11 Tex. Intell. Prop. L.J. 1

Texas Intellectual Property Law Journal
Fall 2002

Articles

ENDING THE SEVENTH AMENDMENT CONFUSION: A CRITICAL ANALYSIS OF THE RIGHT TO A JURY TRIAL IN TRADEMARK CASES

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***3 Introduction**

Whether a party to an action in federal court for trademark infringement or unfair competition may demand a jury trial by 'right' has been clothed in uncertainty ever since the United States Supreme Court's 1962 decision in Dairy Queen, Inc. v. Wood.[1]

Thus began a 1972 article on the right to a jury trial in trademark cases. Thirty years have passed since the quoted statement was made and forty since Dairy Queen was decided. Yet the Seventh Amendment right to a jury trial in trademark cases remains "clothed in uncertainty." Why is this important right still so poorly defined?[2] And what did the Supreme Court say in Dairy Queen that led to such confusion?[3]

Before answering these questions it is helpful to clarify the nature of the jury trial confusion in trademark cases. Three remedies are generally recognized in trademark law: damages (i.e., recovery based on the trademark owner's lost sales); defendant's profits (i.e., recovery based on the defendant's gain from the infringement); and injunction.[4] There is no controversy concerning the Seventh Amendment status of the damages and injunction remedies. A claim for damages is a legal remedy and creates a right to a jury trial.[5] A request for an injunction, on the other hand, is equitable and does not create a right to a jury.[6] The legal or ***4** equitable nature of the defendant's profits remedy in trademark actions is less clear, and it is on this point that Dairy Queen has generated so much confusion.[7]

Most courts and commentators have interpreted Dairy Queen as holding that a claim for defendant's profits in a trademark case is a legal remedy.[8] This ***5** interpretation is problematic for two reasons. First, this reading of Dairy Queen places the decision in conflict with the Supreme Court's repeated characterization of the disgorgement remedy as equitable.[9] The majority view also places Dairy Queen in conflict with the historical treatment of the disgorgement remedy in trademark cases.[10] This conflict between the leading interpretation of Dairy Queen and the historical treatment of the profits remedy has created confusion and division in the lower federal courts for the last forty years.[11]

And the situation seems to be getting worse. In a number of recent trademark cases involving claims for defendant's profits, some federal trial courts have based the right to a jury trial on the reason the trademark owner gives for seeking the profits award.[12] This approach invites manipulation because it allows plaintiffs to control the mode of trial by the way they characterize their request for relief. If the trademark owner wants a jury trial, she seeks profits as a "rough proxy measure" of her own losses.[13] The trademark owner who wants to avoid a jury trial, on the ***6** other hand, need only disclaim any compensatory basis for seeking defendant's profits and the desired outcome will follow.[14] Surely the constitutional right to a trial by jury should not be open to such blatant manipulation.[15]

It is time to end the confusion surrounding the Seventh Amendment right to a jury trial in trademark cases. The first step toward clarity is to recognize that Dairy Queen was a damages case. The decision is entirely unremarkable within the context of trademark law because there never has been any controversy concerning the legal nature of the damages remedy. Dairy Queen provides no answer to the more difficult question of whether a claim for defendant's profits is legal or equitable. To answer that question, and it must be answered to end the current confusion, one must go beyond Dairy Queen.

A careful Seventh Amendment analysis is needed to determine whether the profits remedy in trademark cases is legal or equitable. This analysis is complex because of the mixed legal and equitable history of the restitution theory (i.e., the defendant's profits award is a form of restitution) and because the profits awards in early trademark cases were largely compensatory. In addition, significant changes in the nature of trademark actions may have altered the nature of the profits remedy. Yet, despite these difficulties, the analysis provided below suggests the profits remedy in trademark cases is an equitable remedy and does not create a right to a jury trial.

Before moving on to my arguments, it is worth noting the practical importance of my conclusion. In many modern trademark infringement actions, it is difficult for a trademark owner to prove actual damages.[16] Recovery of ***7** defendant's profits is also difficult because many courts condition such recovery on a showing of willful infringement.[17] But there is an important difference between the difficulties posed by these two remedies. If a trademark owner has insufficient evidence of actual monetary loss, the damages claim may be rejected upon motion for summary judgment. A claim for defendant's profits can be more difficult to eliminate because questions of intent often require credibility determinations. It is, therefore, not unusual for a trademark owner to go to trial with no damages claim but with claims for an injunction and for defendant's profits. If my conclusion is correct--if there is no right to a jury based on a claim for defendant's profits--there probably will be significantly fewer jury trials in trademark cases.[18] This result will affect not only the mode of trial, but also the settlement value of cases resolved prior to trial.[19]

***8** My argument is presented in four parts. PartDairy Queen - A Starting Point, But Not the Final Word presents an analysis of the Dairy Queen decision. I review the general Dairy Queen holding in Part The Dairy Queen Court's General Holding: The Right to a Jury Trial on Legal Issues Is Absolute. Dairy Queen is a significant Seventh Amendment precedent, and it is worth asking whether the Court's general holding resolves the jury trial question in trademark cases. It does not. In Part The Dairy Queen Court's Specific Holding: Plaintiffs Sought Damages, a Legal Remedy, Not an Award of Defendant's Profits, I examine the specific holdings from Dairy Queen and review the different interpretations of these holdings. I argue that Dairy Queen was a damages case, an argument supported by a careful reading of the Dairy Queen decision and a consideration of other Supreme Court jury trial decisions.

The second part of my argument provides the historical foundation needed to conduct the Seventh Amendment analysis. I begin in Part Law, Equity, and the Seventh Amendment with an overview of the practices in the law and equity courts. I conclude from this review that a purely historical analysis-- asking simply whether the defendant's profits remedy was provided in the law or equity courts--will not resolve the Seventh Amendment inquiry. A functional analysis is also needed to determine whether the profits remedy in trademark cases was more like remedies traditionally granted in the law or equity courts. The law and equity analysis continues in Part Restitution and the Many Faces of the "Accounting", with a focus on restitution and the various types of "accountings" heard in the law and equity courts. In Part Trademark Remedies - Past and Present, I present a summary of the development of the trademark action and the remedies available in trademark cases. This section includes a discussion of the nature of the defendant's profits remedy in early and modern trademark cases.

My Seventh Amendment analysis is presented in Part Ending the Confusion - Applying the Seventh Amendment Test. I begin in Part The Dairy Queen Court's General Holding: The Right to a Jury Trial on Legal Issues Is Absolute with a review of the division in the lower federal courts on this issue. Both the majority interpretation of the jury right and the recent trend are based on incorrect readings of the Dairy Queen decision and the history of the accounting remedy. Only two courts have reached the right answer, and neither decision is likely to be particularly influential for reasons given below.

My Seventh Amendment conclusions are presented in Part Applying the Seventh Amendment test. I argue the defendant's profits remedy in trademark cases is equitable and does not create a right to a jury trial. This conclusion is strongly supported by the historical treatment of the defendant's profits remedy. The functional analysis is a closer call, but it also supports my conclusion. The accounting for defendant's profits remedy in modern trademark actions is more equitable than the same remedy in early trademark cases.

***9** Part Postscript - Two Arguments and a Closer Look at the Dairy Queen Dispute is a postscript. It begins with a brief response to a likely criticism of my argument. My analysis is formalistic and results in different treatment of trademark cases depending upon the type of money judgment sought. It is fair to ask whether such a result is really justified. I think it is, and I explain why in Part Does the Seventh Amendment Analysis Elevate Form over Substance?.

In the second part of the postscript, I consider an ironic question. The Dairy Queen Court held that merger eliminated any need for equity's old incidental or clean-up jurisdiction. My review of early trademark cases makes it clear that the chancellors exercised precisely this type of jurisdiction over claims for defendant's profits in trademark cases. In my principal argument, I reject the premise that Dairy Queen's holding on this point renders the profits remedy legal, but an interesting question remains. Did merger, and more particularly, the Dairy Queen Court's interpretation of merger, render the defendant's profits remedy superfluous? I consider this question in PartDairy Queen and the Merger of Law and Equity - Did Merger Eliminate the Need for the Defendant's Profits Remedy in Trademark Cases?.

I conclude the article with a closer look at the Dairy Queen case. This examination is not essential to my arguments and some readers may feel there is little need for a more detailed examination of the circumstances that led to the Dairy Queen litigation. Context is, in my view, always helpful. The context provided in Part The Background of the Dairy Queen Case gives a reader a better appreciation of the issues in the Dairy Queen case and why the Supreme Court found it so difficult to parse out the plaintiffs' claims.

I. Dairy Queen - A Starting Point, But Not the Final Word

The application of the Seventh Amendment to trademark actions has divided courts since Dairy Queen was decided in 1962. Initially, courts seemed to ignore the Dairy Queen Court's discussion of the trademark infringement claim and plaintiffs' request for an "accounting."[20] But, in time, most courts began to see Dairy Queen as the key to resolving jury trial questions in trademark cases.[21] Some courts interpreted Dairy Queen narrowly and continued to try trademark cases without juries.[22] Other courts read Dairy Queen broadly and concluded that ***10** most trademark cases with requests for monetary relief must be tried to a jury.[23] This latter interpretation of Dairy Queen marked a significant change in the prevailing practice.[24] The first step to ending the confusion surrounding the right to a jury trial in trademark cases, therefore, is to end the confusion surrounding the Dairy Queen decision.

The Dairy Queen case resulted from a dispute between the owners of the Dairy Queen trademark and a regional franchisee who failed to pay royalties required by the parties' franchise agreement.[25] After about five years of deficient payments, the trademark owners terminated the agreement and filed suit, alleging breach of contract and trademark infringement.[26] The plaintiffs requested an injunction prohibiting defendant from further use of the Dairy Queen trademark,[27] "an accounting to determine the exact amount of money owing by defendant,"[28] ***11** and an order requiring the defendant to deposit all royalties obtained from its licensees into the registry of the court.[29]

The defendant in Dairy Queen denied the substantive allegations and demanded a jury trial.[30] Plaintiffs moved to strike the jury demand, apparently seeing the demand as an effort to delay the proceedings.[31] With the thinnest of records before it--plaintiffs' motion included minimal argument[32] and defendant apparently filed no response to the motion--the district court evaluated the plaintiffs' claims.[33] "In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder."[34] The court continued, "[a]ccording to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiffs' trademark and has been collecting money in violation of the plaintiffs' rights . . . ."[35]

***12** Though "the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract," the district court considered this demand incidental to the principal relief sought by the plaintiffs.[36] The principal types of relief sought--a declaration the contract was null and void, an injunction, and an accounting for illegally obtained profits[37]--were equitable, the district court held, and all issues raised by the plaintiffs' claims "are for the Court's determination."[38]

Defendant filed a petition for a writ of mandamus with the Third Circuit Court of Appeals, arguing the district court's ruling violated the Seventh Amendment.[39] The Third Circuit denied the petition without opinion, and the United States Supreme Court granted certiorari to address the Seventh Amendment issues raised by the district court's decision.[40]

A. The Dairy Queen Court's General Holding: The Right to a Jury Trial on Legal Issues Is Absolute

When the district court described the plaintiffs' claim for contract damages as "incidental" to the equitable relief sought in the case, the court was following a ***13** practice that began prior to the merger of law and equity. When a chancellor sitting in equity exercised jurisdiction over a particular claim, the chancellor had the discretion to extend his jurisdiction to related claims that might not otherwise support equity jurisdiction.[41] The jurisdiction so exercised was "incidental" to the primary basis for the chancellor's intervention.[42] This type of jurisdiction was sometimes used to hear claims that otherwise would require a separate action in a common law court.[43] The chancellor would use his discretion to "clean up" the matter by hearing the legal claim and the equitable claim in a single action.

In 1938, the Federal Rules of Civil Procedure ended the separation of law and equity in the federal judicial system.[44] Under the Federal Rules, related claims for relief, whether legal or equitable, may be brought in a unitary civil action.[45] The merger of law and equity, therefore, eliminated the need for equity's incidental or clean up jurisdiction. Questions remained after merger, however, as to the scope of the Seventh Amendment right to a jury trial in actions that, prior to merger, would have been tried entirely in equity, pursuant to equity's clean-up or incidental jurisdiction.

Momentum may have carried the day for a time, with most federal courts continuing the old practice to the extent practicable under the new Federal Rules. Where a party sought, for example, an injunction and damages, the trial court might first hear the substantive issues without a jury to determine whether an injunction was appropriate.[46] The court could then impanel a jury to determine damages. The ***14** jury in this scenario would hear only issues unique to the damages claim, since the court already had resolved most substantive issues. In some post-merger cases, federal courts decided purely legal issues (e.g., the amount of damages), apparently under a clean-up or incidental jurisdiction principle.[47] The Dairy Queen district court apparently intended to handle the case in this way.[48]

The Supreme Court first addressed this practice in Beacon Theatres, Inc. v. Westover,[49] where the Court held that "only under the most imperative circumstances, circumstances which in view of the flexible procedures of the Federal Rules we cannot now anticipate, can the right to a jury trial of legal issues be lost through prior determination of equitable claims."[50] It seems the full significance of the Beacon Theatres decision was not yet understood when Dairy Queen was decided in 1962.[51]

***15** Some courts read Beacon Theatres broadly, as illustrated by the following excerpt from a decision by the Fifth Circuit:

> It is therefore immaterial that the case at bar contains a stronger basis for equitable relief than was present in Beacon Theatres. It would make no difference if the equitable cause clearly outweighed the legal cause so that the basic issue of the case taken as a whole is equitable. As long as any legal cause is involved the jury rights it creates control. This is the teaching of Beacon Theatres, as we construe it.[52]

But other courts and some commentators did not view Beacon Theatres so broadly. The late Fleming James, a respected commentator on civil procedure generally and the right to a jury trial in particular, said of Beacon Theatres, "[t]he holding itself is not radical."[53] Though James noted that Beacon Theatres was decided on grounds "susceptible of an interpretation which would go far to abolish the historical test altogether and extend jury trial over most of the former domain of equity," he did not believe the Supreme Court intended to go that far.[54] James' prediction proved incorrect.

***16** In Dairy Queen, the Court wasted little time in confirming the broad interpretation of Beacon Theatres.
At the outset, we may dispose of one of the grounds upon which the trial court acted in striking the demand for trial by jury--that based upon the view that the right to trial by jury may be lost as to legal issues where those issues are characterized as 'incidental' to equitable issues--for our previous decisions make it plain that no such rule may be applied in the federal courts.[55] With this holding, the Dairy Queen Court effectively removed any remnants of equity's incidental or clean-up jurisdiction. Though this holding is important as a matter of general Seventh Amendment interpretation, it does not provide any guidance on how to determine whether a particular issue is legal or equitable.[56] To answer that question, the Dairy Queen Court turned to the plaintiffs' complaint.

B. The Dairy Queen Court's Specific Holding: Plaintiffs Sought Damages, a Legal Remedy, Not an Award of Defendant's Profits

The Supreme Court's analysis of the claims at issue in Dairy Queen is not entirely clear. Courts have struggled with this part of the decision for forty years, with most courts reading Dairy Queen as support for the proposition that any claim for monetary relief in a trademark case is legal. Though this reading is understandable, it is ultimately incorrect. The Supreme Court viewed the Dairy Queen case as a damages action. This conclusion is supported by the Court's decision in Dairy Queen and by comments in several of the Court's other Seventh Amendment decisions.

1. The Dairy Queen Court's Analysis of Plaintiffs' Claims

The Dairy Queen jury trial dispute was somewhat unusual because it was the defendant, not the plaintiffs, who demanded the jury.[57] The plaintiffs' complaint clearly alleged breach of contract and seemed to seek some $60,000 in damages as a result of the breach.[58] Because this claim indisputably was legal,[59] plaintiffs had ***17** to find a way to recast their claims to avoid raising a jury trial issue. In the end, the Dairy Queen plaintiffs' characterization of their own claims seemed to conflict with the language in their complaint.[60] This aspect of the Dairy Queen dispute has contributed to the confusion concerning the nature of the claims presented.

The Supreme Court began by its analysis of plaintiffs' claims by noting three possible interpretations of the complaint:

> The most natural construction of the respondents' claim for a money judgment would seem to be that it is a claim that they are entitled to recover whatever was owed them under the contract as of the date of its purported termination plus damages for infringement of their trademark since that date. Alternatively, the complaint could be construed to set forth a full claim based upon both of these theories--that is, a claim that the respondents were entitled to recover both the debt due under the contract and damages for trademark infringement for the entire period of the alleged breach including that before the termination of the contract. Or it might possibly be construed to set forth a claim for recovery based completely on either one of these two theories--that is, a claim based solely upon the contract for the entire period both before and after the attempted termination on the theory that the termination, having been ignored, was of no consequence, or a claim based solely upon the charge of infringement on the theory that the contract, having been breached, could not be used as a defense to an infringement action even for the period prior to its termination.[61]

The Court found "it unnecessary to resolve this ambiguity because we think it plain that [plaintiffs'] claim for a money judgment is a claim wholly legal in its nature however the complaint is construed."[62] The Dairy Queen plaintiffs' breach ***18** of contract claim for past due royalties was clearly legal, the court noted,[63] and "as an action for damages based upon a charge of trademark infringement, it would be no less subject to cognizance by a court of law."[64] The plaintiffs, however, argued their trademark claim was "purely equitable" because "their complaint is cast in terms of an 'accounting,' rather than in terms of an action for 'debt' or 'damages.'"[65] The Court rejected this argument, because "the constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings."[66]

At this point, it seems quite clear the Dairy Queen Court viewed the plaintiffs' request for monetary relief as a damages claim for breach of contract, trademark infringement, or both. The Court properly rebukes the plaintiffs for trying to manipulate the Seventh Amendment inquiry through the use of semantic labels. But the Court does not stop here. And when the Court continues the analysis, its focus seems to change, as shown by the following excerpt:

> The necessary prerequisite to the right to maintain a suit for an equitable accounting, like all other equitable remedies, is, as we pointed out in Beacon Theatres, the absence of an adequate remedy at law. Consequently, in order to maintain such a suit on a cause of action cognizable at law, as this one is, the plaintiff must be able to show that the 'accounts between the parties' are of such a 'complicated nature' that only a court of equity can satisfactorily unravel them.[67]

What remedy is at issue here? Is it damages, or is it an accounting for defendant's profits? It is this part of the Dairy Queen analysis that has caused so much confusion in the lower federal courts. Within the context of trademark law, the accounting label is used to identify the profits remedy.[68] From the earliest trademark actions in equity, the chancellors used the word accounting in this way.[69] Trademark lawyers reading Dairy Queen, therefore, tended to interpret the Court's references to an accounting as references to the remedy of defendant's ***19** profits. Given this background, it is not surprising that many courts hearing trademark cases after Dairy Queen reached the same conclusion.[70] The courts were, after all, guided to the conclusion by the trademark lawyers arguing the cases.

