



7-25-2017

The Devil Wears Nada: How the Current Statutory Damages System for Counterfeit Trademarks as Demonstrated in *Chanel, Inc. v. Matos Is out of Style*

Lauren Maturri

Follow this and additional works at: <http://digitalcommons.law.villanova.edu/vlr>



Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Lauren Maturri, *The Devil Wears Nada: How the Current Statutory Damages System for Counterfeit Trademarks as Demonstrated in Chanel, Inc. v. Matos Is out of Style*, 62 Vill. L. Rev. 327 (2017).

Available at: <http://digitalcommons.law.villanova.edu/vlr/vol62/iss2/2>

This Note is brought to you for free and open access by Villanova University Charles Widger School of Law Digital Repository. It has been accepted for inclusion in Villanova Law Review by an authorized editor of Villanova University Charles Widger School of Law Digital Repository. For more information, please contact Benjamin.Carlson@law.villanova.edu.

2017]

Notes

THE DEVIL WEARS NADA:
HOW THE CURRENT STATUTORY DAMAGES SYSTEM
FOR COUNTERFEIT TRADEMARKS AS
DEMONSTRATED IN *CHANEL, INC. v.*
MATOS IS OUT OF STYLE

LAUREN MATTURRI*

“Luxury is inimitable, permanent. It is essential . . . to preserve the true, lasting value of what we create.”¹

I. INTRODUCTION: EXPLAINING THE ISSUES OF COUNTERFEITING
TO ANNA WINTOUR

A person can have many valuable things, but counterfeit handbags are not and will never be in style.² The fashion industry is no newcomer when it comes to dealing with the effects of counterfeit goods.³ Trade-

* J.D. Candidate, 2018, Villanova University Charles Widger School of Law; B.A., 2014, Lafayette College. I would like to thank my family and friends for their support. I would also like to thank the editors of the *Villanova Law Review* for their assistance throughout the writing process. This Note is dedicated to my late grandfather, Judge Alexander J. Matturri. The title and theme for this Note were inspired by the movie *The Devil Wears Prada* and various other fashion nuances from pop culture. See *THE DEVIL WEARS PRADA* (Fox 2000 Pictures 2006).

1. Kerry Pieri, *Exclusive: Ebay and the CFDA’s “You Can’t Fake Fashion” Designer Totes*, *HARPER’S BAZAAR* (Mar. 12, 2013), <http://www.harpersbazaar.com/fashion/trends/g2599/ebay-cfda-you-cant-fake-fashion-designer-totes/> [https://perma.cc/H5LY-7HXF] (alteration in original) (internal quotation marks omitted) (quoting Gilles Mendel from J. Mendel). Pieri’s interview with Mendel took place at the launch party for the “You Can’t Fake Fashion” campaign, a joint effort between eBay and the Council for Fashion Designers of America (CFDA) designed to take on the issue of counterfeiting. See *id.* (describing “You Can’t Fake Fashion” initiative).

2. See Sarah J. Kaufman, Note, *Trend Forecast: Imitation Is a Legal Form of Flattery*—*Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 23 *CARDOZO ARTS & ENT. L.J.* 531, 532–33 (2005) (describing how knockoffs and counterfeits define different aspects of trademark infringement). A counterfeit item is a product in which a trademark of a fashion house is illegally used to sell goods with that fashion house’s marks, but the product is of significantly lesser quality and the trademark is used without permission. See *id.* at 533 (citing *Imitating Property Is Theft*, *ECONOMIST* (May 15, 2003), <http://www.economist.com/node/1780818> [https://perma.cc/2H7M-GY36]) (defining counterfeiting); see also *Counterfeit*, *BLACK’S LAW DICTIONARY* (8th ed. 2004).

3. See, e.g., Chavie Lieber, *Why the \$600 Billion Counterfeit Industry Is Still Horrible for Fashion*, *RACKED* (Dec. 1, 2014, 11:45 AM), <http://www.racked.com/2014/12/1/7566859/counterfeit-fashion-goods-products-museum-exhibit> [https://perma.cc/56ZF-KUWX] (highlighting that international counterfeit industry is not end-

(327)

marked handbags, clothes, and other accessories are continuously counterfeited and sold illicitly.⁴ The Internet has made this problem even worse by providing counterfeiters with an expanded market and a greater number of purchasers.⁵ Fashion designers regularly sue counterfeiters via trademark infringement statutes and subsequently request statutory damages.⁶

Section 1117 of the Lanham Act,⁷ titled “Recovery for Violation of Rights,” gives courts wide discretion to award statutory damages in counterfeiting cases, which has resulted in inconsistent approaches to calculating damages under the statute.⁸ Statutorily permitted judicial discretion

ing anytime soon but measures can be taken domestically to deter counterfeit market). Lieber’s article states that the issue of counterfeiting handbags, specifically, began in the 1980s and was due to the consumer obsession with designer handbags plastered with logos. *See id.* (explaining rise in popularity of counterfeit handbags). This increased demand for logo-branded handbags, and thus, a market for logo-branded handbags costing less than their authentic counterparts was born. *See id.* (describing creation of counterfeit handbag market). A potential solution to this fashion industry-wide problem could be starting with designers not copying each other, which is what “fast” fashion companies such as Zara and H&M do. *See id.* (suggesting solution to counterfeiting problem); *see also* Andrew Chung, *Costco Should Pay \$5.5 Million for Selling Fake Tiffany Rings: U.S. Jury*, REUTERS (Sept. 30, 2016, 11:51 AM), <http://www.reuters.com/article/us-tiffany-costco-wholesale-lawsuit-idUSKCN120245> [<https://perma.cc/TG8E-G5JR>] (describing lawsuit between Tiffany and Costco). Chung’s article discusses how Costco was selling engagement rings under the Tiffany name that were not, in fact, Tiffany brand. *See id.* (describing litigation between Costco and Tiffany & Co. over sale of allegedly counterfeit engagement rings). Tiffany won a suit for infringement on their protected trademarks and damage brought on by consumer confusion. *See id.* (noting Tiffany & Co. won counterfeit case against Costco).

4. *See, e.g.*, *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 584 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002) (stating issue of counterfeiting is “no longer . . . limited to the street vendor” in New York City but rather all over Internet in many different forms). The Internet allows counterfeiters to expand their businesses and reach a larger market of potential buyers. *See id.* (commenting on Internet’s impact on counterfeiters).

5. *See id.* (distinguishing unique role Internet plays in furthering profits and businesses of counterfeiters). Through the Internet, counterfeiters can sell illicit goods on legitimate auction website like eBay or by registering domain names and selling items through personal websites. *See Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 97 (2d Cir. 2010) (discussing counterfeit Tiffany items sold on eBay.com); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 535 (D.N.J. 2008) (discussing counterfeit goods sold on defendant’s website).

6. *See generally* Colleen Jordan Orscheln, Comment, *Bad News Birkins: Counterfeit in Luxury Brands*, 14 J. MARSHALL REV. INTELL. PROP. L. 249 (2015) (describing various causes of action available to trademark owners and discussing several representative cases).

7. *See* Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified at 15 U.S.C. §§ 1051–1141n (2012)).

8. *See* 15 U.S.C. § 1117 (permitting courts to use discretion). Judicial discretion has led to judges calculating damages inconsistently in similar counterfeit trademark cases. For a description of different approaches in similar counterfeit cases, *see generally* *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631 (2d Cir. 1998) (considering Copyright Act guidance when awarding statutory damages equal to ten percent of defendant’s counterfeit business); *Chanel, Inc. v. Matos*,

has made the statute ineffective in achieving its goals to compensate plaintiffs and deter counterfeiters.⁹

The counterfeiting industry is not shrinking anytime soon, and the current statutory damages system is not helping.¹⁰ Alternative approaches to handling trademark counterfeit cases need to be examined.¹¹ While monetary damages help compensate plaintiffs for potentially lost profits, they are not deterring defendants and other counterfeiters from taking part in the illicit market.¹² Permanent injunctive relief legally stops de-

133 F. Supp. 3d 678 (D.N.J. 2015) (adopting copyright damages approach but considering other approaches); *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. CIV.A.09-4215 (JBS), 2010 WL 2521444 (D.N.J. June 14, 2010) (adopting copyright damages law); *Veit*, 211 F. Supp. 2d 567 (examining copyright law approach but strongly considering defendant's willful actions and point of sale).

9. See Antonio R. Sarabia II, *Marked Recovery: The Calculation of Statutory Damages for Trademark Infringement Could Be Simplified by Using the "Class System" to Determine Goods and Services*, L.A. LAW., Apr. 2005, at 36, 38–40 (describing ineffectiveness of current damages analysis and instead proposing system for awarding damages based on classes of counterfeited trademarks). Sarabia's article argues a class system would address the issue of counterfeit goods by encouraging trademark owners to register their marks sooner, thus allowing courts to target their awards for damages. See *id.* at 40 (illustrating potential benefit of class system). Registering the mark would provide the added benefit of having the mark fit into a class of use such as handbags or women's shirts. See *id.* at 39 (explaining benefit of registering provided by class system). Each of these classes would then have a specific range of damages that courts could award. See *id.* at 40 (acknowledging another benefit of class system).

10. See Kevin V. Tu, *Counterfeit Fashion: The Interplay Between Copyright and Trademark Law in Original Fashion Designs and Designer Knockoffs*, 18 TEX. INTELL. PROP. L.J. 419, 423 (2010) ("At best, the protection extended to fashion designs under United States law provides a spotty defense against counterfeit and knockoff designs In light of this limited scheme of protection, both copyright's primary function to 'promote the [p]rogress of [s]cience and useful [a]rts' and trademark's goal of protecting against unfair competition accentuate the need for a more comprehensive plan of protecting fashion and apparel designs." (alteration in original) (footnotes omitted)). Tu's article promotes the idea that the various intellectual property laws should not be so separate when it comes to the fashion industry and that using a combination of some or all of those laws might be the best approach to stopping counterfeiting. See *id.* at 420 (suggesting way of addressing counterfeiting problem).

11. See Sarabia, *supra* note 9, at 39–40 (outlining problems with existing statutory damages scheme and arguing instead for class system approach to counterfeit damages); Tu, *supra* note 10, at 422–23, 425 (stating failures of current system and arguing for copyright law and trademark law to work in conjunction to provide best protections to all fashion designers).

12. See Orscheln, *supra* note 6, at 257–58 (noting plaintiffs can also recover injunctive relief but that injunctive relief does not promote deterrence). This is because injunctions are granted after counterfeiters have already been selling the goods on the market. See *id.* (explaining why injunctive relief is not sufficient deterrent for counterfeiters). Actions need to be taken to stop counterfeiting before fashion houses conduct investigations that turn up evidence of counterfeiting. See *id.* at 257, 266 (stressing importance of taking action to deter counterfeiting). See *infra* notes 100–01 and accompanying text (discussing Orscheln's approach to deterring counterfeit industry).

defendants from being able to use the mark; it does not stop counterfeiters before they sell the goods.¹³

*Chanel, Inc. v. Matos*¹⁴ is one case in a long line of cases showing that the current statutory damages system is out of style.¹⁵ The court in *Matos* adopted an approach similar to that taken in cases for copyright damages, but it acknowledged other approaches that courts have taken.¹⁶ This acknowledgment shows that, even with a significant amount of case law and numerous approaches available, courts are still unsure of how to calculate statutory damages.

Matos addresses some of the major issues found in counterfeit trademark cases.¹⁷ In that case, the plaintiff, Chanel, an internationally famous fashion house, brought suit against the owner of a website who was selling counterfeit goods bearing Chanel marks.¹⁸ The plaintiff was able to recover statutory damages under Section § 1117 of the Lanham Act.¹⁹ Using its discretion, the District of New Jersey awarded the plaintiff statutory damages.²⁰

This Note argues that the current damages system under § 1117 of the Lanham Act, as demonstrated in *Matos*, gives courts too-wide of discretion when calculating damages. This results in inconsistent calculations of damages for similar counterfeit trademark cases, and thus disserves the public's interest in effectively deterring counterfeiters and compensating

13. See *supra* note 12 and accompanying text (explaining limitations inherent to injunctive relief).

14. 133 F. Supp. 3d 678 (D.N.J. 2015).

