

A solid yellow right-angled triangle pointing towards the top-left corner.

BLOGS

Trademarks

Eighth Circuit Upholds Award of Damages in Lanham Act Case Despite Lack of Actual Confusion

In *Masters v. UHS of Del., Inc.*, No. 09-3543 (8th Cir. Jan. 6, 2011), the Eighth Circuit affirmed a jury verdict finding that UHS, the owner of psychiatric hospitals, willfully infringed on the plaintiff's service mark and breached a licensing agreement with the plaintiff. Although this was not a franchise case, the scenario could easily arise in franchising. Under the parties' license agreement, the plaintiff licensed its service mark to UHS for a certain use. But UHS expanded its use of the mark beyond the scope of the license by using it to promote other programs. The licensor sued UHS for breaching the license agreement and for service mark infringement under the Lanham Act. At trial, the jury returned a \$2.4 million verdict in the plaintiff's favor, finding that UHS had willfully infringed on the service mark and breached the licensing agreement.

The important point for franchisors is that on appeal, defendant UHS claimed, among other things, that the plaintiff failed to prove actual confusion. In a ruling that could help franchisors in similar cases, the Eighth Circuit rejected this argument and noted that neither the relevant statutes nor previous case law expressly required proof of actual confusion to support a jury's damages award. The court declined, however, to state that actual confusion was not a prerequisite to recovering damages for *unintentional* infringement. The court found that UHS' willful, unauthorized use of the marks entitled the plaintiff to UHS' profits.