Though this interpretation of Dairy Queen is incorrect, for reasons given below, it is not a frivolous reading of the decision. In addition to the contextual explanation provided above, (i.e., to trademark lawyers, the word "accounting" identifies the remedy of defendant's profits), there are two other plausible reasons this interpretation has attracted so much support. The first, and likely more ***20** important, reason is found in the facts of the Dairy Queen case. Defendant continued to use the Dairy Queen trademark after the franchise agreement was terminated. Such use might well have constituted willful trademark infringement, the standard many courts require for an award of defendant's profits.[71] Trademark lawyers who recognized this point from reviewing the Dairy Queen facts probably assumed the plaintiffs sought an accounting for defendant's profits. Moreover, the district court considered plaintiffs' accounting claim a request for "profits illegally obtained by the defendant."[72]

The final reason so many courts have read Dairy Queen as a case involving an accounting for defendant's profits can be found in the Court's discussion of the equitable accounting. While explaining why the accounting the plaintiffs sought was not an equitable accounting, the Dairy Queen Court seemed to use the term accounting to identify both a remedy and a procedure. For example, in the first part of its analysis of this issue, the Court refers to an "equitable accounting" as an "equitable remedy."[73] In the end, however, the Court seems to view the accounting at issue as merely a procedure: "The legal remedy cannot be characterized as inadequate merely because the measure of damages may necessitate a look into petitioner's business records."[74] With the Supreme Court seeming to go back and forth between the damages remedy and the equitable accounting remedy, it is easy to see why the district courts have struggled to make sense of this part of the Dairy Queen decision.[75]

***21** Though the Dairy Queen plaintiffs' complaint could have been read as seeking an award of defendant's profits, the Supreme Court did not adopt such a reading. In the Supreme Court's view, Dairy Queen was a damages case.[76] This interpretation is supported by the Court's repeated references to damages and by the complete absence of any mention of the defendant's profits.[77] Three times the Court identifies the trademark claim and the remedy sought based on that claim, and, all three times, the Court identifies the remedy as "damages."[78] And as noted in the preceding paragraph, the Court concludes its discussion of the plaintiffs' claims by again identifying the remedy as "damages."[79]

The nature of the plaintiff's prayer for relief also supports the conclusion that the Supreme Court viewed Dairy Queen as a damages case. Plaintiffs asked for "an accounting to determine the exact amount of money owing by petitioner."[80] The franchise agreement required a total payment of $150,000 from defendant and spread this financial obligation out over a period of several years.[81] Defendant was ***22** required to pay the Dairy Queen trademark owners "50% of all amounts received . . . on sales and franchises" in defendant's region.[82] Though plaintiffs could determine the difference between the total payments defendant made and the $150,000 requirement, plaintiffs could not determine the exact amount defendant owed without reviewing defendant's books. As the Supreme Court saw the case, the Dairy Queen plaintiffs asked for an "accounting" procedure to determine the amount of damages owed by defendant.[83]

There is another clue in Dairy Queen supporting this interpretation of the decision. The Court offered a "cf." cite to two circuit court copyright cases as support for its conclusion that the trademark claim in Dairy Queen was legal.[84] In the first of these cases, the court held that a copyright infringement claim "solely for damages" is a legal claim that must be tried to a jury.[85] The second cited case ***23** went farther, holding that a claim for damages was legal but a claim for defendant's profits was equitable.[86] These two decisions directly conflict with the leading interpretation of Dairy Queen but support my argument that Dairy Queen was a damages case.

Justice Harlan filed a concurring opinion in Dairy Queen, joined by Justice Douglas, to express his view that the case involved "an accounting for alleged trademark infringement, rather than contract damages."[87] This reading, Harlan concluded, "leaves the complaint as formally asking only for equitable relief, [but] this does not end the inquiry."[88] Harlan then explained, much as the majority decision did, that such an "accounting" was legal unless the accounts were too complex for a jury.[89] "A jury, under proper instruction from the court, could readily calculate the damages flowing from this alleged trademark infringement, just as courts of law often do in copyright and patent cases."[90] It seems clear the concurring justices agreed with the majority's understanding of the relief sought.

There are two additional arguments supporting my interpretation of Dairy Queen. First, the Dairy Queen Court's explanation of the "equitable accounting" makes sense only if the court viewed the trademark claim as a damages claim. Equity would not have intervened to hear plaintiffs' "accounting" claim, the Court explained, unless the accounts were too complex for a jury.[91] If the Court was referring to use of an accounting procedure to fix the amount of damages in an ***24** action at law, its explanation is correct.[92] But if the Court was referring to an accounting for defendant's profits, the explanation is incorrect because the profits remedy was provided in trademark cases brought in equity, not those brought in the law courts.[93] Moreover, because the profits award in trademark actions did not originate in the law courts, complexity was neither required nor relevant to the exercise of equity jurisdiction over a claim for defendant's profits.[94] The Dairy Queen Court's discussion of complexity would have been incorrect had the Court been talking about an accounting for defendant's profits.

Finally, the Dairy Queen Court would have been breaking with a significant historical practice if it had deemed an accounting for defendant's profits a legal claim. Not only is it unlikely the Court intended to make such a break in Dairy Queen, but the decision provides no historical review of the profits award. Surely if the Dairy Queen Court meant to bring about "revolutionary change . . . to the concepts of the past,"[95] the Court would have explained that past. If, on the other hand, the Court saw the trademark claim as one seeking damages, there would have been little need for such explanation.

2. The Supreme Court Has Characterized Dairy Queen as a Damages Case and the Profits Remedy as an Equitable Remedy

Dairy Queen has been cited often by the Supreme Court, but rarely explained. Only four times has the Court provided any commentary on its interpretation of the Dairy Queen plaintiffs' claims. But on all four occasions, the Court characterized Dairy Queen as a damages case. In Feltner v. Columbia Pictures Television, Inc.,[96] the Court described Dairy Queen as an "action for damages for trademark infringement 'subject to cognizance by a court of law.'"[97] In a concurring opinion in City of Monterey v. Del Monte Dunes, Ltd.,[98] Justice Scalia cited Dairy Queen as ***25** an example of a tort action involving a claim for damages.[99] A somewhat similar citation to Dairy Queen was made in Ross v. Bernhard.[100]

Perhaps the most significant reference to Dairy Queen is found in Curtis v. Loether,[101] a case involving a claim for a money judgment under the fair housing provisions of the Civil Rights Act of 1968. The Court held "that a damages action under § 812 is an action to enforce 'legal rights' within the meaning of our Seventh Amendment decisions," and cited Dairy Queen as support for this conclusion.[102] Later in the decision, the Court distinguished the § 812 damages claim from monetary relief provided in equity.
Nor is there any sense in which the award here can be viewed as requiring the defendant to disgorge funds wrongfully withheld from the plaintiff. Whatever may be the merit of the "equitable" characterization in Title VII cases, there is surely no basis for characterizing the award of compensatory and punitive damages here as equitable relief.[103] Curtis is a telling decision. Not only did the Court cite Dairy Queen as a damages case, the Court went on to discuss the disgorgement remedy as a form of equitable relief. The analysis in Curtis would make no sense whatsoever if the Court viewed Dairy Queen as a case involving a claim for disgorgement of defendant's profits.

Curtis is also significant for its identification of disgorgement as an equitable remedy. A similar comment is found in Tull v. United States,[104] where the Court held a civil claim by the government to enforce penalties under the Clean Water Act is a legal claim.[105] The government opposed the defendant's jury demand in Tull and made the following argument concerning the nature of its claim:

***26** The Government contends, however, that a suit enforcing civil penalties under the Clean Water Act is similar to an action for disgorgement of improper profits, traditionally considered an equitable remedy. It bases this characterization upon evidence that the District Court determined the amount of the penalties by multiplying the number of lots sold by petitioner by the profit earned per lot. An action for disgorgement of improper profits is, however, a poor analogy. Such an action is a remedy only for restitution--a more limited form of penalty than a civil fine. Restitution is limited to "restoring the status quo and ordering the return of that which rightfully belongs to the purchaser or tenant." As the above discussion indicates, however, § 1319(d)'s concerns are by no means limited to restoration of the status quo.[106]

It seems clear from the quoted language the Tull Court did not question the government's characterization of the profits remedy as equitable. Indeed, the Court has cited this passage from Tull a number of times for precisely this proposition.[107]

In some cases, the court has included disgorgement as one example of restitution, a remedial basis the Court sometimes has suggested is purely equitable.[108] The following discussion, found in Porter v. Warner Holding Co.,[109] is illustrative:

> Restitution, which lies within that equitable jurisdiction, is consistent with and differs greatly from the damages and penalties which may be awarded under § 205 (e). When the Administrator seeks restitution under § 205 (a), he does not request the court to award statutory damages to the purchaser or tenant or to pay to such person part of the ***27** penalties which go to the United States Treasury in a suit by the Administrator under § 205 (e). Rather he asks the court to act in the public interest by restoring the status quo and ordering the return of that which rightfully belongs to the purchaser or tenant. Such action is within the recognized power and within the highest tradition of a court of equity.[110]

These citations are important for two reasons. First, they support the interpretation of Dairy Queen advanced above. But perhaps more importantly, the Court's repeated characterization of disgorgement as an equitable remedy[111] strongly suggests the defendant's profits remedy in trademark cases is equitable. The cited comments are dicta, however, so a careful Seventh Amendment analysis of the profits remedy in trademark cases is needed.[112]

II. The Seventh Amendment Foundation

History tends to dominate Seventh Amendment analysis. To determine whether the defendant's profits remedy is legal or equitable, it is necessary to understand the historical differences between the law and equity courts. It also is important to understand the historical development of restitution, a substantive and remedial theory that developed in both the law and equity courts. The particular history of the "accounting" should be examined, or one may mistakenly assume the accounting for defendant's profits in modern trademark cases is merely a modern application of an old common law action. Finally, though perhaps most importantly, one must understand the nature of the trademark action and the defendant's profits remedy as provided in trademark cases. This too requires a look into the somewhat distant past. The historical foundation needed to conduct the Seventh Amendment analysis is presented in the following sections.

*28 A. Law, Equity, and the Seventh Amendment

1. The Development of Concurrent Jurisdiction Actions and Equity's Incidental or Clean-up Jurisdiction

The Seventh Amendment provides that "[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved."[113] "The phrase 'common law,' found in this clause, is used in contradistinction to equity, and admiralty, and maritime jurisprudence."[114] When the Seventh Amendment was ratified in 1791, it was "well known, that in civil causes, in courts of equity and admiralty, juries [did] not intervene, and that courts of equity use[d] the trial by jury only in extraordinary cases to inform the conscience of the court."[115] The common law courts of the late eighteenth century, on the other hand, used juries to resolve disputed factual issues.[116] This practice was "preserved" in the Seventh Amendment.[117]

This reading of the Seventh Amendment suggests a clear boundary existed in 1791 between the substantive jurisdiction of the common law courts and equity courts. As Justice Story explained in an early Seventh Amendment case, the reference in the amendment to the "common law" included "not merely suits, which the common law recognized among its old and settled proceedings, but suits in which legal rights were to be ascertained and determined, in contradistinction to those where equitable rights alone were recognized, and equitable remedies were administered."[118]

***29** Justice Story's explanation is problematic because "the line between law and equity (and therefore between jury and non-jury trial) was not a fixed and static one."[119] Instead, the two systems were in flux, with each taking from and giving to the other certain rules and functions. "Many matters . . . which had once been cognizable only in equity, were familiar defenses to a legal action by the end of the eighteenth century. On the other hand, chancellors came to try an ever-growing number of issues which once they had left to be tried at law."[120]

"The borrowing by each jurisdiction from the other was not accompanied by an equivalent sloughing off of functions. This led to a very large overlap between law and equity."[121] When equity assumed jurisdiction over an action that was previously tried only at law, equity's jurisdiction was concurrent[122] with that of the common law courts, leaving plaintiffs with the option of bringing such actions in the law courts or the equity courts. The remedies provided by the two court systems differed,[123] but in areas of concurrent jurisdiction the same substantive claim could be asserted in either system.

***30** Plaintiffs in concurrent jurisdiction actions had the option of proceeding at law or in equity. But in many instances the common law remedy was inadequate.
Take as an example of the inadequate remedy a case of trespass in which an award of damages, the only remedy known to the common law, would not stop the repetition of the trespass. The plaintiff in the common-law suit could then petition the chancellor to issue an injunction forbidding any further trespass under pain of imprisonment.[124] The division of power between law and equity caused problems in this scenario because two proceedings were needed to resolve a single dispute.

In many, perhaps most, of these cases the Chancellor could have granted the relief sought without interfering with the trial of the main point by a jury at common law . . . . On occasions this is what the Chancellor did. But in general, he found, as we still find today, that most cases cannot be split between courts without the certainty of additional expense and the risk of injustice.[125] This conclusion led to the "general principle against multiplicity of suits."[126] "[T]he notion developed that if a ground for equitable relief existed, equity would not stop with the granting of equitable relief but would (at least if plaintiff wished) decide all aspects of the controversy, and this would often include issues which were ordinarily for the law courts."[127]

In the continuing trespass example, equity's jurisdiction over the money claim was "incidental" to its primary jurisdiction, or, put in somewhat more descriptive terms, equity exercised jurisdiction over the money claim to "clean-up" the matter in a single proceeding. Though the use of incidental or clean-up jurisdiction was an important development in the days of the divided bench, it raises an additional complexity in the jury trial analysis. Under the modern Seventh Amendment test, discussed in the following section, the inquiry focuses primarily on the remedy sought. It is easy to classify some remedies as purely legal (e.g., damages) and others as purely equitable (e.g., injunction), but what about money judgments granted in equity pursuant to the chancellors' incidental or clean-up jurisdiction? A better understanding of the Seventh Amendment inquiry is needed to answer this question.

2. The Modern Seventh Amendment Standard

The Supreme Court has adopted a two-part test to determine whether a right to a jury exists under the Seventh Amendment:
***31** To determine whether a particular action will resolve legal rights, we examine both the nature of the issues involved and the remedy sought. "First, we compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity. Second, we examine the remedy sought and determine whether it is legal or equitable in nature. The second inquiry is the more important in our analysis."[128] Applying this test to the defendant's profits remedy in trademark cases is no simple task. The first prong of the test is indeterminate because trademark infringement actions were heard in both the law and equity courts prior to merger.[129] The "second inquiry," therefore, is not only more important, it is dispositive in this context. Yet to understand the nature of the profits remedy, one must first understand the

differences between the law and equity courts. These differences played a key role in the development of different remedial schemes in the two systems.

The procedures and remedies available in the law and equity courts were due, in large part, to the historical development of the two systems.[130] The law courts never issued orders to the parties.[131] For example, when a plaintiff prevailed in a common law action and was awarded damages, the judge simply issued a ruling of law. The king's servant, the sheriff, would then enforce the law by collecting the amount due from the defendant and paying the money, or equivalent property, over to the plaintiff.[132] Thus, the law courts acted in rem, exercising control over the property of the parties through the physical power of the sheriff. The law judges had no direct power over the persons who appeared before the court.[133]

The equity courts, on the other hand, acted in personam, exercising control over the person rather than his property.[134] This approach was due, at least in part, to equity's origins in the ecclesiastical courts, which viewed their jurisdiction in a spiritual manner.[135] These were courts of conscience, with power only over the souls of the persons appearing before the courts.[136] When equity developed into a legal system of its own, the chancellors viewed their jurisdiction in a similar, but ***32** more mortal, way.[137] The chancellors issued orders to the parties, and if a party did not obey such an order, the chancellor could have the party thrown in prison.[138] This threat of imprisonment was the key to equity's power and efficacy.[139]

The different "powers" of the law judges and the chancellors resulted in important differences in the remedies provided in law and equity. The law judges were formalists. For example, if a party held legal title to a parcel of land, the law courts would recognize and enforce that title. The common law courts would evaluate the legal instrument (i.e., the title) and declare it valid or invalid. The titleholder could obtain, in the law courts, a ruling that its title was proper and that others occupying the land were in violation of the title. In this way, the law courts allowed titleholders to bring actions to eject persons who wrongly occupied the titled property.[140]

But what if the titleholder obtained title through fraud? In an action at law, the allegation of fraud would be of no consequence unless it somehow affected the legal instrument.[141] To the chancellors, however, the fraud was an unconscionable act that must not be rewarded.[142] Though equity could not change the law--that is, the chancellor could not declare the title invalid--it could order the titleholder to ***33** convey title to the rightful owner.[143] Failure to comply with such an order was contempt, punishable by imprisonment. Equity, therefore, found a way around the law's overly formalistic response. The key to this equitable solution was the chancellors' power over the persons before the court.