15. See *id.* at 688–90 (awarding statutory damages by weighing copyright law factors and acknowledging statutory damages should have some relation to actual damages). The court followed the copyright approaches taken in other cases. See *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. CIV.A.09-4215(JBS), 2010 WL 2521444, at *1–2 (D.N.J. June 14, 2010) (awarding statutory damages according to copyright law approach); *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 583–84 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002) (analyzing statutory damages under Copyright Act framework and proceeding with damages award under statutory framework); see also *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631 (2d Cir. 1998) (considering Copyright Act guidance when awarding statutory damages equal to ten percent of defendant's counterfeit business).

16. See *Matos*, 133 F. Supp. 3d at 685 (acknowledging that statutory damages should have some relation to estimated actual damages).

17. See *infra* notes 124–44 and accompanying text for a discussion of the issues addressed in *Matos* and how the court dealt with them.

18. See *Matos*, 133 F. Supp. 3d at 682–83 (stating defendant did not have permission from plaintiff to sell goods with Chanel marks on them).

19. See *id.* at 689 (awarding damages based on § 1117); see also 15 U.S.C. § 1117 (2012) (providing range of monetary damages courts must use when determining damages to award); see also *infra* notes 102–03 and accompanying text (discussing copyright-adopted law).

20. See *Matos*, 133 F. Supp. 3d at 687 (awarding \$180,000 in statutory damages and \$400 for cost of suit).

plaintiffs.²¹ Therefore, alternative approaches to awarding statutory damages in such cases should be examined.²² Part II of this Note provides background information necessary to understand the counterfeiting issue by examining relevant statutes, cases, and proposed alternative approaches.²³ Part III provides the facts of the case central to this Note, *Matos*.²⁴ Part IV discusses the *Matos* court's reasoning behind the calculation of the statutory damages it awarded.²⁵ Part V offers a critical analysis of the court's reasoning in *Matos*.²⁶ Part VI of this Note concludes by demonstrating that *Matos* is one case in a long line of cases awarding inconsistent damages for counterfeiting and urges the legislature to examine alternative approaches.²⁷

II. HOW THE COUNTERFEITING INDUSTRY CAME TO BE AS PREVALENT AS SKINNY JEANS

Courts addressing counterfeit trademark issues are calculating statutory damages in very different ways.²⁸ To understand why, it is necessary to start with an explanation of the statutes enacted to stop counterfeiting activity and protect trademark holders.²⁹ This Section will discuss how courts have recently approached the statutory discretion inherent in § 1117.³⁰ Then, this Section will examine approaches courts have taken to understand the greater role counterfeit goods play in intellectual property

21. See *infra* notes 148–71 and accompanying text (discussing why current statutory damages system is not effective and how *Matos* tries, but fails, to add teeth to system).

22. See *infra* notes 159–71 and accompanying text (discussing proposed alternative approaches to counterfeiting).

23. See *infra* notes 28–111 and accompanying text (explaining background of issue).

24. See *infra* notes 112–23 and accompanying text (describing facts of *Matos*).

25. See *infra* notes 124–44 and accompanying text (providing narrative analysis of *Matos*).

26. See *infra* notes 145–71 and accompanying text (discussing critical analysis of *Matos*).

27. See *infra* notes 172–86 and accompanying text (explaining impact case will have on counterfeit industry and proposing alternative approaches to serve trademark holders better and deter counterfeit industry).

28. See, e.g., *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. CIV.A.09-4215 (JBS), 2010 WL 2521444, at *6 (D.N.J. June 14, 2010) (adopting copyright damages law); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 537–38 (D.N.J. 2008) (using actual damages to determine statutory damages); *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 583–85 (E.D. Pa. 2002) (examining copyright damage approach but strongly considering defendant's willful actions and point of sale).

29. See *infra* notes 33–51 and accompanying text (explaining statutes enacted to address counterfeiting).

30. See *infra* notes 52–71 and accompanying text (showing approaches taken by various courts to calculate statutory damages award).

law.³¹ Finally, this section concludes with a discussion of proposed alternative approaches to dealing with counterfeit trademark cases.³²

A. *Why That Counterfeit Chanel Was Not Worth It: The Current State of Counterfeit Goods in the Fashion Industry*

The fashion industry is a multibillion-dollar industry with very few effective intellectual property protections.³³ Counterfeiting is one of the major intellectual property issues affecting the fashion industry, the world economy, and criminal organizations.³⁴ This global issue is even more prevalent because of the Internet's expanding role in it.³⁵ U.S. law aims to take down this illicit industry with laws that deter counterfeit goods and strengthen the rights of trademark holders.³⁶

The fashion industry, however, has struggled to apply different intellectual property laws to the issue of counterfeiting.³⁷ Current intellectual property laws do not provide adequate solutions for protecting marks in

31. See *infra* notes 73–96 and accompanying text (describing trademark case law as relevant to issue of counterfeiting).

32. See *infra* notes 97–111 and accompanying text (discussing alternative approaches).

33. See Tu, *supra* note 10, at 425 (arguing action must be taken to deter counterfeiting and stop illicit industry).

34. See Orscheln, *supra* note 6, at 259–60 (noting counterfeiting has significant impact on employment in United States). Because of the illicit nature of the counterfeit industry, counterfeiters do not keep books or keep track of their sales. See Sarabia, *supra* note 9, at 37 (explaining how business records relating to counterfeiting activity typically do not exist in such cases). Therefore, it is hard to determine the actual monetary effect counterfeit goods have on the fashion industry. See Orscheln, *supra* note 6, at 257 (showing full impact of illicit industry is unknown).

35. See *id.* at 261 (noting that Internet has expanded counterfeiters' reaches).

36. See H.R. REP. NO. 110-617, at 24–25 (2008) (highlighting purposes of statute and why amendments were needed to further statute's goals of deterrence and compensating trademark holders). It was necessary to raise the statutory range dollar amount to further the public interest of deterrence. See *infra* note 47 and accompanying text (discussing how statutory damages are calculated).

37. See Kaufman, *supra* note 2, at 565–66 (showing difficulty of applying trademark and copyright law to fashion industry because one cannot file suit against starting trend). This issue was central to *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, in which Louis Vuitton sued Dooney & Bourke for copyright infringement because of a line of handbags Dooney & Bourke released that was very similar to a collection Louis Vuitton had released in a prior season. See *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 109 (2d Cir. 2006) (discussing plaintiff's claims). The Second Circuit held that the plaintiff did not hold the rights to that specific bag design—a white background with a multicolor logo—and that a designer cannot copyright a trend. See *id.* at 112 (providing holding of case).

this industry.³⁸ Some argue legislation should target purchasers, not just sellers of counterfeit goods.³⁹

Trademark protections stem from various sections of the Lanham Act, which aims to protect the rights of trademark holders.⁴⁰ Section 1125 of the Lanham Act gives a registered trademark owner a right of civil action if a party infringes his or her trademark.⁴¹ This statute can be applied to the fashion industry as a means to give fashion houses the ability to sue for trademark infringement and counterfeiting.⁴²

In 1996, Congress passed § 1117 of the Lanham Act, allowing trademark holders a right of civil action against a specific type of trademark infringer: the counterfeiter.⁴³ This statute's goal is to deter such illegal activity and compensate plaintiffs for lost profits, goodwill, and integrity as a result of the infringement.⁴⁴

Under § 1117, courts have wide discretion to award damages, attorney's fees, and costs.⁴⁵ Per this statute, a plaintiff has the option to request statutory damages over actual damages if actual damages would be

38. See generally Kaufman, *supra* note 2, at 565–66 (describing problems with applying different areas of intellectual property to fashion industry and counterfeits).

39. See, e.g., Orscheln, *supra* note 6, at 263–65 (emphasizing counterfeiting is international problem and measures should be taken to pursue all players involved, including purchasers).

40. See 15 U.S.C. § 1117 (2012) (noting statute provides fashion houses and designers with different remedies, including statutory damages); see also 15 U.S.C. § 1125 (2012) (providing civil action against infringement); 15 U.S.C. § 1114 (2012) (permitting injunctive relief in counterfeit cases).

41. See 15 U.S.C. § 1125(a) (allowing trademark owners, registered or not, right of civil action if their trademark is used without their permission).

42. See Tu, *supra* note 10, at 431–32 (explaining how statutes provide right to sue in effort to allow trademark owners to protect their exclusive rights). The implementation of these trademark protection statutes shows that the government is taking action to address trademark infringement and counterfeiting with the ultimate goal of stopping counterfeiters. See *id.* at 432 (explaining indirect protections sometimes available to designers).

43. See Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386 (allowing owners of registered trademarks ability to seek various remedies for civil suits brought against infringers and counterfeiters).

44. See S. REP. NO. 104-177, at 1–6 (1995) (highlighting problem of counterfeiting and stating that purpose of statute is to compensate plaintiffs and deter counterfeiters).

45. See *Louis Vuitton Malletier & Oakley Inc. v. Veit*, 211 F. Supp. 2d 567, 583 (E.D. Pa. 2002) (“In the absence of clear guidelines for setting a statutory damage award, courts have tended to use their wide discretion to compensate plaintiffs, as well as to deter and punish defendants . . .”), amended (E.D. Pa. June 28, 2002). Statutory damages are calculated within a range of one thousand to one million dollars per infringing act when willfulness of the defendant is not taken into account. See 15 U.S.C. § 1117(c)(1) (outlining calculation of statutory damages for use of counterfeit marks). When the defendant's actions are willful, the statutory range maximum increases to \$2 million per infringing act. See *id.* at § 1117(c)(2) (explaining calculation of statutory damages if court finds use of counterfeit mark was willful); see also *infra* note 48 and accompanying text (discussing willfulness criteria).

too challenging to prove.⁴⁶ Section 1117 gives courts wide discretion to award statutory damages in the range of \$1,000–\$200,000 per infringing act.⁴⁷ The statutory maximum increases to \$2 million if the court determines the counterfeiter’s actions were willful.⁴⁸ Courts often look to other analogous intellectual property laws such as copyright law, patent law, and prior court rulings regarding various intellectual property infringement damages for guidance.⁴⁹

In addition to the statute permitting statutory damages, a plaintiff can request attorney’s fees and costs in “exceptional cases.”⁵⁰ Section 1114 of

46. See 15 U.S.C. § 1117(c) (permitting plaintiff to request statutory damages over actual damages).

47. See *id.* (stating statutory damages range and noting that act of infringement is made up of each trademark violated multiplied by number of goods or services on which mark was used). If a defendant sells three types of purses, each of which uses two different trademarks on each handbag, then the defendant has committed six infringing acts. See *id.* The statutory range would apply to each specific act of infringement.

In the original 1996 Act, the statutory range used was \$500 to \$100,000 per infringing act, and if a defendant acted willfully, this range increased to a maximum of \$1 million. See Pub. L. No. 104-153, § 7, 110 Stat. at 1388. In 2008, Congress increased the range to further the goal of deterrence in an industry that is not slowing down: “In the ensuing 12 years, the profits of counterfeiters and the volume of their traffic [have] skyrocketed. The existing statutory damage levels no longer serve as an adequate deterrent in this more lucrative environment. Therefore, the Act doubles current statutory damages for use of a counterfeit mark” H.R. REP. NO. 110-617, at 25 (2008); see also Prioritizing Resources and Organization for Intellectual Property Act of 2008, H.R. 4279, 110th Cong. §§ 104–05 (2008). This Note references cases from before the range was amended, and such discussions of those cases will reference the pre-2008 statutory range.

48. See 15 U.S.C. § 1117(c)(2) (outlining calculation of statutory damages for use of counterfeit marks when actions were willful). “Willful” is not defined in the statute, leaving it up to the courts to decide what it means:

The statute is clear that in order to award the maximum \$1 million award, the defendants must have engaged in willful conduct, which entails “an aura of indifference to plaintiff’s rights” or a “deliberate and unnecessary duplicating of a plaintiff’s mark . . . in a way that was calculated to appropriate or otherwise benefit from the good will the plaintiff had nurtured.”

