that the court may, in its discretion enter an award of treble damages.

State	Statute	Statutory Provision
North Dakota	§§47-22-11, -12 N.D.C.C.	The statute does not provide for punitive damages as a remedy for trademark infringement.
Ohio	ORC §1329.66	The statute does not provide for punitive damages as a remedy for trademark infringement.
Oklahoma	78 Okla. Stat. Ann. §§31-32	The statute does not provide for punitive damages as a remedy for trademark infringement.
Oregon	ORS 647.105(1)	Any court of competent jurisdiction may grant injunctions to restrain manufacture, use, display or sale of goods bearing a counterfeit mark as may be by the court deemed just and reasonable and shall require the defendant to pay to the owner the greater of \$ 10,000 or the sum of:
		(a) An amount not to exceed three times the profits derived by the defendant from the wrongful manufacture, use, display or sale; and
		(b) An amount not to exceed three times all damages suffered by the owner because of the wrongful manufacture, use, display or sale.
Pennsylvania	54 Pa. Cons. Stat. Ann. § 1125 (West 2005)	The court, in its discretion, may enter judgment for an amount not to exceed three times such profits and damages and/or reasonable attorney fees of the prevailing party in such cases where the court finds the other party committed such wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
Puerto Rico	Title 10 LPRA §171w	The statute does not provide for punitive damages as a remedy for trademark infringement.
Rhode Island	R.I. Gen. Laws §6-2- 13	The statute does not provide for punitive damages as a remedy for trademark infringement.
South Carolina	S.C. Code Ann. §39- 15-1165 & 1170 (1976)	The court in its discretion may enter judgment for an amount not to exceed three times the profits and damages or reasonable attorneys' fees of the prevailing party, or both, in cases where the court finds the other party committed the wrongful acts with knowledge or in bad faith or otherwise according to the circumstances of the case.
South Dakota	SDCL 37-6-24, -26	The statute does not provide for punitive damages as a remedy for trademark infringement.
Tennessee	Tenn. Code Ann. §§47-25-513(b), - 514(a)	The court, in its discretion, may enter judgment for an amount not to exceed three (3) times such profits and damages and/or reasonable attorneys' fees of the prevailing party in such cases where the court finds the other party committed such wrongful acts with knowledge or in bad faith or otherwise as according to the circumstances of the case.
Texas	Tex. Bus. & Com. Code §16.26(c); Tex. Civ. Prac. & Rem. Code §41.003(a)	Exemplary damages may be awarded only if the claimant proves by clear and convincing evidence that the harm with respect to which the claimant seeks recovery of exemplary damages results from: (1) fraud; (2) malice; or (3) gross negligence.

State	Statute	Statutory Provision
Utah	UCA §70-3a-404	A court may enter judgment for the prevailing party:
		(a) in an action where the court finds:
		(i) the other party committed the wrongful act:
		(A) with knowledge;
		(B) in bad faith; or
		(ii) as according to the circumstances of the case; and
		(b) in an amount not to exceed:
		(i) three times the profits and damages of the prevailing party;
		and
		(ii) the reasonable attorneys fees of the prevailing party.
Vermont	V.S.A. §§2530-2531	The statute does not provide for punitive damages as a remedy for
		trademark infringement.
Virginia	Va. Code Ann. §59.1-	The statute does not provide for punitive damages as a remedy for
	92.13	trademark infringement.
Washington	R.C.W. 19.77.150	The statute does not provide for punitive damages as a remedy for
		trademark infringement.
West Virginia	W. Va. Code §47-2-	The court, in its discretion, may enter judgment for an amount not to
	14(a)	exceed three times such profits and damages and/or reasonable
		attorneys' fees of the registrant in such cases where the court finds
		the other party committed such wrongful acts with knowledge or in
		bad faith or otherwise as according to the circumstances of the case.
Wisconsin	Wis. Stat. §§132.033,	The statute does not provide for punitive damages as a remedy for
	132.02(1);	trademark infringement.
Wyoming	Wyo. Stat. Ann. §40-	The court, in its discretion, may enter judgment for an amount not to
	1-112	exceed three times the profits and damages and reasonable
		attorneys' fees of the prevailing party in such cases where the court
		finds the other party committed such wrongful acts with knowledge
		or in bad faith or otherwise as according to the circumstances of the
		case.

3. Limitations on Punitive Damages in the United States

Although punitive damages awards are widely available, they are subject to a variety of restrictions. Generally, punitive damages awards are limited to an amount up to three times the amount of compensatory damages. In some states, punitive damages awards are limited to an amount that will compensate the plaintiff for litigation expenses. See Triangle Sheet Metal Works, Inc. v. Silver, 222 A.2d 220 (Conn. 1966). In such jurisdictions "punitive" damages are, practically speaking, an award of attorney's fees in extraordinary cases.

In many jurisdictions, a plaintiff may seek punitive damages only for infringement of a mark that is registered under the relevant state statute. See e.g. Ark. Code Ann. § 4-71-214. Other restrictions include awarding punitive damages only for infringement of famous marks, or for counterfeiting. See e.g. Alaska Stat. § 45.50.170. In some jurisdictions the plaintiff bears an increased evidentiary burden on the issue of punitive damages, and must prove by clear and convincing evidence that the defendant's conduct was sufficiently extraordinary to merit the increased award. See e.g. Tex. Civ. Prac. & Rem. Code Ann. § 41.003(a).