The distinctions between the powers of the law judges and the chancellors are important in the Seventh Amendment analysis of the defendant's profits remedy in trademark cases. This remedy was provided in equitable trademark actions.[144] History, therefore, suggests the remedy is equitable. But this approach is too simplistic because the chancellors exercised incidental or clean-up jurisdiction over profits claims. In other words, a trademark owner could not bring an action in equity seeking only an accounting for defendant's profits because equity viewed the common law action for damages an adequate means of obtaining monetary relief for trademark infringement.[145] Yet history also suggests the common law courts would not grant an award of defendant's profits based on a charge of trademark infringement.[146] Given these conclusions, which are developed in some detail below, how should the Seventh Amendment inquiry be conducted?

Determining whether the profits remedy in trademark cases is legal or equitable requires more than a review of the historical practices in trademark cases. History remains important, but in this situation it is not dispositive. We must attempt to determine the underlying nature of the profits remedy in trademark cases, an inquiry that requires a careful analysis of the characteristics of the remedy and the reasons this remedy (i.e., as opposed to damages) was provided by the chancellors. The analysis is primarily functional. The goal is to determine whether the profits remedy in trademark cases is functionally closer to remedies traditionally provided by the law courts or to those remedies traditionally provided in equity.[147] The answer depends, to an extent, on the different powers exercised ***34** by the law judges and chancellors in the days of the divided bench. These differences are highlighted by the development of both legal and equitable forms of restitution and the transition of the common law "accounting" into a much broader equitable accounting.

B. Restitution and the Many Faces of the "Accounting"

1. Restitution - The Remedy that "Straddles"[148] the Divide

Much of the difficulty in classifying the defendant's profits remedy results from its restitutionary nature. Restitution, which literally means "restoration,"[149] did not develop as a unitary theory. Instead, the concept of restoring the parties to the status quo developed over time, through a variety of different actions.[150] Some ***35** of these actions were heard in the law courts and some in the equity courts.[151] "In spite of their diversity, restitution claims are bound by a major unifying thread. Their purpose is to prevent the defendant's unjust enrichment by recapturing the gains the defendant secured in a transaction."[152]

The particular remedy of interest in this article is the accounting for defendant's profits, a remedy granted by the equity courts in early trademark cases.[153] Determining the legal or equitable nature of this remedy is no easy task. There is support for the argument that the accounting for defendant's profits was granted only in equity courts; the "accountings" provided in the law courts were quite different, seeking to measure plaintiff's loss, rather than defendant's gain.[154] The accounting at law was more a procedure than a remedy, with the law court referring the matter to auditors to conduct an "accounting" of defendant's records to determine the amount owed to plaintiff.[155] The accounting for profits remedy (i.e., the recovery of the defendant's ill-gotten gains), on the other hand, appears to have been provided only by the chancellors.[156] The comments of the Supreme Court characterizing the disgorgement remedy as equitable probably are based on this practice.[157]

There is also support for the opposite conclusion. "Restitution claims for money are usually claims 'at law.'"[158] The more closely a restitution claim resembles a basic money judgment, the more likely the claim is legal.[159] On the ***36** other hand, if a restitution claim requires some form of coercive power--the type of power historically exercised only by the chancellors--the claim is properly classified as equitable.[160]

The Supreme Court recently explored the question of how to distinguish legal restitution from equitable restitution in Great-West Life & Annuity Ins. Co. v. Knudson.[161] An insurer brought the action to recover a share of a state-court tort settlement in favor of the insured party.[162] The question before the Court, at least in the majority's view, was whether the claim was legal or equitable.[163] The majority deemed the claim legal because it resembled a breach of contract claim.[164]

In reaching this conclusion, the Great-West Court explained that legal restitution resulted from claims that sought to impose personal liability on a defendant.[165] The common law action of assumpsit, the Court noted, was based on the same theory of obligation supporting contract law.[166] The gist of the action was the conferring of a benefit upon the defendant by the plaintiff, and the recovery was a money judgment much like a damages award for a breach of contract claim.[167]
In contrast, a plaintiff could seek restitution in equity, ordinarily in the form of a constructive trust or an equitable lien, where money or property identified as belonging ***37** in good conscience to the plaintiff could clearly be traced to particular funds or property in the defendant's possession. A court of equity could then order a defendant to transfer title (in the case of the constructive trust) or to give a security interest (in the case of the equitable lien) to a plaintiff who was, in the eyes of equity, the true owner.[168]

The Great-West Court reached the correct conclusion based on the claim presented, but the Court's analysis must be applied with caution. The examples of legal restitution provided by the Great-West Court do not define the limits of restitution available at law. Indeed, the common law courts granted restitution under the heading of quasi-contract in some cases where there was "nothing like a contract between the parties, neither an express one nor one that might be reasonably inferred from their conduct."[169] The quasi-contract count for money had and received is an example.[170] This count was used to recover money wrongly paid by either the plaintiff to the defendant or by a third party who paid the defendant money meant for the plaintiff.[171]

The common law courts also awarded restitution in cases involving titled property.[172] In these actions, it seems the law courts' primary objective was to protect property rights.[173] The actions of ejectment, replevin, detinue, and trover are examples of legal claims justifying restitutionary relief.[174] These cases involved specific restitution, in that the plaintiffs recovered the specific property defendants had taken or improperly used.[175] It is less clear whether additional monetary restitution was available to plaintiffs who asserted a right based on title to ***38** property,[176] but even if such relief were granted, the primary form of restitution involved in these cases was the return of specific property.[177]

There were, it seems, two general categories of cases in which the common law courts granted restitutionary relief: (1) the "contract" actions, including quasi-contract; and, (2) the property actions. In the contract actions, the terms of the parties' agreement, whether real or implied, governed both the question of liability and the measure of recovery.[178] It makes little practical difference in these cases whether we characterize the remedy as damages or restitution. The important point is the existence, at least in the eyes of the court, of a binding contractual obligation between the parties.

The property cases involving legal restitution are also easily distinguished from other actions. In these cases, the law courts protected title. This focus was both the basis for the property actions recognized at law and the reason equity recognized the constructive trust. The law courts would not look beyond the four corners of the title. If, for example, title was obtained through fraud, the title remained enforceable in the law courts.[179] Equity's response to this inadequacy in the law was the constructive trust.[180] Because of the chancellors' powers over the parties, it was possible for equity to order a defendant who fraudulently obtained title to reconvey title to the "rightful" owner.[181] The end result of the property action at law and the constructive trust action might be similar (i.e., exclusive possession of the property by its owner),[182] but title was a necessary requirement for the common law actions.

The discussion of restitution to this point reveals three truths. First, the contract and quasi-contract actions were legal, even when the relief provided was restitutionary. Second, property claims to enforce title were legal, regardless of the particular relief provided. Third, where a party without title sought to recover property, the action was equitable (i.e., a constructive trust action). The third truth applies where the party also sought monetary relief based on the improper ***39** possession or use of the property. Equity would provide both specific restitution (recovery of the property) and disgorgement of improperly obtained gains in constructive trust actions.[183]

There was apparently one additional extension in equity: the disgorgement award based solely on unjust enrichment. Consider, for example, the case of trademark infringement. At law, the trademark owner could recover damages measured by her own losses, but no more.[184] In equity, she could obtain defendant's profits, even if those profits far exceeded any losses she could prove.[185] The reasons equity provided such relief are explored below, but it is worth noting here that remedying unjust enrichment where there was no basis for compensatory relief at law appears to have been a uniquely equitable practice. In both the contract and titled property actions, the claimant's legal right to recovery could reasonably be construed to extend to the defendant's gains.[186] The recovery granted in such cases can be considered compensatory, at least in a loose sense.[187]

But what result follows where a plaintiff's legal right to recovery is wholly unrelated to a defendant's gain? If the defendant's gain is deemed "unjust" by the court, then an award of restitution presumably is justified.[188] Such an award cannot be characterized as "legal" because the legal right of plaintiff to compensation for its injuries will not support the award. Instead, the court granting such relief acts in the public interest by divesting a wrongdoer of ill-gotten gains. "Such action is within the recognized power and within the highest tradition of a court of equity."[189]

***40** This point is illustrated by a series of cases involving civil actions brought by the United States government for the recovery of profits obtained through securities or bank fraud. In SEC v. Commonwealth Chemical Securities, Inc.,[190] the Second Circuit held that such a claim is equitable and will not support a jury demand.[191] The restitution at issue was equitable because "the court is not awarding damages to which plaintiff is legally entitled but is exercising the chancellor's discretion to prevent unjust enrichment."[192] The Seventh Circuit distinguished Commonwealth Chemical in a later case involving a bank fraud action brought by a private plaintiff. In an SEC action, "the agency seeks no money for itself. The characterization of these [SEC] actions as 'equitable' does not control when as here the plaintiff seeks money for its own coffers."[193]

A fourth truth, therefore, should be added to the list: where the plaintiff seeks disgorgement of profits wholly unrelated to its own legal entitlement to damages, the remedy is equitable. This point is important to the analysis because in most modern trademark actions there is, at best, only a tenuous connection between a plaintiff's losses and a defendant's gains.[194]

There is one additional point to consider. In the previous section of this article, some of the differences between the law and equity courts were discussed. These differences affect the restitutionary awards in the pre-merger courts. Where, for example, the restitution remedy required the coercive power of the chancellors--that is, the power to issue in personam orders under threat of imprisonment--the remedy was clearly equitable.[195] This point can be illustrated by considering the constructive trust, perhaps the most common form of equitable restitution.
When the court decides that the defendant is obliged to make restitution, it first declares him to be constructive trustee, the orders him to as trustee to make a transfer of the property to the beneficiary of the constructive trust, the plaintiff. For example, if the defendant, by fraud, induces the plaintiff to convey Blackacre to him, the court will declare that the defendant holds Blackacre on constructive trust for the plaintiff, and then order a conveyance to the plaintiff, on whatever conditions may be required to do ***41** justice. The power to issue coercive or injunctive orders thus lies at the basis of the constructive trust.[196] The same is true of the equitable lien and the subrogation order, two other forms of equitable restitution closely related to the constructive trust.[197]

How do these principles apply to the defendant's profits remedy in trademark cases? In Great-West, the Court explained that, "for restitution to lie in equity, the action generally must seek not to impose personal liability on the defendant, but to restore to the plaintiff particular funds or property in the defendant's possession."[198] The Court then described the accounting for profits as "a limited exception" to this rule.[199] The profits remedy is "a form of equitable restitution," the Court noted, "even if [plaintiff] cannot identify a particular res containing the profits sought to be recovered."[200] This explanation is dicta because the plaintiffs in Great-West did not seek an accounting for defendant's profits.

The Great-West Court cites Dobbs as support for its characterization of the accounting for profits as an equitable form of restitution, but Dobbs seems to read Dairy Queen as requiring the opposite conclusion. Though "[t]he fiduciary accounting for profits was traditionally an equitable claim,"[201] Dobbs concludes that other accountings may be legal:

> The famous Dairy Queen case seemed to say that the constitution required federal courts to grant a jury trial whenever the claim was one for money, even though the claim was one for accounting of profits. If the accounting seeks to recover a fund that has been traced, so that it is in effect a constructive trust on a fund of money, the case might be classed as an equitable suit and tried without a jury. But accounting of profits is usually based on a much more limited tracing, in which the plaintiff merely shows that the defendant profited in some amount from use of the plaintiff's entitlement. The defendant is liable on the same unjust enrichment grounds as are involved in a constructive trust, but no particular fund is identified to which a trust or lien attaches. If the accounting merely results in a money judgment and not a trust or lien, it would seem to require a jury trial under the Supreme Court's decision in Dairy Queen, but some federal authority has insisted that a non-jury trial is appropriate.[202]

Given these seemingly divergent views concerning the accounting for defendant's profits, it is difficult to say whether the remedy is generally legal or ***42** equitable. Most courts have characterized this remedy as equitable,[203] but Professor Dobbs makes an important point when he notes the similarity between some profits awards and common money judgments at "law." Moreover, the profits award does not seem to rely upon the chancellors' coercive powers, at least not to the extent such powers were needed to effectuate the constructive trust remedy. The legal or equitable nature of the accounting for defendant's profits remedy may ultimately depend upon the nature of the remedy in a particular context.

Before examining the nature of the trademark infringement action and the defendant's profits remedy in trademark actions, one other matter must be addressed. Some courts have interpreted, incorrectly in my view, the history of the "accounting" in the law and equity courts. To eliminate this additional source of confusion, I present an overview of the "accounting" in the following section.

2. The Common Law Account, the Equitable Bill for Account, and the Equitable Accounting

What was the nature of the accounting for profits granted in early trademark actions? Was it the same remedy, or the functional equivalent, of the relief granted in the old common law action for account? Some courts have assumed so, and they have relied on this assumption to support the conclusion that a claim for an accounting for defendant's profits in a trademark action is legal.[204] This assumption is mistaken, but it is an understandable error. The "accounting" has taken different forms at different times and in different contexts. Sorting out the basic outline of this history provides helpful insights into the judicial world of the late eighteenth century and early nineteenth century, the time when equity began to hear trademark cases.

i) The common law action for account

The action for account was one of the oldest forms of action recognized by the common law.[205] The account likely originated during the twelfth century as an aid to English landowners.[206]
***43** [I]n England the feudal system was reaching a highly developed state as the result of the attitude and policy of William the Conqueror; this system gave rise to a method of land ownership under which it was common for the lords to grant out manors to bailiffs, who were to account for the rents and profits thereof, deduction being made for expenses incurred.[207] If a bailiff refused to account for the moneys received, the lord could bring an action for account in the common law courts.[208] The action arose because other early common law actions failed to provide a proper remedy.[209]

An action for account would lie only where the common law recognized a duty to account.[210] Such a duty existed when one person received money or ***44** property for another person.[211] The manorial bailiff provides a good illustration. When tenants paid rent to the bailiff, the money did not become the bailiff's property; he merely held the money for the lord of the manor.[212] The common law, therefore, imposed upon the bailiff a duty to account to the lord for monies received from tenants and others indebted to the lord.[213]

"At common law there are only three classes of persons who can incur an obligation to account; namely, guardians, bailiffs, and receivers . . . ."[214] The common law also allowed an action for account between merchants, but these cases "were scarcely exceptions, since the defendant in such cases was charged as bailiff or receiver."[215] The defining characteristic of the relationships covered by the common law account was the existence of "a fiduciary relationship . . . or, as the books of the common law express it, there must be a privity between them."[216]

The privity requirement was relaxed a bit in a narrow class of cases involving the improper receipt of money intended for another. For example, the common law account would lie "where a stranger receives the rents and profits of A's ***45** manor."[217] The plaintiff, A, "may adopt and ratify" the defendant's acts and thereby convert the defendant, in the eyes of the common law, into a bailiff. Having deemed the defendant a bailiff, the common law would allow an action for account. Alternatively, A could bring actions for debt against the tenants, though this approach might have been more cumbersome.[218] If A elected to bring the action for account, he "may make a privity by [his] consent,"[219] though no privity in fact existed.[220]

There was a reason for this legal fiction. "[N]o action of account lay at the common law against wrong-doers."[221] If B obtains rents owed to the landlord by defrauding the landlord's tenants, B obviously is a wrong-doer. Ordinarily, the common law would not allow an account against such a person. But there apparently was a strong desire to allow the landlord to proceed against the party who obtained the rents rather than against the defrauded tenants. This scenario is not so different from the paradigm common law account where a lord brings the action to recover rents improperly withheld by his bailiff. The difference, of course, is the person who improperly obtained the rents in this scenario was not the lord's bailiff. Nevertheless, the common law allowed the lord to bring an action for account in this situation.[222]

To allow such an action to proceed, the common law did two things. First, the defendant was deemed to have committed no wrong against the landlord.[223] The defendant defrauded the tenants, not the lord. The lord could still recover, at least in theory, against his tenants. The tort, therefore, was committed on the ***46** tenants. The commission of a tort on a third party did not prevent one from bringing an action for account against the party who committed the tort. The rule stated above prohibited accounts based on the commission of a tort by the defendant against the plaintiff.[224]

Having characterized the situation as a tort against the tenants and not the landlord, the common law could allow the lord to "consent" to privity with the defendant. This second step provided the required legal duty. The notion of privity by consent, therefore, was simply a means to an end. By allowing the lord to "consent" to privity, the common law effectively transformed the defendant into a bailiff and then allowed the action for account to proceed as it would have against one of the lord's bailiffs.[225]

This expansion of the common law account is important, but it does not seem to reflect any general tendency to view the action broadly. Indeed, commentators uniformly characterize the action as a narrow one.[226] Absent a pre-existing legal duty to account, the common law action for account would not lie, with the one exception being the scenario described.