Veit, 211 F. Supp. 2d at 583 (alteration in original) (quoting *Securacom Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 187 (3d Cir.1999)).

49. See, e.g., *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166–67 (S.D.N.Y. 1999) (comparing trademark and copyright statutes and examining prior court opinions to determine approach).

50. See 15 U.S.C. § 1117(a) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”). The court in *Chanel, Inc. v. Gordashevsky* defined exceptional cases as “includ[ing] those where the Court has made a finding of willfulness.” See *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 539 (D.N.J. 2008) (defining “exceptional cases” (citing 15 U.S.C. § 1117(a); *Securacom Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 280 (3d Cir. 2000))); see also *infra* notes 55, 69, and 134 (discussing exceptional circumstances).

the Lanham Act also allows owners of counterfeited marks to request injunctive relief if the court deems it appropriate.⁵¹

B. *The Latest Fashion Trends Concerning Counterfeit Goods and Inconsistently-Calculated Statutory Damages*

Generally, counterfeit trademark cases have common themes that highlight the problems resulting from the statutory damages system.⁵² Such cases are presented to further the point that the current statutory system's goals of deterrence and compensating plaintiffs are not being fulfilled.⁵³ Plaintiffs in trademark infringement cases often elect an award of statutory damages over actual damages because all defendants' actions are willful, so the statutory damages range maximum always increases.⁵⁴ This makes the willful criteria increase built into the statute obsolete.⁵⁵ Injunc-

51. See 15 U.S.C. § 1114(2) (2012) (allowing injunctive relief in several different instances of infringement). Often counterfeit trademark cases end in default judgment, which makes it appear that defendants do not seem to care about pending litigation or feel the need to defend their illegal actions. See *infra* note 57 and accompanying text (showing counterfeit cases that end in default judgment). By primarily ending in default judgment, even with all the ways for trademark holders to recover, counterfeiters are still not being deterred. See *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631, 635 (2d Cir. 1998) (explaining that defendant continued to counterfeit after being sued). While fashion house plaintiffs can bring attention to the public by educating purchasers about this global problem, defendants are still not being held accountable for their actions. See Andrea Felsted, *Fashion Fights Back Against Counterfeiting*, FIN. TIMES (Nov. 28, 2014), <http://www.ft.com/cms/s/0/4ca2d6c4-749d-11e4-b30b-00144feabdc0.html> [<https://perma.cc/D5BY-H6CP>] (discussing measures designers take to educate public about harms of counterfeiting). Injunctive relief is also an important deterrence because it legally stops defendant counterfeiters from using the marks in the future. See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (discussing issuance of injunction to prevent party from utilizing another's intellectual property).

52. See *infra* notes 54–73 and accompanying text (discussing common themes underpinning counterfeit cases and resulting award of statutory damages).

53. See 15 U.S.C. § 1117 (providing recovery for violation of trademark law); see also H.R. REP. NO. 110-617 (2008) (stating one of statute's goals "is to improve intellectual property enforcement in the United States and abroad").

54. See 15 U.S.C. § 1117(c) (authorizing plaintiffs to recover statutory damages instead of actual damages). There are various examples of cases where plaintiffs were awarded statutory damages. See generally *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215 (JBS), 2010 WL 2521444, at *7–8 (D.N.J. June 14, 2010); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 583 (D.N.J. 2008) (acknowledging plaintiff requested actual damages and court subsequently awarded statutory damages instead of amount plaintiff requested as actual damages); *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 583–84 (E.D. Pa. 2002) (awarding statutory damages), amended (E.D. Pa. June 28, 2002).

55. See 15 U.S.C. § 1117(a) (authorizing trademark owners to recover attorney fees and other costs). This is because virtually every counterfeit case meets the "exceptional circumstances" criteria of defendants acting with knowledge they were producing or selling counterfeit goods. See *Ocean Point Gifts*, 2010 WL 2521444, at *7–8 (noting plaintiffs requested and were awarded attorney's fees and costs); *Gordashevsky*, 558 F. Supp. 2d at 583 (noting dispute surrounded award of attorney's fees and costs of investigation).

tive relief is granted and often ignored, which is evident because most defendants continue to sell or take part in the illicit industry in less blatant capacities.⁵⁶ Additionally, most counterfeit cases end in default judgment because properly served defendants choose to ignore the pending judgment.⁵⁷

Trademark law as a type of intellectual property is meant to lessen consumer confusion between goods and services by protecting marks.⁵⁸ Consumer confusion is one of the driving forces behind ending the sale of counterfeit goods, which hurts the goodwill and integrity of a designer's trademark.⁵⁹ In *Polaroid Corp. v. Polarad Electronics Corp.*,⁶⁰ the Second Circuit determined that a plaintiff cannot sit on its rights as a trademark holder and delay bringing an infringement suit.⁶¹ If trademark holders are aware of another product using that mark or a similar one, they need

56. See *Guess?, Inc. v. Gold Ctr. Jewelry*, 997 F. Supp. 409, 412 (S.D.N.Y. 1998) (holding plaintiff was awarded \$4500 in statutory damages and \$3,500 in attorney's fees), *aff'd*, *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631 (2d Cir. 1998). This case was a counterfeit trademark action brought against the owner of a jewelry store selling goods bearing the plaintiff's marks without the plaintiff's permission. See *id.* at 410 (stating plaintiff "willfully sold counterfeit 'Guess?' items").

57. See *Gucci Am., Inc.*, 158 F.3d at 634 (emphasizing frequent role default judgment plays in counterfeit trademark cases); *Gordashevsky*, 558 F. Supp. 2d at 535 (noting default judgment was proper). The defendant in *Gordashevsky* ignored the court's judgment and continued to counterfeit. See *id.* at 635.

58. See Tu, *supra* note 10, at 428–30, 440 (citing *Adidas-Salomon AG v. Target Corp.*, No. CV-01-1582-ST, 2002 WL 31971831, at *7 (D. Or. July 31, 2002)) (acknowledging root of trademark law, which is to prevent "buyer's likely confusion between two products"). Counterfeit goods not only lead to consumer confusion but mark dilution, as well, because they can tarnish the goodwill of the marks in question. See *infra* note 59 (discussing mark dilution). The history of statutory damages being added to the Lanham Act can be traced back to the purpose of intellectual property laws in general: to protect ideas and creations. See H.R. REP. NO. 110-617, at 23 (discussing enhancement of protections for property rights holders).

59. See Jed Wakefield & Phillip Haack, *The Still Blurry Standards for Proving Trademark Dilution*, FENWICK & WEST LLP, https://www.fenwick.com/FenwickDocuments/Blurry_Trademark_Dilution.pdf [<https://perma.cc/H6ME-TGGE>] (explaining mark dilution). Mark dilution occurs when a mark becomes so common and is seen so often that it actually deters potential consumers from wanting to purchase goods bearing the mark because these consumers previously associated that mark with rarity and exclusiveness. See *id.* at 1 (explaining mark dilution). It also occurs when a mark becomes associated with a lower-quality product due to counterfeiting. See *id.* This dilution then drives potential purchasers to look for alternative designers whose marks are not as common. See *id.* (showing dilution presents serious problem for fashion designers). Mark dilution has the effect of hurting the integrity of the mark in question and profits from a loss in the customer base. See Reuters, *Beneath Louis Vuitton's Distaste for Jokes, a Serious First Amendment Question*, FASHION L. (Aug. 29, 2016), <http://www.thefashionlaw.com/home/beneath-louis-vuittons-distaste-for-jokes-a-serious-first-amendment-question> [<https://perma.cc/EGS5-NU7K>] (explaining difficulty in courts addressing mark dilution problems in application to fashion industry).

60. 287 F.2d 492 (2d Cir. 1961).

61. See *id.* at 497–84 (holding court can time bar recovery in trademark infringement cases). In this case, the plaintiff waited eleven years to file suit even

to bring suit within a reasonable amount of time.⁶² Additionally, in *Interpace Corp. v. Lapp, Inc.*,⁶³ the Third Circuit created a list of factors known as the “LAPP Test” to determine if product confusion exists between similar marks.⁶⁴ These factors include the strength of the trademark whose owner is bringing suit, similarity of the marks, competitiveness of the products, evidence of actual consumer confusion, and quality of the products.⁶⁵

The Third Circuit expanded the concept of consumer confusion in *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*,⁶⁶ by holding that, once a court has established confusion is present, a trademark holder is entitled to injunctive relief.⁶⁷ The Supreme Court furthered this notion in *eBay Inc. v. MercExchange, L.L.C.*,⁶⁸ a patent infringement case, where the Court held injunctive relief was proper unless exceptional circumstances were present.⁶⁹ As another form of intellectual property, patent law, in many regards, can be analogously adapted to trademark infringement and coun-

though it knew about the defendant’s use of the mark during that extended time period. *See id.* at 493–94 (explaining relevant timeliness concerns).

62. *See id.* at 494 (noting plaintiff waited too long to file suit and defendant’s use of mark was too far removed from trademark owner’s primary use of mark).

63. 721 F.2d 460, 464 (3d Cir. 1983).

64. *See id.* at 464 (holding defendant did infringe on plaintiff’s trademark because likelihood of confusion was present between both parties’ goods and providing factors to determine existence of product confusion).

65. *See id.* at 462 (noting “LAPP” developed Third Circuit trademark consumer confusion factors). These factors include:

(1) the degree of similarity between the owner’s mark and the alleged infringing mark; (2) the strength of the owner’s mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase . . . (6) the evidence of actual confusion; (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties’ sales efforts are the same; (9) the relationship of the goods in the minds of consumers because of the similarity of function

Id. (citing *Scott Paper Co. v. Scott’s Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978)) (providing LAPP factors).

66. 30 F.3d 466 (3d Cir. 1994).

67. *See id.* at 476 (furthering trademark rights by allowing trademark holders to seek injunctive relief against invalid users). This case is an example of courts expanding and protecting trademark rights by taking steps to further deter counterfeiters by expanding the LAPP Test to apply to goods using the same or similar trademarks in the same market. *See id.* at 474 (discussing extension of LAPP Test).

68. 547 U.S. 388 (2006).

69. *See id.* at 393 (noting this patent infringement case can be viewed as analogous to trademark holders suing over trademark infringement and counterfeiting). Exceptional circumstances are those that would go against the public interest, such as selling illicit goods. *See id.* at 394 (defining “exceptional circumstances”); *see also* *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 167 (S.D.N.Y. 1999) (discussing court’s need to look to copyright infringement damages law for guidance with trademark infringement law because of large similarities between areas of law). This is another example of courts seeking guidance on applying statutory damages by looking to other areas of intellectual property for

terfeit cases.⁷⁰ Injunctive relief aids plaintiffs by stopping a defendant from using a trademark that is affecting the goodwill and integrity of said mark in a way monetary damages cannot.⁷¹ Additionally, in *eBay Inc.*, the Supreme Court upheld a four-factor test to determine if injunctive relief is a proper legal remedy for such patent infringement cases.⁷²

C. *When Vogue Is Not Sure Which Trend to Highlight: Different Ways Courts Use Their Discretion to Award Statutory Damages*

Since § 1117 was enacted in the early 1990s, courts have been unsure as to how to calculate statutory damages.⁷³ In *Guess?, Inc. v. Gold Center Jewelry*,⁷⁴ the possibility of actual damages of the counterfeit business heavily influenced the Southern District of New York in determining an amount to award.⁷⁵ The court awarded \$4,500 in statutory damages and

help. *See id.* (explaining courts' use of other areas of intellectual property law to determine statutory damages).

70. *See MercExchange, L.L.C.*, 547 U.S. at 394 (noting overlapping nature of various types of intellectual property when seeking damages for violation of person's intellectual property rights); *see also* Tu, *supra* note 10, at 428–30 (explaining need to apply more than one type of intellectual property to fashion industry).

71. *See infra* note 72 and accompanying text (discussing injunctive relief).