Notably, in 2003 the U.S. Supreme Court held for the first time that the Fourteenth Amendment to the U.S. Constitution imposes a substantive limit on the amount of a punitive damages award. The Court, in *State Farm Mutual Auto Insurance Co. v. Campbell*, 538 U.S. 408, 418 (2003), recited three factors that are relevant to the constitutionality of a punitive damages award: (1) the degree of reprehensibility of the defendant's conduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases. The Court has, however, overturned only two punitive damages awards because of their size; both of the awards exceeded a 100:1 ratio of punitive to compensatory damages. See *BMW of North America v. Gore*, 517 U.S. 559, 582 (1996); *Campbell*, 538 U.S. at 429.

The Ninth Circuit recently reviewed the appropriate punitive damages ratios applicable to varying degrees of reprehensible conduct. See In re The Exxon Valdez, 472 F.3d 600 (9th Cir. 2006). In Exxon Valdez, the court concluded that a ratio of up to 4:1 of punitive damages to harm satisfies due process in cases with "significant economic damages" but behavior that is not "particularly egregious." In cases with "significant economic damages" and "more egregious behavior," a single-digit ratio of more than 4 to 1 may be appropriate. The court noted that the "Supreme Court has reserved the upper echelons of constitutional punitive damages (a 9 to 1 ratio) for conduct done with the most vile of intentions."

B. Europe

European law is based on the principle of compensatory damages. Punitive damages are therefore not available. Compensatory damages may vary from jurisdiction to jurisdiction, but it is generally accepted that they include the total loss (damnum emergens) suffered by the infringed party, including the so-called nonmaterial or moral losses and lost profits (lucrum cessans). It is further accepted that claims going beyond the compensatory damages lead to unjust enrichment (condictio indebiti), which contradicts European law. The main exception to the principle for compensatory damages in the IPR area relates to copyright infringement. Such an exception, however, does not apply to trademark infringement.

EU legislation concerning trademark infringements and remedies includes the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of IP Rights as a supranational law and the national laws of the EU Member States, which should comply with the Directive.

Neither the Directive (Art. 13) nor European national statutory laws establish punitive damages similar to those available in the United States. However, as indicated in the table below, some national statutory or case laws provide for damages that can exceed compensatory damages and can be viewed as punitive in nature.

Country	Availability of Punitive Damages
Austria	The concept of punitive damages is not known to Austrian law. Under Austrian
	law damages are compensatory, as a matter of principle. However, in matters of
	gross negligence, the infringed trademark owner can claim the double amount of
	the respective compensatory damages.
Belgium	The concept of punitive damages is not known to Belgian law.
Bulgaria	The concept of punitive damages is not known to Bulgarian law.
Czech Republic	The concept of punitive damages is not known to Czech law.
Denmark	The concept of punitive damages is not known to Danish law. In an isolated
	matter before the Maritime and Commercial Court "penalty-like-damages" have
	been awarded against a former employee who has copied the appearance of a
	bottle, violating the Danish Marketing Practices Act. In this case, although the
	claimant did not suffer any actual damages, a minor indemnification was
	awarded. Research has not revealed any case law involving damages beyond
	compensatory in trademark matters.
France	The concept of punitive damages is not known to French law.
Germany	The concept of punitive damages is not known to German law. In 1992 the
	German Supreme Court rejected the enforcement of a foreign award for punitive
	damages as contrary to public policy.
Hungary	The concept of punitive damages is not known to Hungarian law.
Italy	The concept of punitive damages is not known to Italian law.
Latvia	The concept of punitive damages is not known to Latvian law.
Netherlands	The concept of punitive damages is not known to Dutch law. Under Dutch law,
	damages are compensatory by definition. However, in matters of IPR
	infringements, including trademark infringements, the court is entitled to a
	"flexible" assessment of the amount of damages which may exceed the
	compensatory damages. Furthermore, the infringed party is entitled to penalties
	for non-compliance with injunctions which also exceed the compensatory
Namusu	damages.
Norway	The concept of punitive damages is not known to Norwegian law.
Portugal Romania	The concept of punitive damages is not known to Portuguese law.
Russian Federation	The concept of punitive damages is not known to Romanian law.
	The concept of punitive damages is not known to Russian law.
Slovenia	The concept of punitive damages is not known to Slovenian law.
Spain	The concept of punitive damages is not known to Spanish law.
Sweden	The concept of punitive damages is not known to Swedish law. However,
	Swedish case law awards damages for IPR infringements when there has been
	no or only a very low loss for the infringed party and such loss appears unreasonably low compared to the degree of negligence of the infringer and the
	benefits achieved by the infringement.
Switzerland	
Ukraine	The concept of punitive damages is not known to Swiss law. The concept of punitive damages is not known to Ukrainian law.
United Kingdom	Although UK law does not operate with the concept of punitive damages as
onited Kingdom	such, according to Section 3 of The Intellectual Property (Enforcement, etc.)
	Regulations 2006, when awarding damages all aspects should be taken into
	account including elements other than economic factors, including the moral
	prejudice caused to the claimant by the infringement.
	prejudice caused to the cialinant by the initingement.

C. Mexico

Article 221 *bis* of the Mexican Industrial Property Law allows for an award of compensatory damages for trademark infringement, equal to at least 40 percent of the retail value of the infringing goods. In addition, Article 221 states that a plaintiff is entitled to other damages available under "ordinary legislation."

Punitive damages, as such, do not exist under Mexican law. However, Article 1916 of the Federal Civil Code allows for awards of "moral damages" (daños morales). The purpose of an award of moral damages is to compensate the plaintiff for intangible losses, such as damage to reputation, in addition to proven monetary losses. Courts have discretion to base the amount of moral damages on the nature of the rights involved, the defendant's degree of responsibility, the parties' economic situation and other factors. Although there is no published case law on the issue, courts have awarded moral damages in trademark cases. There are no juries in Mexico, and Mexican judges tend to be conservative in awarding damages. Nonetheless, plaintiffs in trademark cases should consider a request for moral damages in order to obtain the most complete relief possible under Mexican law.

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