The preceding paragraphs illustrate the narrow substantive scope of the common law account. Yet, even where an action for account would lie at common law, there were significant problems due to the procedures used in the law courts. An action for account proceeded in two stages.[227] In the first stage, the plaintiff had to prove the defendant had a legal duty to account.[228] Disputed issues of fact arising during this stage of the proceeding were tried by a common law jury.[229] If the jury found a defendant was obliged to account, the matter was sent to court-appointed auditors or accountants who conducted the accounting.[230] The jury, however, still had a role in the resolution of the matter, as explained in the following description of the process:

> If, upon any article in account, the auditors cannot agree; or, if agreeing, the parties are not satisfied; then, upon each point, so litigated, a separate and distinct issue may be ***47** taken, and that issue must be tried by a jury. In this manner, a hundred issues may be joined in the same cause, and tried separately by as many juries . . . .[231] If the defendant contested numerous points from the accounting, the common law account could take years to resolve.

Though the procedure for conducting a common law accounting was cumbersome at best, there was another, perhaps more significant, problem with the common law account. "A court of common law never lays a command upon a litigant, nor seeks to secure obedience from him."[232] Thus, the common law never issued injunctions directed at the parties. Nor did the common law provide discovery, which requires power over the persons before the court.

With the cumbersome accounting procedure and the lack of discovery or other orders directed to the defendant, the common law account seems a rather poorly structured action.[233] Two developments seemed to lead to the effective extinction of the old action for account. First, equity began to intervene in matters of account based solely on the inadequacies of the common law process. This development is considered in the following section. But the common law did not remain rigidly fixed either. As the old action for account faded, other common law actions were recognized. Indeed, the rise of general assumpsit in the common law courts eliminated some of the problems posed by the old action for account. As previously explained, the more modern count for money had and received likely covered the same factual scenarios previously tried as actions for account.

Before moving on to the equitable bill for account, equity's replacement for the common law action for account, it is worth noting the nature of the recovery in the old action for account. The plaintiff was owed certain money by defendant as a result of the legal relationship between the parties. The recovery could have been either damages (i.e., measured by the plaintiff's loss of money it was legally entitled to receive) or restitution (i.e., measured by the value of the money owed to plaintiff plus any difference due to the actions of defendant). It is not clear which ***48** remedy was provided, though in many cases the award probably would have been the same under either theory.

Whether technically damages or restitution, the money awarded in common law actions for account resulted from the legal duty imposed on the defendant, much like the duties imposed on parties under contracts. In this sense, the dispute in Dairy Queen was similar to the fact patterns covered by the old common law account.[234] The Dairy Queen plaintiffs wanted what was owed them under the franchise agreement, but the only way to determine the amount owed was to examine the defendant's books.[235] Such an examination may well be an "accounting," but it is not the same thing as the accounting for profits remedy. In the old action for account, the count for money had and received, and in the Dairy Queen dispute, the true measure of recovery was defined by plaintiff's legal entitlement to certain money in defendant's possession. The "accounting" involved in these situations is more a procedure than a remedy.

ii) The equitable bill for account

The common law account was far from perfect. "[W]e are not surprised to find that, by the end of the fifteenth century, the mere fact that the case involved the taking of accounts was sufficient ground for interposition of the chancellor."[236] "The common-law method of taking an account . . . could not be improved by equitable aids; it had to be superseded."[237] The equitable account did "supersede" the common law account, as Lord Devlin suggests, but the ascension of the equitable bill for an account was due to the better process in the equitable action, not because the common law ceased to recognize the old action for account.[238] Thus, there was concurrent jurisdiction over cases where the common law recognized a duty to account.[239]

***49** The equitable bill for account was no broader in substance than the common law action for account.[240] Equity apparently did not require the plaintiff to use the magic words "bailiff," "receiver," or "guardian," but the plaintiff's bill would fail if the defendant were not shown to "have in truth the qualities of one, of two, or of all three of these classes of persons."[241] Thus, the equitable bill for account was limited to cases involving a pre-existing duty to account, with the likely exception described above for accounting claims brought by landlords against persons who wrongfully obtained rents from the lord's tenants.

A comparison of the common law account with the equitable bill for account provides a good example of the advantages of the procedures and powers of the chancellors. The two actions were substantively identical. The remedy provided was, at least in theory, the same. Yet the common law action for account failed, and the equitable bill for account flourished.

The equitable bill for account was tried to the chancellor in a single proceeding without a jury.[242] Though this meant a plaintiff did not get a jury trial on its claim, that result was likely of little consequence given the potential for abuse presented by the jury trial procedure.[243] Most plaintiffs would prefer to see their action through to its conclusion within a reasonable period of time. Equity satisfied this desire much more effectively than did the common law.

The plaintiff in an equitable bill for account also benefited tremendously from the availability of discovery. In a typical accounting action, the plaintiff could not determine the amount owed without access to the defendant's records. In the common law account, the auditors received whatever information the defendant wished to provide. In the equitable bill for account, the chancellor could order the defendant to provide all of its records.[244] Equity also had the power to compel the ***50** defendant and the defendant's employees to testify under oath on any disputed matters relating to the accounts.[245] Thus, the equitable bill for account likely resulted in more just accountings than did the common law account. At a minimum, the equitable bill for account seemed to level the playing field between the parties.

Equity also was better able to provide recovery. The chancellor could order the defendant to pay the plaintiff the sum due under the threat of imprisonment.[246] A common law judgment, on the other hand, was easier to evade. If the defendant could successfully hide his property from the sheriff there would be nothing available to satisfy the common law judgment.[247] It is not clear how common efforts were to evade the judgments of the common law, but, without a threat of imprisonment, the common law defendant may have been more likely to attempt such evasion.[248]

For all these reasons, the equitable bill for account effectively replaced the common law account.[249] The complete inadequacy of the common law action formed the basis for jurisdiction in equity. The duty to account, without more, created jurisdiction in equity. Other accountings in equity did not share this characteristic.[250]

iii) Equitable accountings in concurrent jurisdiction actions

The true bill for account was a limited action. It was recognized only in cases where the defendant was under a legal duty to account to the plaintiff. Though the label "bill for account" was sometimes used more loosely to refer to other accountings provided in equity,[251] there was an important difference between true bills for account and other equitable accountings. Only in the case of the true bill was equity's jurisdiction based on the duty to account.[252] In all other equitable ***51** "accountings," the claimant had to establish some other basis for equity jurisdiction.

Equitable accountings were provided in two other classes of cases. First, equity provided accountings in concurrent jurisdiction actions to provide complete relief in a single action.[253] Second, equity provided accountings in cases where the common law did not recognize the substantive right asserted. In these cases equity's jurisdiction was exclusive.[254] The first class of cases--the concurrent jurisdiction actions--is the subject of this section.

The pre-merger trademark infringement action is a good example of a concurrent jurisdiction action where equity provided an accounting to compensate prevailing plaintiffs.[255] In equitable trademark cases, "jurisdiction must be rested upon some other equitable ground--in ordinary cases, as in the present, the right to an injunction--but the court of equity having acquired jurisdiction upon such a ground, retains it for the purpose of providing complete relief."[256] "Equity could and occasionally did give damages in the form of compensation, but its usual method of giving relief in money was by ordering an account and payment of the amount found due."[257]

Accountings granted in concurrent jurisdiction actions did not work their way over into equity from the common law. The substantive claim (e.g., the trademark infringement claim) worked its way over from the common law to equity, but the remedy of account was unique to the equitable proceeding.[258] In this respect, equitable accountings in concurrent jurisdiction actions (e.g., trademark infringement) differed from the common law account and its equitable counterpart, the true bill for account.

The accountings provided in concurrent jurisdiction actions differed in another, perhaps more important, way from the common law action for account and the true bill for account in equity. In true matters of account (i.e., where the common law recognized a duty to account), the remedy was measured by the plaintiff's legal entitlement to funds in defendant's possession. This measure focused on the plaintiff's loss, at least to the extent the legal entitlement to payment is considered a loss. But, however the recovery was described, it was different ***52** from the recovery provided in concurrent jurisdiction actions like trademark infringement cases.

In the concurrent jurisdiction actions, the plaintiff's only "legal" entitlement to monetary relief was the right to damages. Thus, the legal measure of recovery in these cases was the plaintiff's losses. When the chancellors awarded defendant's profits in concurrent jurisdiction actions, they created a new remedy, one conceptually, if not always practically, different from the legal remedy. The "accountings" provided in equity in concurrent jurisdiction cases were accountings of defendant's profits, and the measure of recovery was the defendant's gain, not the plaintiff's loss.

iv) Accountings in exclusively equitable actions

The chancellors also granted accountings of defendant's profits in exclusively equitable actions. Equity protected rights not enforced by the common law.[259] Actions for breach of trust are a good example. The common law did not recognize the trust, but equity did.[260] A claim for breach of trust, therefore, could be brought only in equity. Jurisdiction in equity was based on the complete absence of a remedy at law.[261] Equity granted accountings of defendant's profits in these cases.[262]

The monetary awards in these exclusively equitable actions shared an important characteristic with the awards granted by equity in the concurrent jurisdiction actions. In both scenarios, equity selected restitution as the proper remedy. Defendant's gains served as the measure of monetary recovery. And though restitution also was recognized by the common law, it was somewhat secondary to the damages remedy in the law courts. The accounting for defendant's profits remedy, a form of restitution, became the remedy of choice in equity, a point illustrated by both the concurrent jurisdiction actions and the exclusively equitable actions.

v) Complexity and the accounting

Complexity was not required for equity jurisdiction in any of the three classes of cases described above. In the first class--true bills for account-- equity assumed jurisdiction based on the existence of a legal duty to account.[263] The inherent complexity of the common law accounting, with its potential for multiple jury trials and almost endless proceedings, may have been one of the considerations that led ***53** equity to intervene. But once equity deemed the common law account inadequate, jurisdiction in equity extended to all claims for account.[264] A plaintiff seeking a true bill for account (i.e., the equitable counterpart of the common law account) did not have to show that the accounts were too complex for a common law jury.[265]

Nor was complexity a requirement for an award of defendant's profits in concurrent jurisdiction or exclusive jurisdiction actions. The exclusively equitable action had no common law counterpart, and it therefore cannot be the case that equity awarded defendant's profits in such actions only if the accounts were too complex for a common law jury. No common law jury ever heard such a case whether it was simple or complex.

The analysis is not as clear for concurrent jurisdiction actions. Trademark infringement again provides a good example. The common law did not award defendant's profits in trademark actions.[266] Though a common law jury could have heard a trademark infringement action, the "accounts between the parties" would not have been a part of the action.[267] Instead, the common law jury would have heard evidence relevant to the substantive claim of infringement and evidence of the damage to the plaintiff as a result of the infringement.

Despite the absence of complexity in the jurisdictional analyses presented above, the Supreme Court suggested in Dairy Queen that complexity is required to obtain an accounting in some cases.
The necessary prerequisite to the right to maintain a suit for an equitable accounting, like all other equitable remedies, is, as we pointed out in Beacon Theatres, the absence of an adequate remedy at law. Consequently, in order to maintain such a suit on a cause of action cognizable at law, as this one is, the plaintiff must be able to show that the 'accounts between the parties' are of such a 'complicated nature' that only a court of equity can satisfactorily unravel them.[268] The Dairy Queen Court's explanation must not be taken too far. Complexity might have been sufficient to obtain equity jurisdiction over some actions otherwise "cognizable at law,"[269] but complexity was not a general requirement for equity jurisdiction. The true bill for account and the accountings granted in concurrent jurisdiction actions are two examples of equitable accountings granted in actions ***54** "cognizable at law." Complexity was not required to obtain an equitable accounting in either of these classes of cases.

Why did the Dairy Queen Court focus on complexity, given the absence of such a consideration in most equitable accountings? The Court's comments about complexity in Dairy Queen were based on an earlier Supreme Court decision involving a contract dispute over railway shipping charges. The cited case, Kirby v. Lake Shore & Mich. S. R.R. Co.,[270] arose from an agreement between the plaintiff's predecessor and Vanderbilt for the shipment of cattle and hogs on Vanderbilt's rail system.[271] Under the terms of the agreement, Vanderbilt was to charge the plaintiff's predecessor a rate equal to the lowest rate charged by Vanderbilt at the time of each shipment or equal to the lowest rate charged by any competing rail company.[272] Vanderbilt allegedly violated the agreement by imposing rates in excess of those he charged to other customers.[273] The plaintiff charged Vanderbilt with fraud and demanded an accounting of the overcharges.[274]

The action in Kirby was brought several years after the allegedly fraudulent charges were imposed by Vanderbilt.[275] The defendants, successors to Vanderbilt, claimed the plaintiff's action was barred under the statute of limitations.[276] The plaintiff responded by characterizing its claims as equitable and not strictly controlled by the statute of limitations.[277] The Supreme Court agreed, stating that

[t]he case made by the plaintiff is clearly one of which a court of equity may take cognizance. The complicated nature of the accounts between the parties constitutes itself a sufficient ground for going into equity. It would have been difficult, if not impossible, for a jury to unravel the numerous transactions involved in the settlements between the parties . . . .[278]

Kirby was a breach of contract case involving complicated business transactions that occurred over a long period of time. The claim in Kirby would not support a common law action for account. This conclusion is important, because ***55** the true bill for account in equity was recognized only in situations where a common law account would lie.[279] The plaintiff in Kirby did not have such a claim, and, therefore, had to provide some other basis for equitable intervention. The Supreme Court concluded in Kirby that the issues raised by the plaintiff's breach of contract claim were so complex a common law jury would be unable to accurately resolve the dispute. Thus, the common law remedy was inadequate.[280]

The Kirby decision illustrates a jurisdictional analysis quite different from the analyses used in the three classes of equitable accountings described in the preceding sections. Kirby was an action that fell outside the class of cases typically heard in equity. Indeed, Kirby is a good illustration of equity's flexibility. Even in a breach of contract case, a paradigm of exclusive common law jurisdiction, equity would intervene if the common law could not adequately protect the plaintiff's rights.

The Kirby decision, therefore, does not support the broad proposition that complexity was required for all equitable accountings. Kirby held that complexity could be a sufficient basis for jurisdiction in equity. That is far different from saying complexity is a necessary condition for equity jurisdiction in all cases where plaintiff seeks defendant's profits. The analysis presented above refutes any such suggestion.

When Kirby is properly understood, it provides additional support for the argument that Dairy Queen was a damages case. The Dairy Queen Court cited Kirby because the two actions were similar in one respect, but different in another. Kirby and Dairy Queen were damages actions. The facts in Kirby were so complex a common law jury could not do justice, so equity intervened. The Dairy Queen facts were not too complex for a jury, so there was no justification for equity's intervention. This is the proper reading of the Dairy Queen Court's statements concerning complexity. The Court's complexity comment has no relevance in the jury trial analysis of a claim for defendant's profits in a trademark case. Complexity played no role in the chancellor's decision to grant such relief. Dairy Queen is not to the contrary.

C. Trademark Remedies - Past and Present

In a modern trademark infringement action, the trademark owner may seek damages, an accounting for the defendant's profits, and an injunction.[281] Prior to ***56** the merger of law and equity, a trademark owner could not recover all three of these remedies in a single action.[282] Damages were awarded in common law trademark actions; injunctions and accountings were ordered by the equity courts.[283] This division of remedies appears to have been a rigid and well-established characteristic of the pre-merger system.[284]

Given this demarcation of remedies, it seems the Seventh Amendment question should be easy to answer. Damages were the only remedy provided in trademark infringement actions brought in the common law courts.[285] Therefore, it is reasonable to conclude that only damages claims in modern trademark actions create a Seventh Amendment right to a jury trial. Though I believe this conclusion is correct, more analysis is needed to fully support it because the profits remedy resembles, in many respects, legal forms of restitution.[286]

Injunctions were issued only by chancellors sitting in equity,[287] so a trademark action seeking only injunctive relief today does not give rise to a constitutional right to a jury. The analysis is more difficult for the accounting for defendant's profits remedy. This remedy was provided only in trademark actions brought in equity, but in some other actions, the remedy could be obtained in the ***57** law courts.[288] The analysis is further clouded by the fact that the account began as a common law cause of action.[289] But if the profits remedy could have been obtained in the law courts, or if a functionally equivalent award was available in the law courts, there is arguably a right to a jury trial on for a claim seeking defendant's profits. It is important, therefore, to consider both the history of the trademark infringement action, in general, and the defendant's profits remedy in trademark cases, in particular.

The discussion in this Part has three purposes. First, early trademark cases are reviewed to determine whether defendant's profits were granted in common law trademark actions. This review confirms the conclusions stated above: the common law courts awarded only damages; defendant's profits were awarded only in trademark cases brought in equity. The second goal is to understand the nature of early trademark infringement claims and the remedies provided by the law and equity courts. What were the elements of the early trademark infringement claim? Why did the chancellors sitting in equity award defendant's profits to prevailing trademark owners? The answers to these questions will shape the Seventh Amendment analysis presented below. The third, and in some respects most important, purpose of this section is to identify any material differences between the profits remedy in early trademark cases and remedy in modern cases.

1. The Historical Development of the Defendant's Profits Remedy in Trademark Actions

"The history of trademarks extends for at least four thousand years, but that of trademark law, hardly four hundred."[290] The earliest known trademark case in ***58** England was decided in approximately 1584.[291] This action, identified as Sandforth's Case by a recent commentator,[292] is illustrative of the requirements and limitations of the early common law trademark action.