72. *See MercExchange, L.L.C.*, 547 U.S. at 392 (discussing requirements for injunctive relief). A plaintiff must prove:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 391 (citing *Amoco Prod. Co. v. Gambell*, 480 U.S. 531, 542 (1987); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311–13 (1982)). It is important to note that various aspects of the different intellectual property areas and laws all look to each other for guidance and answers. *See* Tu, *supra* note 10, at 428–30. This criterion for injunctive relief has been adopted in trademark infringement and counterfeit cases. *See e.g.*, *Chanel, Inc. v. Matos*, 133 F. Supp. 3d 678, 689–90 (D.N.J. 2015) (adopting injunctive relief criterion). Injunctive relief is one of the common themes seen in counterfeit cases and is a necessary tool to use in all intellectual property cases to deter violators and protect intellectual property holder rights regardless of whether it is a patent or copyright matter. *See MercExchange, L.L.P.*, 547 U.S. at 393 (finding injunctive relief to be one of most common themes in counterfeit cases).

73. *See, e.g.*, *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215(JBS), 2010 WL 2521444, at *6 (D.N.J. June 14, 2010) (adding that court adopted copyright damages law to determine statutory damages); *Guess?, Inc. v. Gold Ctr. Jewellery*, 997 F. Supp. 409, 411 (S.D.N.Y. 1998) (noting that court examined estimated yearly profits of defendant's business to calculate statutory damages award).

74. 997 F. Supp. 409 (S.D.N.Y. 1998).

75. *See id.* at 412 (noting that court increased statutory maximum due to willful actions of defendant). It is important to note that the court did not discuss awarding injunctive relief against the defendant. *See generally id.* (failing to discuss award of injunctive relief).

\$3,500 in attorney's fees.⁷⁶ To reach the amounts that fell within the increased-for-willfulness statutory range, the court looked at the estimated yearly profits of the counterfeit business and awarded about ten percent of that estimate.⁷⁷

In *Chanel, Inc. v. Gordashevsky*,⁷⁸ the District of New Jersey based the amount of statutory damages awarded off the plaintiff's estimated actual profits of the counterfeit business.⁷⁹ This damages approach acknowledged the defendant acted willfully in counterfeiting the plaintiff's marks.⁸⁰ However, this approach did not involve the court determining its own amount of statutory damages to award, but rather considering the plaintiff's estimations and awarding the full amount the plaintiff asked for as statutory damages.⁸¹ The court refused to call the awarded damages actual damages even though they were based on estimated profits of the counterfeit business.⁸² The defendant's website even acknowledged it sold only replicas, which did not help negate the defendant's willful actions because it showed the defendant had knowledge of the marks and knew they were not the defendant's to use.⁸³

76. *See id.* at 411–12 (highlighting statute permits courts to award attorney's fees and cost of suit in addition to monetary damages per infringing act under § 1117).

77. *See id.* at 412 (noting "willful" statutory maximum increase was present because defendant continued to sell counterfeit goods bearing plaintiff's trademarks even after told to stop). Because this case was adjudicated before the 2008 amendments, the statutory range at issue is different than those of cases decided after 2008. *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110–403, 122 Stat. 4256. The *Guess?* court's approach in looking at estimated yearly profits could lead to unreliable calculations and awards because a counterfeiter could provide faulty records that estimate the business to be worth substantially less than it actually is. *See Guess?, Inc.*, 997 F. Supp. at 411–12; *see also* 15 U.S.C. § 1117 (2012) (noting statutory damages were added to provide plaintiffs with ability to recover when actual records were unreliable or unavailable).

78. 558 F. Supp. 2d 532 (D.N.J. 2008).

79. *See id.* at 537–38 (holding defendant's willful conduct led court to award statutory damages of \$2,238,624.50). In *Gordashevsky*, the plaintiff filed suit against various defendants for selling counterfeit Chanel goods on different websites owned by the defendants with the sole purpose of selling various counterfeit goods. *See id.* at 535 (describing nature of suit).

80. *See id.* at 537 (emphasizing unique approach court took in significantly relating statutory damages to actual damages).

81. *See id.* at 538–39 (adding plaintiff was entitled to recover attorney's fees and charges for investigating defendant's business as part of reasonable, routine business practice); *see also* 15 U.S.C. § 1117(a) (specifying what plaintiff may recover from defendant).

82. *See Gordashevsky*, 558 F. Supp. at 538 (highlighting unique approach taken by court). The court also stated that such wide discretion can lead to varied calculations of damages. *See id.* at 539 (explaining impact of wide discretion on calculation of damages).

83. *See id.* (noting that replica shows admission of knowledge that what was being sold was not true, authentic good).

While the *Gold Center Jewelry* and *Gordashevsky* courts awarded damages based on estimated actual damages, the Southern District of New York in *Sara Lee Corp. v. Bags of New York, Inc.*⁸⁴ evaluated what other courts in the Second Circuit had done in similar cases, which included looking to other areas of intellectual property.⁸⁵ First, the court acknowledged that the statute provided wide discretion, which left the onus on courts to look for guidance elsewhere in determining the proper calculation.⁸⁶ Second, the court looked at copyright infringement damages factors as an analogous area of intellectual property law to adopt.⁸⁷ Balancing these adopted copyright damages factors led the court to award statutory damages and attorney's fees by heavily concentrating on the defendant's conduct and public interest of deterrence.⁸⁸

While the *Sara Lee* court did not address the willful maximum increase criteria, the Eastern District of Pennsylvania did so in *Louis Vuitton*

84. 36 F. Supp. 2d 161 (S.D.N.Y. 1999).

85. *See id.* at 170–71 (awarding plaintiff \$750,000 in statutory damages and \$46,045.63 in attorney's fees and costs). The plaintiff brought suit against the defendant for selling counterfeit COACH handbags at its physical boardwalk store and continuing to do so after the defendant was repeatedly asked to stop. *See id.* at 164 (describing defendant's continued selling of counterfeit goods).

86. *See id.* at 165, 169 (noting court was unsure how to determine statutory damages in early era in which law was enacted only recently).

87. *See id.* at 166–68 (noting court had to look to other courts and areas of intellectual property for guidance). This relates to the overlapping nature of intellectual property and how approaches for combating the counterfeit industry, for example, would best be served by combining different areas of intellectual property law and not using solely trademark protections. *See Tu, supra* note 10, at 431–32 (providing that confronting counterfeiting would best be accomplished through combination of areas of intellectual property law). The *Sara Lee* court looked to the Second Circuit's opinion in *Fitzgerald Publishing Co., Inc. v. Baylor Publishing Co., Inc.*'s statutory damage factors, which included:

the expenses saved and the profits reaped by the infringers are considered. Other factors—not dependent on a particular defendant's culpability—are also examined, including the revenues lost by the plaintiff, the value of the copyright, and the deterrent effect on others Some factors do focus upon an individual defendant's culpability, for instance, whether the defendant's conduct was innocent or willful, or whether a defendant has cooperated in providing particular records from which to assess the value of the infringing materials produced. Finally, the potential for discouraging the defendant is factored into the determination of the award.

Fitzgerald Pub. Co., Inc. v. Baylor Pub Co., Inc., 807 F.2d 1110, 1117 (2d Cir. 1986) (citations omitted) (citing *F.W. Woolworth Co. v. Contemporary Arts, Inc.* 344 U.S. 228, 233 (1952); *United Feature Syndicate, Inc. v. Sunrise Mold Co.*, 569 F. Supp. 1475, 1481 (S.D. Fla. 1983)); *see also Sara Lee Corp.*, 36 F. Supp. 2d at 166–67 (looking to *Fitzgerald's* factors and explaining copyright damages factors).

88. *See Sara Lee Corp.*, 36 F. Supp. 2d at 170–71 (“Though actual damages, such as profits and losses, are a typical starting point for analysis, they are difficult to determine here beyond rough estimates of the amount of counterfeiting. Moreover, the circumstances make especially salient the various non-monetary factors based on the defendants' misconduct.”).

Malletier & Oakley, Inc. v. Veit.⁸⁹ The Eastern District of Pennsylvania emphasized the importance of the sales location, which in *Louis Vuitton* was the Internet.⁹⁰ The court focused on the Internet's role and the need to deter such counterfeiting activity when calculating damages.⁹¹ In addition, the court awarded \$1.5 million in damages because of the defendant's willful counterfeiting.⁹²

Most recently in 2010, the District of New Jersey took the approach of adopting copyright law to determine an award of statutory damages in *Coach, Inc. v. Ocean Point Gifts*.⁹³ The copyright law approach utilized in *Sara Lee* used factors adopted from copyright infringement cases to calculate an award of statutory damages in trademark infringement cases.⁹⁴

89. 211 F. Supp. 2d 567 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002).

90. *See id.* at 584 (holding defendant's willful actions led to increase in statutory damages amounting to \$1.5 million and highlighting role Internet plays in counterfeit cases).

91. *Id.* at 584–85.

This case represents the new era of counterfeiting. No longer are these cases limited to the street vendor. Now, counterfeiters have the internet as their arsenal. As found, 143 million Americans use the internet and represent the counterfeiter's potential customer base. While the record contains no evidence of the actual scope of the defendants' sales, nor the number of hits the internet site received, given the scope of the internet supermarket, such sale offerings are presumptively quite high and proscribed by the Lanham Act.

Id. at 584 (citations omitted) (citing *Rolex Watch U.S.A., Inc. v. PRL USA Holdings, Inc.*, No. 99CIV. 2359(DLC)(FM), 2002 WL 596354, at *5 (S.D.N.Y. Apr. 17, 2002)). The Internet provides an almost infinite number of opportunities for counterfeiters to sell their goods. *See* Kathy Chu, *For Counterfeit Fighters on Social Media, Fake Profiles Are a Real Ally*, WALL ST. J. (Apr. 25, 2016, 10:11 PM), <http://www.wsj.com/articles/for-counterfeit-fighters-on-social-media-fake-profiles-are-a-real-ally-1461578495> (explaining impact of social media on problematic area of counterfeit goods). Counterfeiters can sell goods through registering domain names and selling the illicit goods on their own websites or registering several domain names that all link to the original counterfeiter's website. *See id.* (explaining ways in which counterfeiters can use Internet to sell goods). In addition, counterfeiters could sell their goods through social media or on websites such as eBay, who do not take strong precautions against counterfeiting, but cannot attest to the quality of the goods being sold or monitor every purchase done through their website. *See generally* *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (explaining that websites such as eBay do not take strong precautions against counterfeiting).

92. *See Veit*, 211 F. Supp. 2d at 583–84 (noting court awarded significant amount of statutory damages to compensate plaintiff and deter defendant from taking part in counterfeit activities). The court defined "willful" as "an aura of indifference to plaintiff's rights" or a "deliberate and unnecessary duplicating of a plaintiff's mark . . . in a way that was calculated to appropriate or otherwise benefit from the good will the plaintiff had nurtured." *Id.* at 583 (quoting *SecuraComm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 187 (3d Cir. 1999)).

93. Civil Action No. 09-4215 (JBS), 2010 WL 2521444 (D.N.J. June 14, 2010).

94. *See id.* at *6 (holding defendant committed counterfeiting by selling goods bearing plaintiff's marks at its physical store location). The defendant even had paper inserts advertising the wallets as part of a new collection and including a phone number to the real COACH Consumer Service hotline. *See id.* (explaining

Furthermore, the *Coach* court discussed the interplay of actual damages, statutory damages, and the need to relate them to each other.⁹⁵ The court then awarded \$200,000 in statutory damages compared to the \$2 million dollars in damages that were requested.⁹⁶

D. *How to Work Last Season's Now-Out-of-Style Trends into All Those Just-Bought Outfits*

There are several alternative approaches to calculating statutory damages that would deter counterfeiters more effectively than current approaches.⁹⁷ These alternative approaches are necessary because, even though monetary and equitable relief is available per the statute, those remedies have not stopped the counterfeit industry.⁹⁸ The significant amount of statutory damages that can be awarded under the statute's wide range leads to inconsistent calculations and does not financially deter counterfeiters or protect the rights of trademark holders.⁹⁹

One approach is not only to bring suit against the counterfeiters who supply the illicit goods, but to also bring suit against the purchasers who have created such a demand for them.¹⁰⁰ Without the demand for these

facts of counterfeit COACH items sold). For a discussion of the copyright-law approach adopted by the *Sara Lee* court, see *supra* notes 84–88 and accompanying text.

95. See *Ocean Point Gifts*, 2010 WL 2521444, at *8. Actual damages are often challenging to prove and attempting to relate actual and statutory damages based on the statutory range can lead to even more inconsistency in courts' calculations of damages. See also 15 U.S.C. § 1117 (2012) (providing recovery for violation of rights in trademark cases).

96. See *Ocean Points Gifts*, 2010 WL 2521444, at *7–8 (describing damages award); see also *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 583–84 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002) (“In the absence of clear guidelines for setting a statutory damage award, courts have tended to use their wide discretion to compensate plaintiffs, as well as to deter and punish defendants, often borrowing from factors developed in fixing a statutory damage award for copyright infringement.” (citations omitted) (citing other district court decisions dealing with counterfeit marks and various damages awarded in each case)).

97. See *infra* notes 100–13 and accompanying text (discussing alternative approaches).

98. See, e.g., Thomas J. Donohue, *Counterfeiting and Piracy Briefing: Opening Remarks by Thomas J. Donohue President & C.E.O., U.S. Chamber of Commerce Capitol Hill*, U.S. CHAMBER OF COM. (Apr. 5, 2006, 8:00 PM), <https://www.uschamber.com/speech/counterfeiting-and-piracy-briefing> [<https://perma.cc/AXL7-ZXHE>] (noting that about 750,000 jobs are lost each year as result of counterfeit industry).

99. See Sarabia, *supra* note 9, at 37, 39–40 (explaining goals of current statutory system are not being served and alternative approaches to compensate plaintiffs and deter counterfeiting should be examined).

100. See Orscheln, *supra* note 6, at 263–65 (proposing that legislators allow civil actions against all players in counterfeiting industry, including purchasers of such goods). Without the demand for these goods, counterfeiters would have no one to whom they could sell and would be financially driven out of business. See *id.* at 265–66 (explaining driving force underpinning illicit goods demand). Instead, the demand for these goods, especially through Internet sales, has meant little

goods, counterfeiters would have no customers and would be financially driven out of business.¹⁰¹ A second approach argues for using and enhancing current copyright laws to address counterfeiting issues.¹⁰² With this approach, copyright law should be able to protect all fashion designs and not just the most popular, registered trademarks, as current statutes dictate.¹⁰³ A third approach proposes a class system for awarding damages through specific ranges set for each class of trademarks.¹⁰⁴

For a long time, courts have tried to figure out the role the Internet plays regarding counterfeit goods and the impact that various websites

deterrence for the counterfeit industry because counterfeiters can hide behind the Internet. *See id.* at 264 (emphasizing issues Internet has caused fashion designers).

101. *See id.* at 264–66 (explaining how action against consumers could reduce demand for counterfeit goods and noting that demand for these goods, especially on Internet, has benefited counterfeit industry’s reach to consumers). *See generally* INT’L TRADEMARK ASS’N, *Addressing the Sale of Counterfeits on the Internet*, (Sept. 2009), <http://www.inta.org/Advocacy/Documents/INTA%20Best%20Practices%20for%20Addressing%20the%20Sale%20of%20Counterfeits%20on%20the%20Internet.pdf> [<https://perma.cc/A4UZ-JW5F>] (explaining international impact of Internet on counterfeit industry).

102. *See, e.g.*, Tu, *supra* note 10, at 420, 429–30 (acknowledging that trademark and copyright law should work together to provide most effective protections and counterfeit deterrence); Kaufman, *supra* note 2, at 565 (emphasizing trademark law serves public interest by preventing consumer confusion and deception).

103. *See* Tu, *supra* note 10, at 424–28, 437 (noting trademark laws generally provide protection only for well-established, registered trademarks because counterfeiters typically target only famous, well-known, and popular marks to yield highest demands and profits). Smaller designers are often not counterfeited but do face additional intellectual property issues of copyright and trade dress infringement; however, they often do not have adequate financial and legal resources to take action. *See id.* at 430 (noting litigation to defend designers is costly); *see also* Monami Thakur, *Leading Fashion Designers Join CFDA-eBay Fight Against Counterfeits*, IBM TIMES (Mar. 22, 2012, 2:48 AM), <http://www.ibtimes.com/leading-fashion-designers-join-cfda-ebay-fight-against-counterfeits-709802> [<https://perma.cc/B6A4-9X4K>] (explaining how fashion industry has come together to educate public on counterfeit goods and protect designers).

104. *See* Sarabia, *supra* note 9, at 37 (discussing how class system would eliminate need for current statutory system). Under this approach, each class of trademarked goods would have its own monetary range that is more specific to the class the mark is registered in. *See id.* at 39 (arguing for class-system approach for statutory damages). It is argued that the class system is more beneficial because it would provide for more consistent results by limiting judges’ discretion. *See id.* at 39–40 (emphasizing system’s benefits). Such an approach would prompt more efficient trademark applications, and thus, more consistent court rulings would be obtained. *See id.* at 40 (showing benefits class system would have for whole industry). This approach is most similar to the current statutory system, but more refined because it is based on classes of goods. *See id.* at 37. With the current statutory damage calculations, courts are required to look at the type of goods being counterfeited in each infringing act. *See* 15 U.S.C. § 1117(c) (2012) (providing statutory damages for use of counterfeit marks). The class system would have already set a specific range of monetary damages allowed for that class of goods. *See* Sarabia, *supra* note 9, at 37 (explaining class system’s range for monetary damages allowed in each class).

have had on this illicit industry.¹⁰⁵ In *Tiffany (NJ) Inc. v. eBay Inc.*,¹⁰⁶ the plaintiff, Tiffany & Co., a high-end, reputable jewelry brand, sued eBay for allowing counterfeit Tiffany jewelry to be sold on its website.¹⁰⁷ The court held eBay was not liable for having generalized knowledge that counterfeit jewelry was being sold on its website.¹⁰⁸ Additionally, the court acknowledged there was no affirmative duty for eBay or other third-party hosting websites to do something about counterfeit goods being sold.¹⁰⁹ This lack of a duty exists because sellers are using the website as a platform to sell goods, and eBay neither took possession nor attested to the quality of these items.¹¹⁰ The decision in *Tiffany* shows the enhanced difficulty of applying intellectual property law to counterfeit goods sold on the Internet.¹¹¹

III. THE FACTS OF *CHANEL, INC. v. MATOS*

In *Matos*, fashion house Chanel brought an action against Rafael Matos in New Jersey District Court for trademark infringement and counterfeiting.¹¹² Chanel is the owner of several registered trademarks that

105. See *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 583–84 (E.D. Pa. 2002) (arguing Internet has played large role in counterfeiting industry), amended (E.D. Pa. June 28, 2002); see also *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215(JBS), 2010 WL 2521444, *7–8 (D.N.J. June 14, 2010) (stating role Internet plays in counterfeit cases should be given significant weight in determining how much to award).

106. 600 F.3d 93 (2d Cir. 2010).

107. See *id.* at 95 (holding eBay is not liable for having generalized knowledge that counterfeit goods were being sold). eBay lawfully used the Tiffany mark on its site for advertising. See *id.* at 103–04. The court held there was no affirmative duty requiring eBay to act when counterfeit goods were being sold. See *id.* at 107 (explaining holding). This is because: (1) eBay never actually took possession of the items being sold, but rather, acted as a middleman, and (2) eBay already took extensive precautions to stop counterfeit goods from being sold through the website. See *id.* at 97 (explaining reasons for not imposing any additional duty on eBay).

108. See *id.* at 103–04 (noting eBay has taken strict precautions to limit counterfeit products being sold on its website as much as it reasonably can); see also *Counterfeit.com*, *ECONOMIST*, July 30, 2015, <http://www.economist.com/news/business/21660111-makers-expensive-bags-clothes-and-watches-are-fighting-fakery-courts-battle> [<https://perma.cc/B9EW-MBVX>] (discussing expanded role Internet has had in counterfeit industry).

109. See *Tiffany (NJ) Inc.*, 600 F.3d at 107 (explaining complexities hosting websites like eBay have added to issue).

110. See *id.* (noting eBay's strict measures to combat counterfeits are not one-hundred percent effective). Even though all the parties involved in this case acknowledged that eBay had issues with counterfeits being sold, they also noted that counterfeiting is difficult to police. See *id.* (explaining difficulty Internet poses for addressing sale of counterfeit goods).

111. See *supra* notes 105–10 and accompanying text (explaining difficulty created by Internet in addressing issue).

112. See *Chanel, Inc. v. Matos*, 133 F. Supp. 3d 678, 681 (D.N.J. 2015) (noting plaintiff also brought false designation of origin claim against defendant).

represent Chanel's "quality, reputation, and goodwill."¹¹³ The defendant was the owner of a website that sold replica Chanel goods.¹¹⁴ The plaintiff discovered the defendant's website through a routine investigation for counterfeit products that the company performs to safeguard the integrity of the Chanel brand.¹¹⁵ As part of the investigation, the defendant's website was discovered selling replica Chanel shirts even though the defendant was never authorized to sell any goods bearing Chanel's marks.¹¹⁶ Further into the investigation, investigators, pretending to be interested customers, had a phone conversation with the defendant.¹¹⁷ The investigators inquired about some of the "Chanel" goods on sale and the defendant stated the shirts are Chanel-inspired but not authentic.¹¹⁸ Chanel investigators subsequently ordered "3 chanel blk shirts" for \$45 from the defendant's website.¹¹⁹

Chanel's Director of Intellectual Property and Legal Operations then examined the shirts for authenticity and determined they were counterfeit.¹²⁰ Chanel promptly filed suit, claiming the defendant had "knowingly, intentionally, and/or blind-fully engaged in activities that" infringed on Chanel's registered trademarks without their permission.¹²¹ The plain-

113. *See id.* at 682 (acknowledging Chanel has trademarks registered with U.S. Patent and Trademark Office). It is important to note that a trademark does not need to be registered in order for a trademark owner to bring a civil action against counterfeiters or infringers of a trademark. *See* 15 U.S.C. § 1117(a) (2012) (indicating that trademark registration is not necessary to sue counterfeiters). However, registering the trademark provides stronger protection. *See* H.R. REP. NO. 110-617, at 23 (2008) (discussing strength of protection trademark registration provides).

114. *See Matos*, 133 F. Supp. 3d at 682 (noting defendant owned domain rights to website that sold replica designer goods containing plaintiff's marks).

115. *See id.* at 682 (stating Chanel conducts investigations as regular business practice to uphold integrity of brand and marks).

116. *See id.* at 682-83 (explaining investigation that determined replica Chanel shirts were being sold).

117. *See id.* at 683 (emphasizing defendant admitted to selling counterfeit goods by calling them replicas and acknowledging goods were not authentic); *see also* Chanel, Inc. v. Gordashevsky, 558 F. Supp. 2d 532, 583 (D.N.J. 2008) (stating good is "replica" and showed knowledge of trademark).

118. *See id.* at 683 (emphasizing defendant admitted to selling counterfeit goods by calling them replicas and acknowledging goods were not authentic); *see also* Chanel, Inc. v. Gordashevsky, 558 F. Supp. 2d 532, 583 (D.N.J. 2008) (stating good is "replica" and showed knowledge of trademark).

119. *See Matos*, 133 F. Supp. 3d at 683 (highlighting defendant acknowledged shirts were replicas, which weakened defendant's argument).

120. *See id.* (acknowledging defendant sold additional Chanel replica items, but noting plaintiff chose to investigate specific items central to *Matos* case).