Sandforth's Case was an action on the case for deceit.[293] The alleged deceit was the defendant's use of a trademark quite similar to the mark used by plaintiff. Both the plaintiff and the defendant were clothiers, and both made woolen cloth.[294] The plaintiff marked his cloth with the letters J.G. (apparently his initials) and with a design called a tucker's handle.[295] According to the complaint, the "plaintiff had ***59** 'lawfully and honestly obtained and acquired much gain and profit from the making and selling of such cloths, for the further support and living of the same plaintiff and his whole family."'[296] Customers apparently identified the plaintiff's woolen cloth by the presence of his mark.[297]

The Sandforth's Case complaint further "alleged that the defendant willfully schemed and plotted 'to hinder the same plaintiff in selling such cloths of his and to take away and worsen the opinion and esteem which the aforesaid merchants and subjects had concerning the cloths of the same plaintiff."'[298] The defendant made and sold lower quality woolen cloth "and deceitfully marked the same cloths with the aforesaid letters 'J.G.' and with the aforesaid mark called a tucker's handle; and exposed for sale the same cloths . . . as the cloths of the same plaintiff."[299]

The judges of the King's Bench were divided on the question of whether the claim in Sandforth's Case would lie.[300] The Chief Judge believed the action was proper.[301] Another judge, however, did not believe the common law action of deceit extended to the plaintiff's claim.[302] It appears the Chief Judge prevailed, and the plaintiff's claims were heard.[303] It is not clear from the reports of the decision what relief, if any, was provided to plaintiff.

Sandforth's Case sets out a straightforward claim of trademark infringement, at least when viewed from the context of modern trademark practice.[304] The plaintiff used a distinctive mark and developed a strong reputation for quality with his customers. The defendant used the same mark on inferior goods not made or approved by the plaintiff. Customers apparently bought the defendant's cloth thinking the cloth was made by the plaintiff and were disappointed to find the cloth ***60** was a lower quality than expected. The plaintiff lost sales directly (i.e., each sale made by the defendant apparently was a sale the plaintiff would have made but for the infringement) and his reputation was injured by the poor quality of the infringing cloth. As a result of the latter injury, which likely led to additional lost sales, the plaintiff's total injury likely exceeded any amount calculated from the defendant's sales volume.[305]

If the plaintiff in Sandforth's Case proved his allegations at trial, a point not entirely clear from the reports,[306] the common law court presumably would have awarded damages.[307] But what measure could the plaintiff use to fix his damages? The common law did not allow discovery,[308] so it may have been difficult for the plaintiff to determine the actual volume of sales made by the defendant under the infringing mark.[309] What evidence could the plaintiff present to substantiate a damages claim? The proof of infringement is clear enough, but the proof of damages is a different matter entirely.

The plaintiff in Sandforth's Case may have faced an even more troubling problem than an inadequate damages award. The common law courts did not issue injunctions.[310] Thus, even if the plaintiff prevailed in Sandforth's Case, the defendant remained free to continue using the plaintiff's mark (albeit at the risk of further damages awards). But if the common law damages award was truly ***61** inadequate (i.e., if the infringement remained profitable even after paying damages), the infringement may have continued.[311]

This prospect left some trademark owners feeling a bit dissatisfied with the common law. Even a win in a common law court could be a hollow victory, a point expressed in the following extract from a letter written by a Philadelphia businessman to a Boston newspaper in 1791:

> when a person thus injured [by trademark infringement], discovers and brings to public notice the aggressor, he can obtain no redress adequate to the magnitude of the injury he has sustained, although he may go to an enormous expense and deal of trouble in the business as well as a waste of time, and after all is perhaps allowed by a jury, moderate damages by no means equivalent to the loss sustained, much less does it prove a salutary remedy against future offences of the like nature.[312] The writer called for a "general act of Congress" to end these difficulties.[313]

This letter illustrates two important points. First, the writer, who seems to be speaking for business persons in general, was obviously dissatisfied with the common law trademark action. Second, the letter confirms the existence of common law trademark infringement actions during the late eighteenth century.[314] Despite this reference to common law trademark actions, there is only one reported trademark case between 1584, the approximate year of Sandforth's Case, and 1791, the year the Seventh Amendment was ratified.[315]

***62** In Singleton v. Bolton,[316] both the plaintiff and the defendant sold "a medical preparation under the name 'Dr. Johnson's Yellow Ointment.'"[317] In denying relief, Lord Mansfield explained:

> If the defendant had sold a medicine of his own under the plaintiff's name or mark, that would be a fraud for which an action would lie. But here both the plaintiff and defendant use the name of the original inventor, and no evidence was given of defendant having sold it as if prepared by the plaintiff.[318] This case provides further support for the proposition that common law courts were hearing trademark infringement actions prior to 1791. Indeed, the court seems to allow the action to lie, and denies relief based on the evidence presented.[319]

Though the evidence is slim, it seems trademark infringement was actionable in the English and American common law courts by 1791. But what about equity? From the earliest common law trademark infringement action, it must have been apparent the common law remedy would be inadequate. What was needed was an ***63** injunction and, if the plaintiff could not measure its own monetary injury, discovery into the books of the defendant. These things could be obtained only in equity.[320]

The earliest reported trademark infringement action in equity is Blanchard v. Hill.[321] This case alleged infringement based on the use of a mark on playing cards. Lord Chancellor Hardwicke heard the action and refused to issue an injunction. "An objection has been made, that the defendant, in using this mark, prejudices the plaintiff by taking away his customers. But there is no more weight in this, than there would be in an objection to one innkeeper, setting up the same sign with another."[322]

Though the language used by Lord Hardwicke in Blanchard v. Hill appears quite hostile to the notion of enjoining use of an infringing trademark, it is likely Lord Hardwicke's hostility was directed more specifically at the plaintiff in that case. The plaintiff was asserting an exclusive right to use a particular mark on playing cards, a right originally created by a charter granted to the Card-makers' Company of Charles I.[323] Such charters, and the monopolies they created, were much despised in eighteenth century England.[324] Thus, when he decided Blanchard v. Hill, "Lord Hardwicke seems to have thought it impossible to grant an injunction without incurring the risk of countenancing the old system [of granting charters] which had been condemned and declared illegal."[325]

Blanchard v. Hill, therefore, may not be indicative of any general hostility by the chancellors toward trademark infringement actions. Indeed, Lord Hardwicke himself "handed down the first decision in the books protecting good-will itself as an asset of value in the hands of an administrator."[326] This decision was issued just one year after Blanchard v. Hill. If a plaintiff with a more attractive trademark claim had petitioned equity for an injunction (e.g., a plaintiff with a claim like the one presented in Sandforth's Case) in the late eighteenth century, it seems a compelling argument could have been made based on the obvious inadequacy of the common law remedy available at the time.

***64** The next reported trademark case from equity, Hogg v. Kirby,[327] may provide a better indication of the views of the chancellors during the late eighteenth century. The case, decided in 1803, involved a straightforward instance of trademark infringement. One of the defendants was previously a publisher of "The Wonderful Magazine," a magazine owned by the plaintiff.[328] After a dispute, the plaintiff discharged the defendant, and the plaintiff began publishing the magazine himself.[329] The defendants began publishing a magazine under a "similar" name and touting their magazine as a "New Series Improved" version of the plaintiff's magazine.[330] Unlike the plaintiff in Sandforth's Case, who filed his claim as a common law action for deceit, the magazine owner in Hogg v. Kirby petitioned the Court of Chancery for an injunction and an accounting for the defendants' profits.[331]

The magazine owner's petition was allowed because
a Court of Equity in these cases is not content with an action for damages; for it is nearly impossible to know the extent of the damage; and therefore the remedy here, though not compensating the pecuniary damage except by an account of the profits, is the best: the remedy by injunction and account.[332] Despite this view, the Lord Chancellor refused to order an accounting of defendant's profits, apparently because the case was novel.[333] The court granted an injunction prohibiting the defendants from publishing or selling any magazine purporting to be a continuation of the plaintiff's magazine.[334] The plaintiff waived its right to pursue additional remedies.[335]

Hogg v. Kirby is the earliest reported case in which equity assumed jurisdiction over a claim of trademark infringement and granted an injunction. Though the case was heard in 1803, after the 1791 ratification of the Seventh Amendment, the principles supporting equity's jurisdiction were not new.[336] Moreover, the case clearly indicates the common law did not issue injunctions in ***65** trademark actions in 1803. There is every reason to believe this was true in 1791 as well.

The chancellor's refusal to order an accounting in Hogg v. Kirby is interesting, especially given the language quoted above. There are no other reported trademark actions in equity from this time period to help determine whether there was a general reluctance to order accountings of defendant's profits in these cases or whether the result in Hogg v. Kirby was based on the specific facts of the case. In the next reported equitable trademark action, the 1838 case of Millington v. Fox,[337] "neither the defendants nor the court questioned the plaintiff's right to an accounting in a proper case as an incident to injunctive relief."[338] The court in Millington granted an injunction and might have ordered an accounting for defendant's profits, but the plaintiff abandoned the claim upon learning the defendant had made very little profit from the infringement.[339]

American equity courts also intervened in trademark infringement actions, though the earliest reported American decisions showing such intervention came later than the English cases cited above. The first reported equitable trademark action in the United States courts is Taylor v. Carpenter,[340] an 1844 circuit court decision by none other than Justice Story of the United States Supreme Court. Justice Story was a leading commentator on equity and a strong believer in the importance of the jury trial.[341] As a result of his views, Story tended to view equity jurisdiction narrowly, particularly where equity and the common law shared ***66** jurisdiction.[342] Story, nevertheless, did not hesitate to exercise equity jurisdiction over a claim of trademark infringement.[343]

To support equity jurisdiction over the trademark infringement claim, Story explained, "I do not quote cases, to establish the principles above stated. They are very familiar to the profession; and are not now susceptible of any judicial doubt."[344] If it were so well established that equity could assume jurisdiction over a claim of trademark infringement, there would have been little reason to publish cases showing no more than an exercise of such jurisdiction. This may explain the absence of reported trademark decisions from the American equity courts prior to the mid-1800s.[345]

The plaintiff in Taylor v. Carpenter also requested an accounting for defendant's profits, but the reported decision does not indicate how the court ruled on that request. About two years later, the same parties were involved in an equitable trademark action in a New York state court based on the same facts.[346] This time, the plaintiff obtained an injunction and an award of defendant's profits.[347] The chancellor referred the accounting to a special master, directing the master "to ascertain and report the amount of damages."[348] This reference to damages is somewhat confusing. It may have been used because the defendant's profits were awarded for compensatory purposes. The decision was appealed, and in affirming the ruling, the appellate court stated, "[a]n order for an account is also proper that the remedy may be complete in the case."[349] Despite the somewhat ***67** inconsistent language used in this case, the right to an injunction and accounting for defendant's profits in equity was well established by the late nineteenth century.[350]

The reported trademark cases from 1584 through the end of the nineteenth century reflect a clear division of remedial jurisdiction. Common law courts awarded damages; equity issued injunctions and awarded defendant's profits to provide complete relief in a single proceeding. Given the compelling need for an injunction and equity's willingness to provide monetary compensation, the equitable trademark action effectively replaced the common law action by the end of the nineteenth century.[351]

The important point at this stage of the analysis is simply the fact that defendant's profits were awarded in equitable trademark actions and not in legal trademark actions.[352] The historical record, therefore, suggests the defendant's profits remedy was equitable and does not create a Seventh Amendment right to a jury trial. It remains necessary, however, to review the nature of the common law trademark infringement claim and the reasons equity awarded defendant's profits in trademark actions. This information is needed to determine whether the profits remedy in early trademark cases was more like restitution remedies granted in equity or those forms of restitution traditionally granted in the law courts.

*68 2. The Nature of Early Trademark Infringement Claims and the Remedies Provided in Legal and Equitable Trademark Infringement Actions

i) The substantive elements of trademark infringement claims varied depending upon the relief sought

Trademark infringement actions began in the common law courts as actions on the case for deceit.[353] A plaintiff alleging trademark infringement had to prove that the defendant's trademark use was intentionally deceptive.[354] Trademark infringement, therefore, began as an intentional tort in the common law courts.

As trademark infringement worked over into equity during the nineteenth century, the chancellors began to relax the common law requirements. In one of the first reported equitable trademark actions, Lord Chancellor Cottenham opined that an injunction would issue if the defendant were using the plaintiff's trademark without the plaintiff's consent, even if there were no evidence of intentional deception by the defendant.[355] Other chancellors followed this example and, by the end of the nineteenth century, it was well established that intentional infringement was not required to obtain an injunction prohibiting further infringement.[356]

Equity's relaxation of the common law rules, however, did not extend to monetary relief. The chancellors viewed defendant's profits as equity's alternative to common law damages.[357] Because deceptive intent had to be established to obtain damages in a common law trademark action, the chancellors imposed the same requirement on trademark owners seeking accountings of defendant's profits.[358] Thus, to obtain money in a trademark action, be it an action at law or ***69** one in equity, the trademark owner had to prove the defendant acted with a deceptive intent.

ii) The basis for the accounting for defendant's profits remedy in pre-merger trademark actions

Defendant's profits were awarded in early equitable trademark actions to compensate trademark owners. There is no discussion of any other basis for the profits remedy in the earliest trademark actions in equity. Despite this apparently singular purpose, it is likely the chancellors also relied, at least in part, on an unjust enrichment rationale as support for awarding defendant's profits in these cases.

When the chancellors first intervened in trademark cases, they did so because trademark owners needed injunctions. The trademark owners, of course, also wanted money. Faced with this reality, the chancellors had three options: (1) they could issue injunctions and leave the trademark owners to pursue common law actions for money damages; (2) they could issue injunctions and exercise incidental or clean-up jurisdiction over common law damages claims; or, (3) they could issue injunctions and grant accountings of defendant's profits pursuant to their incidental or clean-up jurisdiction. Either the second or third option would provide complete relief in a single action, but history shows the chancellors selected the injunction and accounting for defendant's profits option.

Equity began to intervene in trademark actions relatively late. The earliest reported instances of such intervention are from the early nineteenth century. By that time, equity had been dealing with "accountings" for over 300 years.[359] The accounting procedure and the remedy of defendant's profits were familiar to the chancellors, a fact that may have influenced the selection of the profits award over damages. It also is clear the chancellors were concerned with keeping some separation between law and equity, though such separation often was more theoretical than real. This consideration also may have pushed the chancellors toward selecting the accounting for defendant's profits as the remedy of choice in trademark actions.

Another likely consideration was the similarity between the trademark infringement scenario and the constructive trust scenario. Equity recognized a constructive trust where a defendant had legal title or use of some property that, in the eyes of equity, belonged to the plaintiff.[360] The chancellors issued orders directing defendants to convey title in some constructive trust cases, but where ***70** monetary relief was needed, the chancellors awarded to plaintiffs the profits or gains defendant obtained through the use of plaintiff's property.[361] The trademark infringement scenario was similar though it involved intangible property. The chancellors used the constructive trust analogy to explain the basis for granting a defendant's profits in trademark cases.[362]

It is also possible the chancellors believed an award of defendant's profits would better serve the needs of trademark owners. In one of the earliest reported trademark cases in equity, the court noted that "it is nearly impossible to know the extent of the damage" caused by trademark infringement.[363] Moreover, the procedures available in equity, a result of the different powers of the chancellors and law judges, were well suited to the accounting for defendant's profits remedy. As Justice Story explained, "[t]he principle is that equity converts the infringer into a trustee as to the profits, a principle appropriate in equity by reference to a master, who can examine books and papers and examine the infringer and his employees on oath."[364]

Patent infringement actions, though premised on a statutory grant of right rather than a common law right, also were heard in both the law courts and equity courts. Equity intervened in patent infringement actions for the same reason it intervened in trademark infringement actions: to issue injunctions against continued infringements.[365] The early patent cases provide additional insights into the rationale supporting an award of defendant's profits in equity.

In Livingston v. Woodworth,[366] an early patent case, the Supreme Court held it improper to award profits in excess of the gains defendant actually obtained from the infringement.[367] The chancellor in Livingston referred the accounting issue to a master who then issued a report stating the amount of profits obtained by the defendants as a result of their infringement.[368] The plaintiffs objected to the master's report because, in the plaintiffs' view, the defendants could have obtained ***71** significantly larger profits.[369] Apparently the plaintiffs charged customers more for the goods, and the plaintiffs argued profits should be calculated using the price they would have charged.[370]

The chancellor agreed with the plaintiffs' argument and directed the master to prepare a second report "to ascertain the amount of profits which may have been, or with due diligence and prudence might have been, realized by defendants."[371] In his second report, the master doubled the profit margin used in his previous analysis.[372] The chancellor accepted the master's second report and issued a decree ordering the defendants to pay the increased "profits" over to the plaintiffs. The defendants appealed to the Supreme Court.

The Court reversed the decree because the "profits" calculation in the master's second report resulted in a punitive award. "We are aware of no rule which converts a court of equity into an instrument for the punishment of simple torts . . . ."[373] If the plaintiffs believed they were entitled to a punitive monetary award, the Court noted, the courts of law were available to consider such a request.[374] "But before a tribunal [of equity] which refuses to listen even to any, save those whose acts and motives are perfectly fair and liberal, they cannot be permitted to contravene the highest and most benignant principle of the being and constitution of that tribunal."[375] A profits award in equity, the Court held, must be limited "to the actual gains and profits" of the infringer.[376] In equity, plaintiffs may claim "that which, ex aequo et bono, is theirs, and nothing beyond this."[377]

***72** The Livingston decision provides a strong illustration of the unjust enrichment principle. Though plaintiffs arguably could have made more if they had made the sales, basing the relief on such a measure resulted in an award exceeding the defendant's gains. The Court's decision seems clearly grounded in the concept of unjust enrichment,[378] though the Court did not expressly use those terms. In later cases, however, the Supreme Court explicitly identified unjust enrichment as the basis for awarding accountings of defendant's profits in patent cases. "The rule in suits in equity . . . [stands on the principle] of converting the infringer into a trustee for the patentee as regards the profits thus made . . . ."[379] The constructive trust model was used in a number of cases to justify equity's award of profits to the patent owner.[380]

The unjust enrichment rationale was put to the test in Root v. Railway. Co.,[381] a patent infringement action brought after the expiration of the patent. The plaintiff brought the action in equity, seeking an accounting for "all the gains, profits, and savings" obtained by the defendant as a result of its infringement.[382] Because the patent expired before the suit was filed, the plaintiff could not seek an injunction. The district court, sitting in equity, dismissed the suit because "after the expiration of a patent, equity has no jurisdiction to entertain a bill, merely for an account."[383] The plaintiff appealed to the Supreme Court.