121. *See Matos*, 133 F. Supp. 3d at 683 (adding plaintiff filed suit and properly severed non-responsive defendant). The defendant's actions led the court to enter a default judgment. *See id.* at 683-84 (explaining reasoning behind default judgment). A default judgment was proper because it was the only legal option available to allow the plaintiff to recover for the defendant's infringing use of its marks. *See id.* at 686; *see also supra* note 57 and accompanying text (explaining important role default judgment plays in counterfeit cases).

tiff asked for sixty times the statutory minimum for monetary damages, but the court instead awarded thirty times the statutory minimum.¹²² The court ultimately awarded \$180,000 in statutory damages, ordered permanent injunctive relief barring the defendant from selling any unauthorized or counterfeit goods using Chanel trademarks, and awarded \$400 in filing fees.¹²³

IV. WHAT LED THE COURT IN *CHANEL, INC. v. MATOS* TO CHOOSE THE LATEST STATUTORY DAMAGES APPROACH TO GO WITH ITS HANDBAG

The court in *Matos* started its opinion by acknowledging the plaintiff had met the test for proving trademark infringement.¹²⁴ This step was taken because a finding of trademark infringement is required before the court could determine if counterfeiting occurred.¹²⁵ The court agreed with the plaintiff's argument that the defendant did counterfeit the plaintiff's registered marks at issue.¹²⁶ Chanel met this criteria by showing that

122. See *Matos*, 133 F. Supp. 3d at 687–88 (weighing factors adopted in copyright law as used in similar counterfeit cases to determine monetary damages); see also *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166–67 (S.D.N.Y. 1999). For further discussion of the copyright approach in similar counterfeit cases, see *supra* note 15 and accompanying text.

123. See *Matos*, 133 F. Supp. 3d at 687–88 (stating amount of statutory damages and costs awarded were within statute's remedies).

124. See *id.* at 684–85 (noting that three elements of trademark infringement were satisfied). Meeting these elements requires plaintiffs to show they “hold[] and own[] valid and legally protectable marks,” own the marks in question, and the “[d]efendant’s use of [such] Marks will likely cause confusion as to the source, affiliation, and/or sponsorship of the goods.” See *id.* (citing *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 (3d Cir. 1994); *Coach, Inc. v. Ocean Points Gift*, No. 09-4215, 2010 WL 2521444, at *2 (D.N.J. June 14, 2010)). The plaintiff satisfied these elements. See *Matos*, 133 F. Supp. 3d at 684–85 (reaching “inescapable conclusion” that elements have been established). First, Chanel showed that it owned trademarks that are registered with the U.S. Patent and Trademark Office. See *id.* at 685 (“[T]he certificates of registration issued by the United States Patent and Trademark Office . . . for the Chanel Marks demonstrate, on their face, the validity and protectability of the Marks, as well as Chanel’s ownership.”). As a result, the second element was also satisfied. See *id.* Third, the defendant’s use of the marks would cause confusion by selling competing unauthentic goods with Chanel marks on them. See *id.* (finding products advertised and distributed by defendant more than just “confusingly similar” and that they “bear exact replicas of the protected Chanel Marks”); see also *Fisons Horticulture, Inc.*, 30 F.3d at 472 (discussing likelihood of confusion between two products using similar marks).

125. See *Matos*, 133 F. Supp. 3d at 685–88 (noting statutory damages apply only to counterfeit cases).

126. See *id.* at 686 (stating defendant’s actions met elements of counterfeit claim). First, the plaintiff showed the defendant infringed on a registered trademark under the Lanham Act. See *id.* at 685 (noting plaintiff proved fact through federal registration). Second, the plaintiff showed that the defendant intentionally used the marks with knowledge of the mark and that the defendant remained willfully blind to the status of the mark. See *id.* at 686–87 (noting Chanel’s investigation showed defendant intentionally used marks).

it legally owned registered marks and that the defendant acknowledged selling replica Chanel products.¹²⁷ The court emphasized that calling the goods on the defendant's website "replica" displayed knowledge and willful disregard of the plaintiff's trademark rights and protections.¹²⁸

In addition to ruling that counterfeiting was present, the court entered a default judgment.¹²⁹ The court held that default judgment was reasonable because the properly-served defendant failed to proffer any defense or refute any of the plaintiff's claims.¹³⁰ Default judgment was necessary because it was the only way for Chanel to recover after Matos refused to provide a defense or take part in the case.¹³¹

After determining that Chanel could recover damages for counterfeiting, the court established the type and amount of damages to award.¹³² Chanel requested a total of \$360,000 in statutory damages.¹³³ Instead of awarding the plaintiff's requested amount, the court awarded \$180,000 in

127. *See id.* at 686 (noting plaintiff must meet all elements); *see also generally* *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215 (JBS), 2010 WL 2521444 (D.N.J. June 14, 2010); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 540 (D.N.J. 2008) (entering default judgment); *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 586 (E.D. Pa. 2002) (ordering same), amended (E.D. Pa. June 28, 2002).

128. *See Matos*, 133 F. Supp. 3d at 682–83 (stating defendant's use of word "replica" did not favor defendant's case and instead showed willfulness). *See supra* notes 83 and 116–17 and accompanying text for a discussion of how defendants' use of the term "replica" can help plaintiffs satisfy the willfulness requirement.

129. *See Matos*, 133 F. Supp. 3d at 686 (acknowledging significant number of counterfeit fashion trademark cases end in default judgment, which may be only proper legal option to compensate plaintiffs in some situations). *See supra* note 57 and accompanying text for an explanation of the role of default judgment in counterfeit cases.

130. *See Matos*, 133 F. Supp. 3d at 686–87 (noting court must consider three factors when determining if default judgment is proper). These factors are whether the defendant has a meritorious defense, whether the defendant would suffer prejudice as a result of default judgment, and whether the defendant would be held accountable before entering a default judgment. *See id.* at 686 (citing *Doug Brady, Inc. v. N.J. Bldg. Laborers Statewide Funds*, 250 F.R.D. 171, 177 (D.N.J. 2008)).

131. *See id.* at 686–87 (finding default judgment proper because plaintiff had no other way to recover damages under current counterfeit laws).

132. *See id.* at 687 (examining other courts' decisions for guidance to determine damage total when given wide discretion); *see also Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166–67 (S.D.N.Y. 1999).

133. *See Matos*, 133 F. Supp. 3d at 687 (explaining statutory damages were for two types of goods protected by three registered trademarks). Chanel "start[ed] with a baseline [of] . . . \$10,000" per good per mark. *See id.* at 687 (calculating damages). This baseline was then multiplied by "two types of goods and three [infringing] marks" coming to \$60,000 per each infringing act. *See id.* at 688. Chanel then tripled \$60,000 per infringing act to take into account the defendant's willful actions, as is allowed under 15 U.S.C. § 1117(c). *See id.*; *see also* 15 U.S.C. § 1117(c) (2012) (establishing range of damages). The total of \$180,000 was then doubled for deterrence reasons, resulting in \$360,000 of statutory damages. *See Matos*, 133 F. Supp. 3d at 687–88 (awarding damages).

statutory damages and \$400 in filing costs.¹³⁴ The court started its damages analysis by stating that the amount of statutory damages requested should bear some relation to the actual damage suffered.¹³⁵ The court looked at the copyright factors used in *Coach* and *Sara Lee* to determine an appropriate amount of damages to award, such as the defendant's innocent or willful conduct and the effect the amount of damages would have on deterring others besides the defendant.¹³⁶ After balancing these factors, the court awarded \$30,000 per infringement.¹³⁷ The court took into account Matos's culpability and the need to compensate Chanel for possible lost profits.¹³⁸ The court emphasized that the amount awarded should be significant enough to deter others from engaging in future counterfeiting.¹³⁹ The court, however, left open the possibility of increasing the

134. *See id.* at 688–89 (noting awarded amount of \$180,400 included \$400 awarded for cost of filing suit). Awarding cost of suit and attorney's fees is reasonable and proper under § 1117. *See id.* at 689 (discussing court costs). Although attorney's fees were not discussed in this opinion, they may be awarded under exceptional circumstances. *See* 15 U.S.C. § 1117(c) (listing appropriate damages and costs). The statute does not define what "exceptional circumstances" means, but other courts have awarded attorney's fees in similar counterfeit trademark cases. *See, e.g.,* Chanel, Inc. v. Gordashevsky, 558 F. Supp. 2d 532, 539 (D.N.J. 2008) (awarding \$15,257.50 in attorney's fees). For further discussion of the term "exceptional circumstances," *see supra* notes 53 and 74 and accompanying text.

135. *See Matos*, 133 F. Supp. 3d at 687–88 ("[T]his Court surveyed relevant Lanham Act cases, and determined that two factors overwhelmingly motivated statutory damage awards: the point of sale of the infringing goods and the monetary value of the item counterfeited." (citing *Coach, Inc. v. Fashion Paradise, LLC*, Civil No. 10–4888 (JBS/KMW), 2012 WL 194092, at *7 (D.N.J. Jan. 20, 2012))).

136. *See id.* at 688 (emphasizing court's wide discretion to calculate damages and noting usefulness of guidance from past courts); *see also Sara Lee Corp.*, 36 F. Supp. 2d at 166 (adopting copyright law to trademark counterfeit cases); *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215 (JBS), 2010 WL 2521444, at *7–8 (D.N.J. June 14, 2010) (using copyright law as adopted by prior courts). In considering factors, past courts and copyright law weigh:

(1) the expenses saved and the profits reaped; (2) the revenues lost by plaintiff; (3) the value of the copyright; (4) the deterrent effect on others besides the defendant; (5) whether the defendant's conduct was innocent or willful; (6) whether [the] defendant has cooperated in providing particular records to help assess the value of the infringing material produced; and (7) the potential for discouraging the defendant.

Id. at *7 (citing *Platypus Wear, Inc. v. Bad Boy Club, Inc.*, Civil No. 08-02662 (NLH) (AMD), 2009 WL 2147843, at *7 (D.N.J. July 15, 2009)).

137. *See Matos*, 133 F. Supp. 3d at 688 (noting Chanel was awarded half of requested damages).

138. *See id.* (applying relevant factors to determine proper damage amount). While mark dilution is a serious consequence of counterfeiting, it is not a factor that the *Matos* court, or any other court, weighs when determining an amount of damages to calculate. *See id.* at 688 (omitting mark dilution as factor when conducting damages analysis). This is an overlooked issue that courts need to consider because, it is argued, this has the greatest impact on plaintiffs and the fashion industry as a result of counterfeiting. *See Wakefield & Haack, supra* note 59 (discussing difficulty of proving mark dilution).

139. *See Matos*, 133 F. Supp. 3d at 688 (citing *Platypus Wear, Inc.*, 2009 WL 2147843, at *7) (considering "deterrent effect on others besides the defendant"

damages if the defendant or his associated businesses did not comply with its ruling.¹⁴⁰

In addition to monetary damages, the court awarded a permanent injunction.¹⁴¹ This form of relief was reasonable per § 1125(c)(5) and § 1114 by allowing trademark holders to request injunctive relief.¹⁴² The court found a permanent injunction was proper because it offered the best remedy to compensate Chanel for a damaged reputation and goodwill in a way that monetary damages could not.¹⁴³ The court's opinion concluded with an order for permanent injunctive relief barring Matos from using Chanel's registered trademarks in the future.¹⁴⁴

V. WHY TIM GUNN IS BEING CRITICAL OF THAT DESIGN: ANALYZING THE COURT'S RULING IN *CHANEL, INC. v. MATOS*

While the ruling in *Matos* is consistent with past counterfeit cases, the manner in which the court calculated statutory damages highlights the issues that come from courts having wide statutory discretion.¹⁴⁵ This

but leaving out other factors that should be weighed); *see also Counterfeit.com, supra* note 108 (noting Internet has made deterring counterfeiters through litigation more difficult). Articles such as that described *supra* in note 108 are necessary to educate the public about the illicit industry and hopefully deter purchasers, which would lessen consumer demand. *See id.* (discussing economic impact of counterfeiting).

140. *See Matos*, 133 F. Supp. 3d at 687–88 (acknowledging court's strong stance on deterring counterfeiting). Injunctive relief does not require a defendant in a counterfeit goods case to do anything except to follow the law by not engaging in the sale of the illicit goods. *See id.* at 689 (enjoining defendant).

141. *See id.* (emphasizing that injunctive relief plays role in deterrence that monetary damages cannot).

142. *See id.* at 689–90 (noting existence of four-factor test to determine if permanent injunction is proper equitable relief). The court weighed “(1) [whether the plaintiff] has suffered an irreparable injury; (2) [whether] the remedies available at law . . . prove inadequate to compensate for that injury; (3) that the balance of hardships between the plaintiff and defendant favor equitable relief; and (4) ‘that the public interest would not be disserved by a permanent injunction.’” *Id.* at 689 (quoting *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006)) (discussing requirements for permanent injunction). The court determined the first factor was met because Matos used Chanel's exact marks, which could lead to consumer confusion. *See id.* at 689. The second factor was met because monetary damages would not compensate Chanel for reputational and goodwill harm. *See id.* The third factor was satisfied because the only hardship the defendant would face would be to “abide by the law.” *See id.* at 690. The final factor was met because public interest factors protect the rights of trademark owners' interests, prevent consumer confusion, and deter counterfeit activity. *See id.*; *see also MercExchange, LLC*, 547 U.S. at 392 (explaining injunctive relief elements as adopted from patent infringement cases).

143. *See Matos*, 133 F. Supp. 3d at 689 (noting one purpose of injunctive relief is to ensure defendants follow law).

144. *See id.* at 690–91 (ordering permanent injunctive relief against defendant to prevent use of plaintiff's registered marks in future).

145. *See id.* at 690 (granting monetary damages, as well as permanent injunction); *see also generally* *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631, 634 (2d Cir. 1998); *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215 (JBS), 2010

Ssection will discuss the *Matos* court's specific damages approach to determine if it serves the public interest of deterring counterfeiters.¹⁴⁶ It will then examine alternative approaches and question if they are better suited at addressing the issue of counterfeited trademarks.¹⁴⁷

A. *Could You Have Added Something Extra to Make That Damages Approach Start a Trend?*

The ruling in *Matos* is consistent with prior counterfeit cases in that the court used its discretion to calculate damages as it saw fit.¹⁴⁸ Prior counterfeit cases have taken different approaches to calculating damages, looking to prior rulings, actual damages, or copyright law, while the *Matos* court took the copyright approach but acknowledged the other approaches courts have taken.¹⁴⁹

The court in *Matos* was very detailed in its explanation of how it calculated statutory damages and chose to award permanent injunctive relief against the defendant, but it is unclear if this will be enough to actually deter counterfeiting.¹⁵⁰ The court argued the most important factors driving the amount of damages in this counterfeit case was the location of the sale of the counterfeit goods and their monetary value.¹⁵¹ It is questionable if it is even possible to put a value on a counterfeit good because counterfeit goods are not authentic.¹⁵²

WL 2521444, at *1–2 (D.N.J. June 14, 2010); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532 (D.N.J. 2008); *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 579 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002).

146. See *infra* notes 160–71 and accompanying text for an explanation of the problems surrounding judicial discretion.

147. See *infra* notes 172–84 and accompanying text (discussing lack of current legal measures to combat counterfeiting industry).

148. See *Matos*, 133 F. Supp. 3d at 689 (noting plaintiff did not request attorney fees but did request court costs). Requesting both attorney's fees and court costs would have been reasonable under § 1117(c), and both have been awarded in similar counterfeit cases. See *Gordashevsky*, 558 F. Supp. 2d at 539 (awarding attorney's fees and investigation charges); *Veit*, 211 F. Supp. 2d at 584 (awarding \$46,504.88 in attorney's fees); *Guess?, Inc. v. Gold Ctr. Jewelry*, 997 F. Supp. 409, 411 (S.D.N.Y. 1998) (awarding \$3,500 in attorney's fees).

149. See *Matos*, 133 F. Supp. 3d at 687 (considering prior decisions placing significant weight on copyright infringement damages factors); see also *Gordashevsky*, 558 F. Supp. 2d at 537–38 (relating statutory damages awarded to actual damages requested); *Veit*, 211 F. Supp. 2d at 584 (using court's own discretion and putting emphasis on Internet as point of sale); *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166 (S.D.N.Y. 1999) (adopting copyright damages law).

150. See *Matos*, 133 F. Supp. 3d at 688 (discussing effectiveness of statutory damages at deterring counterfeiting although industry is still expanding); see also Lieber, *supra* note 3 (explaining current state of counterfeits in fashion industry).

151. See *Matos*, 133 F. Supp. 3d at 688 (noting importance of Internet and price counterfeit goods were being sold for on defendant's website).

152. See Orscheln, *supra* note 6, at 257–58 (noting fashion industry does not adequately protect designer rights, designs, and trends from each other and counterfeiters). See also FASHION LAW—A GUIDE FOR DESIGNERS, FASHION EXECUTIVES, AND ATTORNEYS 74–76 (Guillermo Jimenez & Barbara Kolsun eds., 2d ed.

These price and consumer discrepancies highlight how actual damages can be very ineffective at compensating a fashion house and deterring counterfeiting activity.¹⁵³ It is difficult, however, to try and relate statutory damages awarded to actual damages.¹⁵⁴ Often poor, if any, record keeping is done on behalf of the defendant counterfeiter's business.¹⁵⁵ Statutory damages were meant to be an alternative when actual information is unknown, which is why statutory damages are awarded more often than actual damages in these cases.¹⁵⁶ In addition, the same consumer who buys a counterfeit "Chanel" shirt online for \$45 will not be the same consumer who then walks into a Chanel store to buy a \$4,000 handbag.¹⁵⁷ Alternative approaches, such as the class system or strength-

2014) (describing arguments for protection of fashion designs and such measures already being taken in Europe).

153. See Sarabia, *supra* note 9, at 39 (noting price discrepancies between authentic goods and counterfeit goods, and stating that counterfeit good can lead to inconsistent statutory damages if courts choose to take actual damages into account).

154. See *id.* at 38 (noting difficulty of relating actual damages to statutory damages considering lack of information provided by defendants to help determine actual damages). See also *Guess?, Inc. v. Gold Ctr. Jewelry*, 997 F. Supp. 409, 411 (S.D.N.Y. 1998) (noting court acknowledges lack of records makes it impossible to establish actual damages accurately).

155. See *id.* at 38 (highlighting justification for statutory damages). It is very problematic to allow courts to have wide discretion to calculate statutory damages and then have courts try to relate the potential statutory damages to actual damage. See *id.* (noting judges manipulate price per mark portion of statute to rationalize their awards); see also 15 U.S.C. § 1117 (2012) (recognizing difficulty of calculating and requesting actual damages). Such actions go against the reasons statutory damages were created for counterfeit cases. See H.R. REP. NO. 110-617, at 23-25 (2008) (explaining purpose of statute). The maximum level of statutory damages that could be awarded were not effectively deterring counterfeiters at their pre-2008 level. See *supra* note 47 (discussing changes in statutory damages maximums).

156. See Sarabia, *supra* note 9, at 37 (explaining impact statutory damages has on fashion plaintiffs in counterfeit cases). Some courts decide to award statutory damages instead of actual damages. See *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 540 (D.N.J. 2008) (awarding full amount requested in statutory damages instead of actual damages despite plaintiffs' request for actual damages); see also *Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567, 585-86 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002) (awarding statutory damages where defendant blatantly used plaintiff's marks).

157. See Kaufman, *supra* note 2, at 562-63 (noting price is directly related to amount of care exercised by purchaser). In the case central to Kaufman's article, Louis Vuitton sued Dooney & Bourke for copying the style of a "white background" with a "multicolored monogram" pattern on its handbags. See *id.* at 535-37 (discussing facts of *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*). The court in that case held a plaintiff could not sue for infringement against all others copying the trend it started. See *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 420-21 (2004), *aff'd in part, vacated in part*, 454 F.3d 108 (2d Cir. 2006); see also Kaufman, *supra* note 2, at 545 (summarizing holding). While copying trends and counterfeiting are very different and legally not considered the same, it is important to note how they work together as applied to the fashion industry. See Kaufman, *supra* note 2, at 537-38 (noting difference "between infringement and acceptable knockoffs").

ening intellectual property protections in the fashion industry in general, would ideally resolve such inconsistencies and decrease the too-wide discretion Congress has granted courts.¹⁵⁸

B. *Should Heidi Klum Say, “You’re Out, Auf Wiedersehen” to the Specific Approach the Matos Court Took?*

Even though many courts acknowledge that statutory damages calculations should have some relation to estimated actual damages, those actual damages can be easily miscalculated.¹⁵⁹ A standard statutory system that is clear and not a range of millions of dollars left to the court’s discretion is ideal.¹⁶⁰

The court in *Matos* used the copyright law test but reached a different calculation of damages than other courts using this approach because each court weighs the factors differently.¹⁶¹ Even with the same few approaches courts use, courts are generally hesitant to award the same amount or a higher amount of damages than what Chanel requested.¹⁶² This seems inconsistent with the public and legislative intent to award damages significant enough both to compensate the plaintiff and deter counterfeiting.¹⁶³ The *Matos* court could easily have awarded \$2 million

158. See Sarabia, *supra* note 9, at 40 (noting approach would allow for more consistently calculated statutory damages); see also *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166 (S.D.N.Y. 1999) (looking for guidance in other areas of intellectual property law shortly after § 1117 was enacted); Jimenez & Kolsun, *supra* note 152, at 67–69 (explaining recent attempts to strengthen intellectual property protection for designers in United States).

159. See, e.g., *Chanel, Inc. v. Matos*, 133 F. Supp. 3d 678, 688 (D.N.J. 2015) (acknowledging role actual damages play in calculating statutory damages to prevent miscalculations); *Gordashevsky*, 558 F. Supp. 2d at 537–38 (basing statutory damages awarded on amount of actual damages plaintiff requested).

160. See Sarabia, *supra* note 9, at 40 (arguing class-system approach would be best way to take civil actions against counterfeiters in fashion industry). Another approach to statutory damages includes increasing intellectual property rights for fashion designs through a combination of copyright and trademark law. See Tu, *supra* note 10, at 420–21 (stating interplay of copyright law and trademark law should not be so separate when applied to fashion designs).

161. See *Coach, Inc. v. Ocean Point Gifts*, Civil Action No. 09-4215 (JBS), 2010 WL 2521444, at *6 (D.N.J. June 14, 2010) (using copyright damages law to determine \$200,000 award despite plaintiffs’ request for \$2 million); see also *Sara Lee Corp.*, 36 F. Supp. 2d at 166 (adopting copyright factors to trademark counterfeits).

162. See generally *Matos*, 133 F. Supp. 3d at 688 (awarding “thirty times the minimum statutory damages”); *Ocean Point Gifts*, 2010 WL 2521444, at *6–8 (weighing copyright law factors); *Gordashevsky*, 558 F. Supp. 2d at 537–38 (categorizing damages as statutory and not actual when awarding exact amount requested).

163. See, e.g., *Matos*, 133 F. Supp. 3d at 687 (using copyright factors adopted by prior courts for counterfeit cases); *Ocean Point Gifts*, 2010 WL 2521444, at *6 (awarding damages by weighing factors adopted from copyright law); *Gordashevsky*, 558 F. Supp. 2d at 539 (awarding statutory damages based on actual damages requested). The Eastern District of Pennsylvania explained the reasoning behind § 1117 in a 2002 counterfeiting case:

In amending § 1117 to provide for recovery of statutory damages, Congress recognized that “a civil litigant may not be able to prove actual dam-

per infringing act, the maximum allowable per statutory damages, because of Matos's willful actions.¹⁶⁴ Instead, the court chose to award \$30,000 per infringing act.¹⁶⁵ These significant differences show that the statutory range is too wide.¹⁶⁶ Permanent injunctive relief is a proper form of equitable relief but resolves only counterfeiting issues going forward and does not stop counterfeiting before the goods are sold.¹⁶⁷

The defendant in *Matos*, like most others, did not take part in his defense, and the case ended in a default judgment.¹⁶⁸ It is unclear if Chanel and other similar plaintiffs actually recover the damages awarded against such defendants.¹⁶⁹ Because of the significant public interest in stopping the counterfeit industry, it would have made sense for the court

ages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting." It is often the case that counterfeiters' records are frequently non-existent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible.