Equity should exercise jurisdiction over the claim, the plaintiff argued, because an accounting for defendant's profits was needed to remedy unjust enrichment. The Court acknowledged, "the practice and opinions of the Circuit ***73** Courts undoubtedly show much diversity, [and are] incapable of reconciliation [on this issue]."[384] But the Court concluded that unjust enrichment, standing alone, would not justify equity jurisdiction over an accounting claim in a patent case.
It is true that it is declared in those cases that, in suits in equity for relief against infringements of patents, the patentee, succeeding in establishing his right, is entitled to an account to the profits realized by the infringer, and that the rule for ascertaining the amount of such profits is that of treating the infringer as though he were a trustee for the patentee, in respect to profits. But it so nowhere said that the patentee's right to an account is based upon the idea that there is a fiduciary relation created between him and the wrong-doer by the fact of infringement, thus conferring jurisdiction upon a court of equity to administer the trust and to compel the trustee to account. That would be a reductio ad absurdum, and, if accepted, would extend the jurisdiction of equity to every case of tort, where the wrong-doer had realized a pecuniary profit from his wrong.[385]

References to a constructive trust in the Court's earlier decisions were nothing more than comparisons to other situations in which equity would award a defendant's profits. Such comparisons simply helped chancellors explain the calculation to be performed.
All that was meant in the opinions referred to was to declare according to what rule of computation and measurement the compensation of a complainant would be ascertained in a court of equity, which, having acquired jurisdiction upon some equitable grounds to grant relief, would retain the cause for the sake of administering an entire remedy and complete justice, rather than send him to a court of law for redress in a second action. The rule adopted was that which the court in fact applies in cases of trustees who have committed breaches of trust by an unlawful use of the trust property for their own advantage; that is, to require them to refund the amount of profit which they have actually realized. This rule was adopted, not for the purpose of acquiring jurisdiction, but, in cases where, having jurisdiction to grant equitable relief, the court was not permitted by the principles and practice in equity to award damages in the sense in which the law gives them, but a substitute for damages, at the election of the complainant, for the purpose of preventing multiplicity of suits.[386] Having concluded that equity jurisdiction over accountings in patent cases was not premised on the trust analogy, the Court affirmed the dismissal of the plaintiff's suit. "[A] bill in equity for a naked account of profits and damages against an infringer of a patent cannot be sustained . . . ."[387]

The Supreme Court applied the same reasoning to a trademark infringement action in Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.[388]
***74** The infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the cestui que trust. Not that equity assumes jurisdiction upon the ground that a trust exists . . . the jurisdiction must be rested upon some other equitable ground--in ordinary cases, as in the present, the right to an injunction--but the court of equity, having acquired jurisdiction upon such a ground, retains it for the purpose of administrating complete relief, rather than send the injured party to a court of law for his damages. And profits are then allowed as an equitable measure of compensation, on the theory of a trust ex maleficio.[389] The Court's decision in Hamilton-Brown Shoe is important for a number of reasons. First, the Court confirmed the relevance of the patent decisions previously discussed, at least on the jurisdiction issue. Second, the Court clarified the role of unjust enrichment theory. Finally, the Court confirmed that accountings of defendant's profits in early trademark actions were compensatory.[390] There were, it seems, two rationales for awarding a defendant's profits in pre-merger trademark actions (i.e., compensation and unjust enrichment).

Two final points should be noted before moving on to a consideration of the defendant's profits award in modern trademark cases. First, it seems clear the chancellors viewed the defendant's profits award as a rough form of compensation, not as an accurate measure of the plaintiff's losses. The chancellors recognized early on the difficulty of quantifying the monetary injury caused by trademark infringement.[391] Because the accounting for defendant's profits was a remedy familiar to the chancellors, and because it was clear in the early trademark cases that plaintiffs had been injured (i.e., the claims required proof of deliberate deception by defendants), it simply made sense to award defendant's profits to "compensate" prevailing plaintiffs. Such a measure of recovery would never have worked at law because it could seldom be said that defendant's gains were an accurate measure of plaintiff's losses.

Finally, the early trademark cases involved factual circumstances that created at least some relationship between the defendant's profits and the plaintiff's losses. The Sandforth's Case fact pattern described above is illustrative.[392] Where a defendant willfully sells his goods as those of the plaintiff by using an imitation of ***75** the plaintiff's trademark, there is a logical relationship between the defendant's gains and the plaintiff's losses. Even under these circumstances, there are many reasons the two measures of recovery might produce different results, but in the early trademark cases it was at least reasonable to describe defendant's profits "as an equitable measure of compensation."[393]

iii) The basis for the accounting remedy in modern trademark cases

Modern trademark law is quite different from the trademark law of the early nineteenth century. Trademark infringement actions today are recognized in a wide variety of settings.[394] It is no longer the norm for a trademark case to involve directly competing goods. Nor is it common to see cases involving deliberate passing off of competing goods, at least not outside the context of counterfeiting. Modern markets and modern marketing have changed enormously from the days of the first accountings of defendant's profits in trademark cases.

It is now rare to find a trademark infringement action, or at least one with sufficiently close factual issues to reach trial, with the sort of one-to-one relationship that existed in many early trademark cases. This change is important, because it suggests the basis for awarding a defendant's profits in a trademark action has shifted almost exclusively to unjust enrichment.[395] Despite the practical shift in the nature of modern trademark actions, courts continue to identify compensation and unjust enrichment as rationales supporting an award of defendant's profits.[396] Modern courts have added a third distinct rationale for the profits award: deterrence.[397] This point warrants some explanation.

*76 iv) Unjust Enrichment, Deterrence, and Punishment

The Second Circuit Court of Appeals was the first court to endorse deterrence as a distinct rationale for awarding an accounting for profits in a trademark case. In Monsanto Chemical. Co. v. Perfect Fit Products Mfg. Co.,[398] the court faced an instance of trademark infringement by a defendant who apparently had engaged in similar conduct in the past.
There can be no doubt as to the need for deterrence in cases such as this. Perfect Fit has, it appears, taken up trademark infringement as it principal line of business. In at least three other instances it has carried out schemes similar to its misuse of the Acrilan trademark. It may be said to be a commercial racketeer.[399]

The significance of deterrence as a rationale for awarding profits in a trademark action was confirmed by the Second Circuit in W.E. Bassett Co. v. Revlon, Inc..[400] In Monsanto, a large corporation (Monsanto) sued a smaller company, alleging intentional infringement of a Monsanto trademark.[401] In Bassett, the plaintiff was a small company that sold manicuring products "under the basic trademark 'Trim' and under other trademarks derived from the word trim (e.g. 'Trim-clip,' 'Trim-pac,' 'Trim-ette')."[402] Revlon, the defendant in Bassett, was a large company with a diverse line of beauty care products.[403] Prior to the litigation, Revlon "made unsuccessful efforts . . . to acquire the business, including trademarks, of the Bassett Company."[404] Revlon then proceeded with its plans to enter the market and introduced a line of products under the name "Cuti-Trim."

***77** In Bassett, the district court found "Revlon's actions and contentions are surrounded by an aura of indifference to the plaintiff's rights and a smug willingness to determine unilaterally that the good will the plaintiff had sought to foster could safely be treated as a nullity. These elements amount to a species of bad faith and wrongful intent."[405] The court also found Revlon in contempt based on "a substantial misrepresentation" made by Revlon in an effort to obtain a stay of the district court's preliminary injunction.[406] Finally, Revlon violated the preliminary injunction, even after the injunction was modified by the Second Circuit and the stay was lifted.[407] The Second Circuit affirmed each of these findings.

Despite the district court's numerous findings of bad faith by Revlon, the court did not award an accounting for Revlon's profits.[408] The Second Circuit reversed, holding Revlon's profits should be awarded to Bassett in order to deter Revlon and others from engaging in willful trademark infringement in the future.[409] The deterrence rationale was needed to support the profits award because, the Bassett court held, the award could not be justified as compensation or to remedy unjust enrichment.[410] "Nevertheless, Revlon was found to have deliberately and fraudulently infringed Bassett's mark . . . Accordingly, a full accounting is proper as a deterrent . . . ."[411]

The Second Circuit's analysis in Bassett is suspect. The court's analysis of the compensation and unjust enrichment rationales follows:

Revlon would be unjustly enriched here if its sales of the "Cuti-Trim" implements were attributable to its infringing use of Bassett's name. On the record as a whole, however, it appears that Revlon's sales of "Cuti-Trim" were not attributable to the infringement, since Bassett did not manufacture a cuticle trimmer during that period. Thus, there was no likelihood of immediate confusion; those who bought cuticle trimmers bought Revlon's not because of its use of Bassett's mark "Trim," but because Revlon made one and Bassett did not.[412] The court takes an overly narrow view of both unjust enrichment and trademark infringement. If Revlon "deliberately and fraudulently infringed Bassett's mark," ***78** as the court held, it is difficult to imagine how any gain realized from such conduct could be viewed as just. The Bassett court seems to have viewed unjust enrichment as a compensatory remedy. Because Bassett did not lose sales of cuticle trimmers, Bassett was not directly injured, and therefore, the court concluded, Revlon was not unjustly enriched. Unjust enrichment looks to the defendant's ill-gotten gains, not to the plaintiff's losses. The Bassett court simply erred on this key point. If Revlon willfully infringed and realized any gain from the infringement, Revlon was unjustly enriched.

It also was likely, under the court's view of the Bassett facts, that Revlon's sales were due, in part, to its use of an infringing trademark. If the Bassett trademarks were well-known within the market and had a reputation for quality, a consumer seeing the Revlon "Cuti-Trim" product may well have bought the product based on the mistaken belief that Bassett made the product.[413] Just because Bassett did not have a cuticle trimmer on the market does not eliminate the risk of confusion. Indeed, in some ways it could make confusion more likely, because some consumers may have viewed the new "Cuti-Trim" product as a logical extension of the Bassett line. The absence of a directly competing Bassett product meant Bassett did not directly lose sales as a result of the infringement, but it did not foreclose the possibility of "immediate confusion," as the Second Circuit mistakenly assumed.

It is easy enough to dismiss the Bassett case as a somewhat careless decision on these points, but the decision has been cited widely as support for the deterrence rationale.[414] Even this point is not particularly problematic unless courts take the deterrence rationale too far. When a defendant is unjustly enriched, an award of profits not only undoes the enrichment, it creates a deterrent by sending the message that unjust enrichment will not be tolerated.[415] In this sense, unjust enrichment is the reason for the remedy and deterrence is the result. All money judgments likely create some deterrent effect, and an award of defendant's profits based on a finding a willful trademark infringement probably creates a stronger deterrent effect than some other monetary awards.

A problem arises, however, when courts treat deterrence as a separate justification for awarding a defendant's profits. "[I]f the recovery of the ***79** defendant's profits includes not only the profits produced by the plaintiff's property or money but also those which depend upon the defendant's own effort or investment, it exceeds full disgorgement and therefore contains punitive elements."[416] The Second Circuit in Bassett purported to do exactly this, and at least one subsequent decision by the same court appears to endorse this approach.[417] It is not clear that courts have awarded or intend to award punitive accountings in trademark cases, but the Bassett case does raise this somewhat problematic possibility.[418]

The earliest accountings of defendant's profits in trademark and patent cases were largely compensatory. Though unjust enrichment was a second justification for accountings in trademark actions,[419] the awards were not punitive. Equity would not enforce a penalty and would not grant punitive monetary awards.[420] The accountings of defendant's profits provided in equity likely had some deterrent effect, but the Supreme Court made it clear such awards must not go beyond disgorgement of the defendant's ill-gotten gains.[421] History, therefore, offers no support for the view that the defendant's profits should be awarded to punish particularly culpable trademark infringers.[422]

***80** Supporting the deterrence/punishment rationale[423] for accountings of defendant's profits awarded under the Lanham Act proves difficult as well. The primary Lanham Act provision governing monetary awards ends with the instruction, "[s]uch sum in either of the above circumstances shall constitute compensation and not a penalty."[424] A number of courts interpret this instruction as governing all monetary awards granted under the provision--a view that is inconsistent with the deterrence/punishment rationale for accountings.[425]

The debate over the proper role of deterrence should focus on the difference between a strong deterrence rationale (i.e., a rationale supporting punitive accountings awarded to deter willful infringement) and the recognition that any monetary award creates at least some potential for deterrence. The strong deterrence rationale is inconsistent with both history and the Lanham Act. The latter view, on the other hand, allows courts to acknowledge the deterrent effect of an award of defendant's profits, while keeping the focus on unjust enrichment.

III. Ending the Confusion - Applying the Seventh Amendment Test

In the following sections, I review the leading interpretations of the jury right in trademark cases and conduct a Seventh Amendment analysis based on the historical foundation developed above. As before, the focus is on the defendant's profits remedy in trademark cases.

A. Dairy Queen's Progeny - Confusion in the Courts

After Dairy Queen was decided, courts began to divide on the question of whether an award of defendant's profits is a legal or equitable remedy.[426] Over ***81** time, three distinct answers received support. The majority of courts have held that an accounting for defendant's profits in a trademark case is a legal remedy unless the issues are extraordinarily complex. A small minority of courts have reached the opposite conclusion, holding that an award of defendant's profits is an equitable remedy. This view is correct, as explained below, but most courts reaching this conclusion err in the analysis of Dairy Queen, a fact that likely explains why most courts have rejected this view. Finally, a troubling trend seems to be developing, with a number of courts basing the right to a jury trial on the reason a trademark owner gives for seeking defendant's profits.

1. The Majority View: Accountings in Trademark Cases Are Legal Absent Extraordinary Complexity

The most widely shared interpretation of Dairy Queen is that the Supreme Court deemed accountings of defendant's profits "wholly legal" unless the accounts are too complex for a jury to understand.[427] Such complexity is rare, the Dairy Queen Court noted, because federal courts may appoint special masters to assist the jury in resolving difficult factual matters.[428] Thus, under this interpretation, "ordinarily there is a right to jury trial on a claim for an accounting."[429]

This interpretation is based on an erroneous reading of Dairy Queen. In the Supreme Court's view, Dairy Queen was a damages case. The Dairy Queen plaintiffs sought an "accounting" in the procedural sense only, not an award of defendant's profits. Courts and commentators have failed to carefully examine the Dairy Queen decision and have mistakenly assumed the Supreme Court's references to an "accounting" were references to the accounting for defendant's profits remedy.

***82** The majority view also reflects a misunderstanding of the Dairy Queen Court's comments about complexity. The discussion of complexity in Dairy Queen meant something quite different from the interpretation described above. The Supreme Court stated, "in order to maintain such a suit [in equity] on a cause of action cognizable at law, as this one is, the plaintiff must be able to show that the 'accounts between the parties' are of such a 'complicated nature' that only a court of equity can satisfactorily unravel them."[430] The Court was describing the showing needed to convert a common law claim for damages (i.e., "a cause of action cognizable at law") into an equitable claim for an accounting.[431] This interpretation is consistent with the Dairy Queen Court's reliance on Kirby v. Lake Shore & Mich. S. R.R. Co.,[432] a breach of contract case heard in equity due to the complexity of the evidence.[433]

***83** Not all courts subscribing to the majority view have relied solely on Dairy Queen. In Oxford Industries, Inc. v. Hartmarx Corp.,[434] the court "conclude[d] that a claim for a trademark infringer's profits is more analogous to a suit for damages than one for restitution."[435] This conclusion was based on a careful review of the historical practices in trademark cases. "Historically, an action for trademark infringement was an action at law for damages, being viewed as a kind of fraud; only later--after the adoption of the Seventh Amendment--did courts of equity grant injunctions against such misconduct."[436] Once equity began exercising jurisdiction over trademark cases, the court noted, "it had the power to award damages or profits as part of its power to do complete justice."[437] Because equity provided complete relief, "suits for trademark infringement were usually brought in equity."[438]

Up to this point, the Oxford Industries court is on fairly solid ground.[439] The court may have exaggerated equity's willingness to award damages, since the historical record suggests the accounting for defendant's profits was the common form of monetary relief in trademark actions brought in equity.[440] But the court accurately describes the historical treatment of the defendant's profits remedy in trademark cases and the jurisdictional basis for granting such relief:

> [I]t appears reasonably clear that while an accounting for profits was an accepted equitable remedy [in trademark cases], one could not seek an accounting for profits in a court of equity without seeking an injunction or presenting other grounds, such as ***84** breach of trust or other fiduciary relationship, for invoking the equitable jurisdiction of the court . . . .[441]

The Oxford Industries court begins to struggle with the historical analysis when it focuses on the basis for accountings in trademark cases brought in equity. In the early trademark cases in equity, the chancellors awarded defendant's profits to compensate plaintiffs, a fact that made equitable accountings in trademark cases appear similar to damage awards in common law trademark cases.[442] This similarity seemed to push the Oxford Industries court toward treating trademark accountings as a common law damages remedy. The court, however, needed more support for such a view.