Louis Vuitton Malletier & Oakley, Inc. v. Veit, 211 F. Supp. 2d 567, 583 (E.D. Pa. 2002), amended (E.D. Pa. June 28, 2002) (citation omitted).

164. See 15 U.S.C. § 1117(c) (2012) (providing formula for maximum damages). For a further discussion of willfulness, see *supra* notes 48 and 54 and accompanying text.

165. See *Matos*, 133 F. Supp. 3d at 688 (awarding half of plaintiff's requested amount).

166. See Sarabia, *supra* note 9, at 38 (noting courts have broad discretion to award damages within large statutory range, which can lead to inconsistently-calculated damages across cases). This wide monetary range was purposefully built into the statute so courts could use their discretion as they see fit. See Geoffrey S. Stewart, *Emerging Issues in Statutory Damages*, JONES DAY, (June 2011), http://www.jonesday.com/emerging_issues_in_statutory_damages/ [<https://perma.cc/T7PY-YQM> V] (explaining purposefully wide range of statutory damages).

167. See Tu, *supra* note 10, at 421 (arguing copyright and trademark law are inadequate to protect original fashion designs).

168. See *Matos*, 133 F. Supp. 3d at 688 (noting defendant did not participate in own defense despite being properly served); see also generally *Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631, 635 (2d Cir. 1998) (remanding case for entry of judgment); *Ocean Point Gifts*, 2010 WL 2521444, at *10 (entering default judgment); *Gordashevsky*, 558 F. Supp. 2d at 540 (ordering same); *Veit*, 211 F. Supp. 2d at 586. The issue of default judgments in counterfeit cases is not specific to ones related to fashion. See Kelcee Griffis, *LG Wins \$168M Judgment in Counterfeit Headset Case*, LAW 360 (Feb. 8, 2017, 4:01 PM), <https://www.law360.com/articles/889736/lg-wins-168m-judgment-in-counterfeit-headset-case> [<https://perma.cc/6PQB-DSUV>] (ordering default judgment in counterfeit headphone case against seventeen companies).

169. See *Matos*, 133 F. Supp. 3d at 690 (questioning whether current statutory system deters counterfeiting because plaintiffs often do not recover monetary damages award). Currently, fashion designers are raising awareness and publicity surrounding such counterfeit cases because the courts have not provided adequate remedies to this issue. See Thakur, *supra* note 103 (fighting counterfeiting with "You Can't Fake Fashion" campaign). These actions educate the public about the issue of counterfeit goods. See *id.* (explaining industry-wide efforts undertaken for public awareness).

to award the full amount Chanel requested, rather than half.¹⁷⁰ The price of the counterfeit Chanel shirt Matos was selling on his website is not an accurate consideration in weighing because how can an accurately value be placed on a counterfeit good?¹⁷¹

VI. WHAT WILL BE IN STYLE NEXT SEASON?

The current statutory approach is out of style and needs to change to serve the fashion industry better.¹⁷² Alternative approaches should concern not only monetary damages, but stronger deterrence options, as well.¹⁷³ Counterfeiting lessens integrity and goodwill, and it dilutes trademarks by violating valid rights and protections.¹⁷⁴

There needs to be one clear approach that gives courts less discretion and more consistent results.¹⁷⁵ Consistently calculated results would better serve the public interest of showing counterfeiters exactly what they can expect when they are sued, which would ultimately deter their illicit activity.¹⁷⁶

New approaches to these types of cases and issues in general need to be examined and have even been proposed.¹⁷⁷ One approach looks to

170. See Sarabia, *supra* note 9, at 39 (arguing that most effective deterrence might be achieved by awarding high damage amounts to set tone that courts take counterfeiting seriously).

171. See Orscheln, *supra* note 6, at 253–54 (explaining how luxury carries with it prestige in quality and craftsmanship not found in counterfeit handbags).

172. See *infra* notes 172–86 and accompanying text (explaining ongoing confusion regarding damages and potential impact of *Chanel, Inc. v. Matos*).

173. See *infra* notes 174–80 and accompanying text (showing need for alternative approaches to create stronger deterrence).

174. See Orscheln, *supra* note 6, at 258 (discussing why marks are registered and receive additional protections and benefits under law); see also Kaufman, *supra* note 2, at 565 (explaining difficulty of applying intellectual property protections to fashion cases); Jimenez & Kolsun, *supra* note 152, at 143–44 (explaining harm counterfeit goods being sold brings to trademark owners).

175. See H.R. REP. NO. 110-617, at 24–25 (2008) (noting 2008 measures are ineffective at both deterring counterfeiters and consistently compensating defendants). However, statutory measures are not currently any better at deterring those in the counterfeit handbag industry. See *infra* notes 177–81 and accompanying text (discussing alternative approaches to current statutory measures).

176. See, e.g., Iris Mansour, *How Companies Can Beat the Counterfeiters*, FORTUNE (Aug. 27, 2013), <http://fortune.com/2013/08/27/how-companies-can-beat-the-counterfeiters/> [<https://perma.cc/WCC7-9PJX>] (explaining that having inconsistent approaches to counterfeit cases fails to address this issue adequately).

177. See Kaufman, *supra* note 2, at 562 (arguing for better protections of fashion intellectual property by combining different intellectual property rights from copyright and trademark law). It is important to discuss the impact that counterfeit goods have on the industry and on mark dilution. See *id.* at 543 (suing for mark dilution could provide some relief but courts are hesitant to apply remedies for goods that are in competitive classes). The critical issue of mark dilution is often ignored in court cases, but it has effects that cannot be measured, such as customers buying fewer goods from a well-known designer in favor of buying goods from a brand that is not as commonly known. See *id.* at 544.

change the statutory damages system to one based on the class of good being counterfeited.¹⁷⁸ Another approach looks at combining copyright and trademark protections into one as they apply to the fashion industry.¹⁷⁹ Congress should create more inclusive laws to protect all designers from counterfeiting and not just those with registered or famous trademarks.¹⁸⁰ Some argue that anti-counterfeiting laws should additionally target purchasers of these goods, not just sellers, so that all players in this industry are susceptible to legal action.¹⁸¹

It is also important to note that current laws address counterfeit goods only in cases where trademarks are famous or registered.¹⁸² This is because small designers who do not have the means of internationally fa-

178. See Sarabia, *supra* note 9, at 40 (arguing for class-system approach to counterfeiting to provide more consistently calculated damages and stronger deterrence to counterfeiting). This system would base the amount of damages to be awarded on the class the good is categorized as such as a handbag, women's shirt, or sunglasses. See *id.* A similar class system approach is utilized when determining duties on imported goods. See Jimenez & Kolsun, *supra* note 152, at 304–06 (explaining how classifications for imports work).

179. See Tu, *supra* note 10, at 425–26 (noting courts have used interplay of copyright and trademark law by adopting copyright damages law to counterfeit trademark cases); see also *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166 (S.D.N.Y. 1999) (using copyright law in trademark counterfeit case). The Supreme Court's ruling in *Star Athletica, LLC v. Varsity Brands, Inc.*, has clarified the test for copyright protection of useful articles. See *Supreme Court Sounds off on Copyright in Cheerleading Uniform*, FASHION L. (Mar. 22, 2017) <http://www.thefashionlaw.com/home/supreme-court-says-cheerleader-uniform-is-protectable-by-copyright-law?rq=Varsity%20Brands%2C%20Inc> [<https://perma.cc/H8NK-EA8C>] (explaining Supreme Court's ruling). Useful articles include such items as shirts and dresses. See *id.* This prevailing test for copyright protection of useful articles will have an impact on fashion designs and whether specific designs are able to receive protection. See *id.* While *Varsity Brands* does not address counterfeiting, it is a step in the direction of applying more intellectual property protections to the fashion industry. See generally *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, No. 15-866, 2017 WL 1066261 (U.S. Mar. 22, 2017) (setting forth prevailing test for copyright protection on useful articles).

180. See Tu, *supra* note 10, at 422 (discussing exclusive nature current laws have on fashion industry as whole because famous designers receive more financial benefits).

181. See Orscheln, *supra* note 6, at 264 (noting counterfeit sellers are not solely responsible for counterfeit industry's continuing success).

182. See Tu, *supra* note 10, at 425 (arguing for more inclusive laws for all designers); see also Sarabia, *supra* note 9, at 36–38 (encouraging designers to register their marks to promote consistent compensation to plaintiffs and deter counterfeiting). This non-inclusiveness of all designers is because counterfeiters typically counterfeit only goods that have wide spread popularity and demand such as Chanel, Hermes, and Louis Vuitton. See *The World's Most Counterfeited Brands*, MSN, (Dec. 24, 2016), <https://www.msn.com/en-us/money/companies/the-worlds-most-counterfeited-brands/ss-BBsVvXu#image=1> [<https://perma.cc/PN2M-NJ2B>] (discussing most counterfeited brands in 2016). Smaller, less well-known fashion designers do deal with intellectual property infringement issues from those same counterfeited famous designers without the range of resources famous designers have to fight these issues. See *Chanel Accused of Copying Looks in Métiers d'Art Collection*, FASHION L. (Dec. 6, 2015), <http://www.thefashionlaw.com/home/chanel-accused-of-copying-looks-in-metiers-dart-collection> [<https://perma.cc/6347->

mous fashion houses are unable to bring suit against those infringing on their designs and trademarks.¹⁸³ While counterfeiting primarily affects famous marks, the fashion industry in general has a massive intellectual property problem because there are minimal protections that apply to all designers and their designs equally.¹⁸⁴

Counterfeiting trademarks is just one aspect of the industry that desperately needs a reassessment of intellectual property protections and rights.¹⁸⁵ Deterring counterfeiters and finally putting a stop to this illicit industry are necessary to protect the goodwill and integrity of the fashion holders of trademarks.¹⁸⁶ The statutory damages system, as emphasized in *Matos*, shows that this trend is no longer in style and needs to be retired to the back of the closet.

WU7Z] (reporting on Chanel copying lesser-known designer in major runway collection).

183. See Sarabia, *supra* note 9, at 36–38 (noting that closely-held companies are more vulnerable). Because these smaller designers do not have the abundant resources of such internationally famous fashion houses, they often take to social media to seek justice for their intellectual property rights. See *Chanel Accused of Copying Looks in Métiers d'Art Collection*, *supra* note 182 (using Facebook to publicize Chanel's copying of lesser known designer); *Zara Comes Under Fire for Copying Indie Artists Designs*, FASHION L. (July 20, 2016), <http://www.thefashionlaw.com/home/zara-comes-under-fire-for-copying-indie-artists-designs?rq=zara%20copying> [<https://perma.cc/NQ6V-NVY5>] (describing copying of design by indie artist who subsequently took to Twitter to publicize Zara's actions).

184. See Kaufman, *supra* note 2, at 531, 541, 565–66 (noting inconsistent intellectual property protections); see also *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (arguing patent infringement injunctive relief could be analogously applied to counterfeit trademark cases); see also *Sara Lee Corp.*, 36 F. Supp. 2d at 166 (applying copyright infringement law to counterfeit trademark case to determine statutory damages).

185. See Kaufman, *supra* note 2, at 541, 565–66 (noting that even designers are guilty of copying other designers, which represents just one problem resulting from lack of intellectual property protections applied to fashion industry).

186. See Sarabia, *supra* note 9, at 38 (emphasizing importance that legal action be taken to address counterfeiting industry); see also *Chanel, Inc. v. Matos*, 133 F. Supp. 3d 678, 689 (D.N.J. 2015) (acknowledging need for deterrence); *Sara Lee Corp.*, 36 F. Supp. 2d at 166 (emphasizing need for guidance on how to handle these cases to deter counterfeiters); Kaufman, *supra* note 2, at 541, 565–66 (noting challenge of applying intellectual property law generally to fashion industry).