The necessary support was found in the somewhat ambiguous history of the accounting:

> The remedy of account was not purely equitable, but was common to both law and equity. A demand for an accounting invoked equitable jurisdiction only when there were mutual accounts, the accounts were too complicated for a jury to resolve, or when there was a fiduciary relationship between the parties.[443]

The court concluded that, "[n]one of these possible bases for equitable jurisdiction over Hartmarx's claim for profits are present in this case."[444] Based on this conclusion, the court held that the plaintiff's claim for an accounting for profits was not an equitable accounting but was more like a common law claim for damages.[445]

The historical analysis in Oxford Industries is impressive but ultimately incorrect. The court notes three possible bases for equity jurisdiction over an accounting claim, but fails to recognize that these showings were needed to establish jurisdiction in equity as a threshold matter. In other words, if a case involving a claim for an "accounting" was otherwise outside the scope of equity's jurisdiction, one of the three bases identified by the Oxford Industries court would allow equity to intervene. The Kirby case described above[446] (the complexity decision cited in Dairy Queen) involved this type of intervention.

Trademark cases were different. The need for an injunction established jurisdiction in equity, and once jurisdiction was established, the chancellors awarded defendant's profits to provide complete relief in a single proceeded.[447] ***85** The Oxford Industries court correctly noted the compensatory nature of the profits awards in early trademark cases, a point that raises questions about the nature of the profits remedy. But the court strayed from the proper Seventh Amendment analysis when it assumed that all "accountings" were legal absent complexity, mutuality of the accounts, or some fiduciary relationship between the parties.

2. The Minority View: Accountings in Trademark Cases Are Always Equitable

Prior to the Supreme Court's decision in Dairy Queen, most trademark infringement actions were tried without a jury.[448] This practice was a result of the historical development of the trademark action, as previously described.[449] Prior to merger, most trademark actions were brought in equity for an injunction and accounting. After merger, courts continued to view the accounting remedy in trademark cases as an equitable remedy, and some courts even denied a jury trial in post-merger cases with claims for damages because such claims were considered incidental to the equitable relief sought.[450] The Dairy Queen Court criticized this practice, but the Dairy Queen decision did not convince all lower federal courts that accountings of defendant's profits were legal.

The decision in Kimberly-Clark Corp. v. Kleenize Chem. Corp.[451] illustrates the initial reaction of some courts to the Dairy Queen decision. On May 24, 1961, about one year before the Supreme Court issued its decision in Dairy Queen, the district court in Kimberly-Clark struck the defendant's jury demand.[452] After the ***86** Dairy Queen decision was issued, the defendant in Kimberly-Clark asked the district court to reconsider its earlier ruling.[453] The court agreed to reconsider the ruling in light of Dairy Queen, but it refused to change its decision on the jury trial question.

The Kimberly-Clark court described Dairy Queen as "primarily a simple action on a debt allegedly due under a contract."[454] In Dairy Queen, "[t]he right asserted by the plaintiff [sic] to an injunction against trademark infringement is based on its claim of law under the contract."[455] The Kimberly-Clark case was different, the court held, because it was a pure trademark infringement and unfair competition suit, with no prior contractual relationship between the parties.[456]

In his respected treatise on federal procedure, Professor Moore noted that other courts have distinguished Dairy Queen on similar grounds.[457] "In a suit for injunctive relief and an equitable accounting based on trademark infringement and unfair competition, in which there was no contractual relationship between the parties, the suit was deemed to be equitable, and defendants were not entitled to a jury trial."[458] Dairy Queen was distinguished in a recent trademark case involving an accounting because "the Dairy Queen Court 'based its decision on the fact that the predominant claim was for breach of contract and not for equitable relief.'"[459]

It is difficult to reconcile these decisions with the actual language of the Dairy Queen decision. The Supreme Court reviewed three possible interpretations of the Dairy Queen plaintiffs' claims but found "it unnecessary to resolve this ambiguity."[460] The claims in Dairy Queen were considered "wholly legal in ***87** nature however the complaint is construed."[461] In addition, the Dairy Queen Court made it quite clear the Seventh Amendment right to a jury trial is not lost because the equitable claims in a case appear more significant than the legal claims.[462] Given these holdings, it is simply incorrect to characterize Dairy Queen as just a contract case or to limit the Dairy Queen holdings to cases involving both a contract claim and a trademark claim.

One court has distinguished Dairy Queen in a different way. In American Cyanamid Co. v. Sterling Drug, Inc.,[463] the court focused on the restitutionary nature of an accounting award based on trademark infringement. As the court explained, damages compensate a plaintiff for her own injury, but an accounting seeks to divest a defendant of the ill-gotten gains from the infringement.[464]

In a trademark infringement action, for example, a plaintiff may actually have benefited from a defendant's advertising or promotion of a product similar to plaintiff's product because of increased consumer demand for the product. In such a case, the plaintiff may not have suffered any damages; yet the law still entitles him to recover the defendant's wrongful profits.[465]

Because the plaintiff in American Cyanamid had waived its claim to damages, the court held that the remaining monetary relief sought (i.e., an accounting for defendant's profits) was equitable. Dairy Queen was different, the court concluded, because in Dairy Queen the plaintiffs sought compensatory relief, regardless of what the relief was called.[466]

The American Cyanamid court got it right, but it glossed over some of the difficulties posed by the defendant's profits remedy.[467] In a recent decision, another district court reached the same conclusion:

MSC would not be entitled to a trial by jury on its accounting claim. MSC argues that the U.S. Supreme Court's decision in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 8 L. Ed. 2d 44, 82 S. Ct. 894 (1965) entitles it to a jury trial. In Wood, however, the Court noted that even though the claim was styled as an "accounting," it must really be construed as a contract action or as a claim for trademark damages. 369 U.S. at 476-77. The Court concluded that despite the claim's self-imposed title, it was "wholly legal in its nature however the complaint is construed." Id. at 477. In the present case, there is no dispute ***88** that the claim is purely an equitable claim for profits. Therefore, the Court grants defendants' motion to strike MSC's jury demand.[468]

Unfortunately, neither of these decisions presented the careful analysis needed to support their conclusions. Indeed, in the Minnesota Specialty Crops case, the court cited only Dairy Queen. Whether the court was aware of the rather significant weight of authority that conflicted with its Seventh Amendment analysis is unclear. It seems unlikely that many other courts will follow these decisions, given the absence of compelling analysis.

The Ninth Circuit has held on two occasions that a request for defendant's profits in a trademark case is equitable, but the question did not arise in the context of a dispute over the right to a jury trial.[469] Instead, the question was "whether district courts have the authority to freeze a defendant's assets in cases arising under the Lanham Act."[470] Because the district courts may issue preliminary orders "to prevent a defendant from dissipating assets in order to preserve the possibility of equitable remedies,"[471] the monetary relief plaintiff sought had to be equitable to support a freeze order. "An accounting of profits under § 1117(a) is not synonymous with an award of monetary damages: '[a]n accounting for profits . . . is an equitable remedy subject to the principles of equity.'"[472]

These Ninth Circuit decisions get the correct answer, but they conflict with an earlier decision of the same court. In Sid & Marty Krofft Television v. McDonald's Corp.,[473] the Ninth Circuit held that a claim for defendant's profits in a copyright case

is legal. This conclusion was based on Dairy Queen and a Fifth Circuit decision reaching the same conclusion in a patent case.[474] The most recent of the cases involving a freeze order distinguished these decisions as follows:
U-Top's reliance on Dairy Queen v. Wood, 369 U.S. 469, 8 L. Ed. 2d 44, 82 S. Ct. 894 (1962), and Sid & Marty Krofft Television v. McDonald's Corp., 562 F.2d 1157, 1175 (9th Cir. 1977) is misplaced. Neither deals with the propriety of provisional equitable relief when an accounting of profits is sought under the Lanham Act; rather, each ***89** involves the Seventh Amendment right to a jury trial. Reebok, on the other hand, specifically holds that a Lanham Act accounting is an equitable remedy.[475] The court's explanation is weak, at best. No reason is given for treating the accounting remedy as legal for Seventh Amendment purposes but equitable in the context of a request for a freeze order. Yet whatever the merit (there is none that I can see) in the court's distinction, these decisions cannot be relied upon in the context of a jury trial dispute.

3. The Trend: An Accounting for Defendant's Profits Can Be Legal or Equitable Depending Upon the Rationale

[A]n award of profits may serve as restitution for unjust enrichment, as "a rough proxy measure of plaintiff's damages," or "to protect the public at large . . . [from] fraud regarding the source and quality of consumer goods and services." Whether a profits remedy is more legal than equitable in nature depends on which of these theories provides the basis for the requested profits award.[476] This approach to the jury trial question--basing the Seventh Amendment analysis on the rationale supporting the accounting request--has become somewhat common in the last decade.[477] It is something of a compromise between the two views described in the preceding sections.

In some trademark cases, courts award profits absent any showing of compensable injury. For example, in a case brought by the owner of a trademark for Cuban cigars (a product banned from the United States market), the court held an accounting for the defendant's profits could be obtained based on an unjust enrichment theory.[478] The court found no basis under the unique facts of the case to consider an accounting a compensatory award. The need to remedy unjust enrichment was sufficient in the court's view to support the accounting. The unjust enrichment rationale was equitable, the court concluded, which meant the accounting claim did not create a Seventh Amendment right to a jury trial.[479] In another recent case, an accounting was sought to punish a counterfeiter, and the court held the accounting was legal because punitive awards were granted only by ***90** the common law courts.[480] In other cases, plaintiffs have characterized their accounting claims in compensatory terms and have obtained a jury based on such characterizations.[481]

This approach to the Seventh Amendment analysis is troubling because it invites manipulation. Two recent cases are illustrative. In Merriam-Webster, Inc. v. Random House, Inc.,[482] the plaintiff wanted to avoid a jury trial on its claim for defendant's profits. In its brief on the jury trial issue, plaintiff explained that it sought "to recover [defendant's] profits not as compensation for actual damages incurred, but rather solely to prevent [defendant's] unjust enrichment as a result of its willful infringement."[483] The case involved directly competing college dictionaries, a fact pattern where at least some relationship may have existed between defendant's profits and plaintiff's losses. Yet plaintiff avoided a jury trial on the profits claim by emphasizing the unjust enrichment rationale.[484]

A different result was reached in Daisy Group, Ltd. v. Newport News, Inc.,[485] where a plaintiff obtained a jury trial by arguing that it sought defendant's "profits as a rough proxy measure of its damages."[486] The court accepted this argument and held a jury trial, despite the fact "the parties are not direct competitors."[487] In fact, the plaintiff was a clothing manufacturer and the defendant was a mail-order clothing retailer. It is difficult to imagine how the defendant's profits could be a "rough proxy measure" of plaintiff's damages.[488] There was, in Daisy Group, a much more tenuous connection between the parties' sales than in Merriam-Webster. Yet in Merriam-Webster, the court deemed the profits claim equitable because it was not compensatory, but in Daisy Group, the court reached the opposite result.

***91** "[T]he constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings,"[489] the Dairy Queen Court held. When the Dairy Queen plaintiffs argued there was no right to a jury because their request for monetary relief was styled as an "accounting," the Supreme Court looked past the words and determined the plaintiffs really sought an award of damages. The decisions cited above allow the same type of manipulation of the jury right criticized in Dairy Queen. These courts are not looking to the true legal or equitable nature of the relief sought. Instead, they are simply allowing trademark owners to dictate the mode of trial.

B. Applying the Seventh Amendment test

To end the confusion surrounding the right to a jury trial in trademark cases, a careful application of the Seventh Amendment is needed. The decisions cited above illustrate sharp divisions in the lower federal courts. And, rather than moving toward a correct analysis, the trend seems to be toward an approach that invites manipulation. In the following sections, I argue the defendant's profits remedy is equitable.

Before explaining what the nature of the defendant's profits remedy is, I need to clarify what it is not. Since Dairy Queen, many courts have assumed the accounting for defendant's profits in trademark cases is essentially a modern version of the "accounting" heard in the old common law courts. It is not. Eliminating this misunderstanding is the first step toward ending the confusion.

1. The accounting for Defendant's Profits Remedy in Early Trademark Cases was not Based on the Old Common Law Action for Account

Some courts have noted that the "accounting" originated in the common law courts and have assumed, based on this fact, that accountings of defendant's profits in early trademark cases were based on the old common law account.[490] This analysis has led to the conclusion that the accounting remedy in trademark cases is legal. Perhaps it is fair to say that all "accountings" can be traced, in a loose sense, to the old common law action for account, but it is clear this old action did not apply in trademark cases. The common law account differed from early trademark cases in equity in almost every respect, including a likely temporal separation of two or three hundred years.[491]

***92 i) The common law account was limited to particular relationships**

The common law account developed to provide an effective remedy to feudal lords who believed their manorial bailiffs were improperly withholding funds.[492] The action was strictly limited to relationships where the common law recognized a pre-existing duty to account.[493] In the example of the lord and bailiff, the common law required the bailiff to account to his lord for all monies and other payments received for the lord.[494]

A common law action for account could be maintained only against guardians, receivers, and bailiffs with one important exception. The common law account would lie against a party who improperly obtained rents or other payments from a lord's tenants.[495] The person who obtained the money intended for the lord was deemed by the common law a receiver for the lord, though this clearly was not the original intention of the parties.[496] The legal fiction allowed the law to reconcile the situation with the established limitations on the action for account.

The relationship between a trademark owner and trademark infringer is quite different from the relationship between a feudal landlord and his bailiff. In the typical trademark infringement situation there is no pre-existing relationship between the parties and certainly no relationship that would give rise to a duty to account for the use of the trademark owner's mark.[497] Thus, a common law action for account would not lie based on an allegation of trademark infringement. The required relationship between the parties simply did not exist.

ii) The common law action for account did not lie against a tortfeasor

At common law, no action for account would lie against a tortfeasor, or, perhaps more accurately, no action for account would lie based on an allegation the ***93** defendant committed a tort against the plaintiff.[498] Trademark infringement was a tort that required evidence of fraud or deceptive intent on the part of the defendant.[499] Trademark infringement, therefore, would not support a common law action for account.[500]

It is possible to analogize trademark infringement to the limited extension of the common law account.[501] In the example of a person who defrauded a landowner's tenants by telling the tenants he was collecting rent for the landowner, the actual deception was perpetrated on the tenants and not the landowner. The common law treated the person who fraudulently obtained the rents as a bailiff or receiver and allowed the landowner to bring an action for account.[502]

In early trademark infringement cases, plaintiffs had to prove an intent to defraud or deceive by defendants. The deceptive intent, however, usually was directed to the trademark owner's actual and prospective customers and not to the trademark owner. The trademark owner stood in a position somewhat like that of the landowner in the previous example. The trademark owner's customers were deceived, and, as a result, the trademark owner was harmed by not making sales to those customers. In the example of the landowner, the tenants were deceived, and, as a result, the landowner was harmed by not receiving rent payments from those tenants.

Though the analogy seems apt at first blush, the two situations differ in at least two important ways. First, the extension of the common law account was limited to situations closely resembling the situations for which the action was created.[503] The account developed to allow a property owner to recover against an intermediary who obtained or held funds for the property owner. In the example of the landowner and the manorial bailiff, the common law account allowed the landowner to recover from the bailiff funds paid by tenants and others to the bailiff with the intent or understanding the funds would be paid by the bailiff to the landowner.

The similarities between the paradigm common law account and the limited extension of the account probably were important to the common law's decision to recognize the extension of this action. Both the extension of the account and the original account protected landowners and others from the improper actions of ***94** intermediaries. If I charged a person as my receiver for the purpose of obtaining a payment of money from a third party, and the person obtained the payment but refuses to pay it over to me, I could bring a common law action for account.[504] If the facts were the same but my receiver's neighbor obtained the payment through the pretense of acting as my receiver, the common law would allow an action for account.[505] Though my receiver's neighbor owed me no duty to account prior to his improper act, the two scenarios are otherwise quite similar.

The limited extension of the common law account, therefore, did not expand the class of persons who could bring an accounting claim. Allowing a trademark owner to bring a common law action for account based on an allegation of trademark infringement would significantly expand the class of persons who could bring such an action. The common law was conservative, and the common law account limited.[506] It is quite unlikely the common law would have allowed a trademark owner to bring an accounting claim.

The second, and perhaps more important, difference between trademark infringement and the extension of the common law account lies in the nature of the injury caused in the two situations. Trademark infringement causes direct injury to the trademark owner, but the improper taking of rents from a landlord's tenants does not directly injure the landlord. In the latter situation, the landlord may still recover the rents from the tenants.[507] In the trademark infringement situation, the trademark owner has no claim against the defrauded customers.

The injuries differ in another important way as well. Trademark infringement causes both the direct injury of lost sales as well as the indirect injury of reduced goodwill--an injury which creates the potential for more lost sales in the future. If the infringer sells inferior goods under the plaintiff's mark, the deceived consumers may attribute the poor quality to the plaintiff. If such consumers remain deceived (i.e., if they never realize the goods were made by someone other than the plaintiff), they may never again purchase goods from the plaintiff. This harm can be much more devastating than the direct injury caused by trademark infringement.

There is no analogous continuing injury in the landlord/tenant context. Even if a third party wrongly obtains rents from the tenants, such actions do not relieve the tenants from their obligation to continue paying rents in the future. At most, the ***95** actions of the third party may impose short-term financial hardship on the landlord, the tenants, or both.[508]

The differences in the injuries illustrate a fundamental difference between trademark infringement and the extension of the common law account. Trademark infringement is a tort upon the trademark owner. The trademark owner must recover from the infringer or he is without remedy. The improper acquisition of rents by a third party is not a tort upon the landlord because the landlord's legal right to obtain the rents from his tenants is not abridged by the improper actions of the third party. A trademark infringement claim is a tort claim, and the common law account would not lie based on such a claim.

2. The Accounting for Defendant's Profits Remedy was Historically Granted in Equitable Trademark Actions, Not Trademark Actions Brought in the Law Courts

The historical record of early trademark cases is not very clear. The record of what remedies were provided and why is even less clear. But it seems free from doubt that the common law courts awarded only damages in trademark cases--indeed, the limited relief available at law supported equity's intervention--and the equity courts awarded injunctions and defendant's profits.[509] If the Seventh Amendment analysis is limited to the historical treatment of the defendant's profits remedy, the remedy must be deemed equitable. This result is not conclusive because equity heard some legal claims pursuant to its incidental jurisdiction, but it remains an important consideration.

3. The Accounting for Defendant's Profits Remedy was Functionally Closer to Traditional Equitable Remedies than to Traditional Legal Remedies

The differences between legal and equitable restitution are discussed in a preceding section of this article.[510] Four truths were identified: (1) restitution was legal when based on some form of contract or related obligation; (2) restitution was legal if the plaintiff held title to the property that formed the basis for the claim; (3) restitution was equitable when based on the constructive trust; and, (4) restitution was equitable when the court acted solely to disgorge unjust enrichment (i.e., when there was no connection between plaintiff's loss and defendant's gain). It also is important to consider the nature of equity's jurisdiction over claims for a ***96** defendant's profits and any other reasons for equity's decision to grant profits rather than damages.

i) The profits remedy in early trademark cases was a form of equitable restitution

The Supreme Court has consistently described the disgorgement remedy (an accounting for defendant's profits is a form of disgorgement) as an equitable remedy.[511] There is good reason for this treatment, but it must be acknowledged that a wrongdoer's gains could be obtained in some actions at law. The old action for account and the quasi-contract count for money had and received both involved a form of disgorgement, as did the property-based restitution actions. For this reason, it is necessary to apply the four truths identified above to the defendant's profits remedy in trademark cases.

The first truth suggests the defendant's profits remedy is equitable because trademark infringement is a tort, not a contract or quasi-contract cause of action. In early cases, trademark infringement was an intentional tort requiring proof of defendant's intent to deceive.[512] Even the extended concepts of "contract" evidenced by some of the general assumpsit actions are quite different from the tort basis for trademark infringement claims.

The count for money had and received was extended by the common law courts to cover situations where a third party paid money to defendant with the intention that the money be paid to plaintiff.[513] This third party scenario is similar to the extension of the common law account discussed in the preceding section of this article, and the distinctions identified in that section apply to the count for money had and received as well. In addition, the count for money had and received was based on contractual obligation, though in the third party scenario the common law courts had to stretch to find a contract. To justify the action, the law courts created the legal fiction of an implied promise by defendant to pay the money over to the plaintiff.[514] The basis for the action, therefore, remained contract. The same was not true in trademark infringement actions. Because trademark infringement was not a contract-based claim, the first truth suggests the profits remedy in trademark cases was not a legal form of restitution.

The second truth also suggests the defendant's profits remedy in early trademark cases was equitable. Trademark infringement can be described as use of ***97** a plaintiff's intellectual property without consent, but such use is quite different from the type of use supporting the old common law actions to recover possession of titled property. Perhaps most significant is the fact that defendant's use of plaintiff's trademark does not preclude plaintiff from continuing to use the mark. The old common law actions allowed a property owner to recover possession of the titled property, a concept that simply does not fit with the nature of trademarks. In this sense, a trademark is better viewed as an entitlement, a right to do something, rather than a right to exclusively possess tangible property. And as an entitlement, a trademark would not support the old property-based common law actions.

The third truth is particularly important, and it also suggests the defendant's profits remedy was equitable. Early trademark actions in equity were analogized to constructive trusts, a form of equitable relief created to address situations where a plaintiff had a just claim to certain property but did not hold title.[515] It is not surprising, therefore, that the chancellors used this same principle to support an award of defendant's profits in a trademark case.[516] Though trademarks were more an entitlement than a form of property, the constructive trust concept was a good fit, particularly in the early trademark cases. The trademark owner could assert a legal right to damages but had no legal right to exclusive "possession" of the trademark--that is, the common law would not order the ejectment of trespassers from the trademark owner's intangible property. To get such relief, the trademark owner had to seek an injunction from the chancellors.[517]

The trademark infringement pattern closely resembled the constructive trust paradigm. Where a defendant obtained title to property through fraud and then profited from use of the property, the chancellors would impose a constructive trust, order the defendant to convey title to plaintiff, and order an accounting for defendant's profits from use of the property.[518] In early trademark cases, defendants fraudulently used an imitation of the plaintiff's trademark. The chancellors issued injunctions to stop the infringement, the equivalent of a constructive trust order to reconvey title. And the chancellors ordered an accounting for the profits defendant obtained through its fraudulent use of plaintiff's trademark.

The fourth truth is inconclusive for the defendant's profits remedy in early trademark cases. This truth holds that where there is no connection between defendant's profits and plaintiff's losses, an award of defendant's profits is purely equitable. In most early trademark cases, there was some relationship between the ***98** defendant's gains and the plaintiff's losses.[519] But this point should not be taken too far. Defendant's profits were never awarded as a true measure of plaintiff's losses. The chancellors consistently identified the remedy as a rough measure or an equitable measure of the compensation due a plaintiff. Indeed, the notion that a defendant's profits constitute a form of compensation is a red herring.

If compensation is considered in a broad sense, it seems fair to characterize the defendant's profits awards in early trademark cases as compensatory. But if we use the term compensation to identify plaintiff's losses as the measure of recovery, then it would almost never be correct to characterize an accounting for defendant's profits as compensatory. This point is important because the legal remedy of damages measures recovery by plaintiff's losses. It is a compensatory remedy. The defendant's profits remedy, on the other hand, measures recovery by defendant's gains. Though an award of defendant's profits may "compensate" a plaintiff for otherwise unprovable damages, the profits award has never been an equivalent to the legal remedy of damages.

It is somewhat tempting to read too much into the chancellor's desire to "compensate" trademark owners, particularly given the nature of equitable jurisdiction over claims for defendant's profits. By extending only incidental or clean-up jurisdiction over such claims, the chancellors seemed to send the message that the common law claim for damages was an adequate form of monetary relief. This message could be read as supporting the view that a defendant's profits award in equity was little more than a damages award under a different name. If these propositions were accepted, one would be hard pressed to view the defendant's profits remedy as equitable.

There is, however, more to the story. The relationship between law and equity was somewhat strained, but the chancellors attempted to avoid outright conflict by respecting the decisions of the law courts so long as those decisions did not cause great injustice. The failure of the common law to issue injunctions in trademark cases created a great injustice, so equity intervened. The failure of the common law remedy of damages to fully compensate trademark owners, on the other hand, was a much less serious matter. On this point, it seems the chancellors were willing to respect the law's remedy, even though the remedy was clearly inadequate in many cases.[520] Equity's unwillingness to intervene solely on the basis of a request for defendant's profits does not somehow change the nature of the remedy. An award of defendant's profits was neither conditioned upon, nor intended to redress, a legal entitlement to monetary relief.

***99** The first three truths suggest the defendant's profits remedy is equitable. The fourth truth is indeterminate, though it can be argued that the relationship between the defendant's profits and the plaintiff's losses in some early trademark cases made the profits award in those cases somewhat resemble an award of legal damages. I believe this argument goes too far, given the clear differences between the two remedies. But even if the argument is accepted, it is a weak point when viewed against the otherwise pervasive equitable nature of the defendant's profits remedy. On balance, it seems clear the remedy was equitable in the early trademark cases.

One additional consideration is in order. Did the different powers of the chancellors play a part in shaping the defendant's profits remedy? It is clear the chancellor's in personam powers were important in the development of the constructive trust and that the constructive trust formed the conceptual basis for awarding defendant's profits in trademark cases. But the benefits of the chancellor's unique powers did not stop there. The common law courts could not order discovery and could not compel parties or witnesses to testify under oath. The chancellors used these very powers to make the accounting for defendant's profits an effective remedy,[521] a point that provides further support for my conclusion that the remedy was equitable.[522]

*100 ii) The profits remedy in modern trademark cases remains an equitable form of restitution

The defendant's profits remedy in modern trademark cases differs from the remedy in early trademark cases, but the analysis remains largely the same. Only the fourth truth warrants additional discussion. In modern trademark actions, the defendant's profits remedy is supported almost entirely by the unjust enrichment theory.[523] This fact makes profits awards in modern trademark cases more clearly equitable than the awards in early cases. The fourth truth, therefore, now strongly supports the conclusion that a defendant's profits award in trademark cases is equitable.

There is one possible twist raised by the tendency of some courts to recognize deterrence as a distinct rationale for awarding an accounting for defendant's profits in a trademark action.[524] Though it is not clear how far courts will go in order to deter willful trademark infringement,[525] at least one court seems to have approved punitive accountings for the purpose of deterring willful infringement.[526] To the extent an accounting is awarded to punish a defendant, the accounting cannot be considered equitable. Equity did not grant punitive awards.[527] The common law, on the other hand, granted punitive damages and enforced penalties.[528] These common law awards are the closest historical analog to a punitive accounting in a modern trademark action. Such an accounting, therefore, may create a Seventh Amendment right to a jury trial.[529]

This result need not, and should not, ever happen. It is difficult to imagine a scenario where deterrence alone will justify an award of defendant's profits. If courts focus on the need to remedy unjust enrichment, there is little risk of punitive awards. Making infringement unprofitable will deter future infringement, ***101** particularly when coupled with the other remedies and realities of the litigation process. When a court is faced with a particularly culpable defendant, the Lanham Act expressly authorizes an award of attorney fees in addition to an award of defendant's profits. Using the defendant's profits remedy as a punitive measure may create unexpected problems due to the Seventh Amendment implications of this practice.[530]

4. The Right to a Jury Trial does Not Depend upon the Theory a Plaintiff Chooses

A number of federal trial courts have concluded that the right to a jury trial in a trademark case may depend upon the reason a trademark owner gives for seeking an accounting for defendant's profits.[531] This approach is an invitation to manipulation. Under this conception of the right to a jury, the trademark owner has almost complete control over the mode of trial.[532] The legal or equitable nature of the defendant's profits remedy in trademark cases does not vary from case to case. It never has.

IV. Postscript - Two Arguments and a Closer Look at the Dairy Queen Dispute

Readers satisfied with the Seventh Amendment analysis presented above may stop here. The following arguments provide further insights into the jury trial issue, but are not necessary support for my arguments. I present these additional materials to provide a more complete treatment of the subject and to respond to concerns that may be raised in response to my arguments.

A. Does the Seventh Amendment Analysis Elevate Form over Substance?

The defendant's profits remedy in trademark cases is equitable and does not create a right to a jury trial. This result is based on a highly-detailed and largely formalistic analysis. It seems fair to ask why an important constitutional right should depend upon such rarefied analysis. Or, perhaps more directly, why not just read Dairy Queen as requiring a jury in all trademark cases involving claims for monetary relief?

***102** The Seventh Amendment "preserved" differences between the law and equity courts that were based on historical characteristics of those courts. The differences did not always make sense. But the Supreme Court has consistently interpreted the Seventh Amendment as requiring a historical analysis to determine how modern claims and remedies compare to the treatment of claims and remedies in 1791. The analysis presented above is fully supported by the Supreme Court's Seventh Amendment jurisprudence.

But there is a larger issue here. The two monetary remedies in trademark cases are significantly different. An award of actual damages requires proof of both an actual, quantifiable injury and a causal connection between the injury and the defendant's actions.[533] In many trademark cases, the plaintiff cannot satisfy either of these requirements. It is difficult to quantify the injury caused by trademark infringement for two reasons. First, it is usually difficult to identify all instances of consumer confusion.[534] For example, each time a consumer mistakenly buys a defendant's infringing product, the trademark owner has lost a sale.[535] Such lost sales constitute actual monetary injury, but it can be very difficult to quantify confusion. Most consumers do not report such mistakes, and some consumers may never realize they made a mistake. For this reason, courts ***103** and commentators have frequently noted the difficulty of proving damages in a trademark infringement case.[536]

The second reason it is difficult to prove damages is the prospect for long-term injury to the trademark owner. If a defendant sells inferior products under an infringing trademark, some consumers will attribute the poor quality of the products to the trademark owner. These consumers may stop buying goods made by the trademark owner. It is almost impossible to accurately predict the volume of any such losses to the trademark owner.[537]

Additionally, trademark owners also have difficulty proving a causal connection between their own monetary injury and the defendant's infringement. In most modern markets, the sales of a particular product will depend on numerous factors.[538] When a trademark owner tries to connect her own injury to a defendant's infringement, she must somehow eliminate the impact of other variables. She must attempt to isolate the infringement and quantify its impact on her sales. In this sense, the causation requirement makes quantification of the loss even more difficult in many trademark cases. For this reason, and the reasons identified previously, trademark owners frequently cannot prove significant actual damages resulting from an infringement.[539]

Defendant's profits, on the other hand, may be easier to prove but should not be viewed as a compensatory remedy. The basis for awarding defendant's profits is unjust enrichment, and this theory does not depend in any direct way on the existence of a quantifiable monetary injury to the plaintiff. Modern courts seem to ***104** recognize this point, at least implicitly, when they require proof of willful infringement to support an award of defendant's profits.[540] Though some commentators have opposed this requirement,[541] it is consistent with the historical practice and with the unjust enrichment rationale.

Courts must force trademark owners to more clearly identify the monetary relief they seek. This does not mean courts should invite trademark owners to pick an accounting rationale that suits their desired mode of trial. It means plaintiffs "who want damages have to prove them,"[542] and those who cannot prove damages cannot obtain a jury trial. If the recovery is measured by the defendant's gain, it is an equitable remedy and there is no right to a jury trial. Clarity is possible, but only if the courts are more aggressive in their evaluations of trademark owners' monetary claims.

B. Dairy Queen and the Merger of Law and Equity - Did Merger Eliminate the Need for the Defendant's Profits Remedy in Trademark Cases?

The separate systems of law and equity were merged in the federal court system in 1938 as a part of the sweeping reforms brought by the adoption of the modern Federal Rules of Civil Procedure.[543] Under the Federal Rules, a "plaintiff must seek in a single suit all relief arising out of a single group of operative facts."[544] The Rules made discovery available in all civil actions and authorized the United States District Courts to appoint special masters to assist with the courts' fact-finding responsibilities.[545] These reforms were enormously significant, but what impact did the new Rules have on the Seventh Amendment right to a jury trial?[546]

***105** The Supreme Court's position on this question is not entirely clear. In a series of important Seventh Amendment decisions,[547] the Court held that merger eliminated some of the inadequacies of the old common law procedures. The following explanation, taken from Dairy Queen, is illustrative.
It was settled in Beacon Theatres that procedural changes which remove the inadequacy of a remedy at law may sharply diminish the scope of traditional equitable remedies by making them unnecessary in many cases. 'Thus, the justification for equity's deciding legal issues once it obtains jurisdiction, and refusing to dismiss a case, merely because subsequently a legal remedy becomes available, must be re-evaluated in the light of the liberal joinder provisions of the Federal Rules which allow legal and equitable causes to be brought and resolved in one civil action.[548] The same reasoning was applied in Ross where the Court held a shareholder derivative suit creates a Seventh Amendment right to a jury trial if the underlying substantive claim is legal rather than equitable.[549] This holding was criticized by the dissent in Ross because the shareholder derivative suit was a creation of equity.[550] The common law would not allow such suits.

The Ross majority characterized the shareholder derivative suit as a procedural means to ensure a corporation's rights are protected from abuses by corporate officers or directors.[551] If the underlying substantive claim--a claim, the Ross majority stressed, brought on behalf of the corporation--was legal, the claim could have been brought in a pre-merger common law court by the corporation itself.[552] The derivative action allowed shareholders to take legal action on behalf of the corporation.[553] According to the Ross majority, merger eliminated the need for equity's intervention into such disputes. In the merged system, a shareholder derivative suit asserting a legal claim would be essentially identical to an action brought by the corporation asserting the same legal claim. "The historical rule ***106** preventing a court of law from entertaining a shareholder's suit on behalf of the corporation is obsolete . . . ."[554]

The logic employed in Ross has potentially sweeping ramifications. Exclusively equitable remedies may now create a right to a jury trial, at least in concurrent jurisdiction actions. Consider the trademark action. Equity intervened in such cases because trademark owners needed injunctions to stop the infringements. The substantive issues raised in an equitable trademark action for an injunction were almost identical to the issues raised in a common law trademark action for damages.[555] The only reason trademark actions were heard in equity was the historical rule preventing a court of law from issuing an injunction. Merger effectively eliminated this rule by allowing a unitary civil action seeking legal damages and an injunction. Does Ross mean the historical rule is "obsolete," and a trademark claim for an injunction is now a legal claim? It is difficult to find a meaningful distinction between the Ross majority's treatment of the historical development of exclusive equity jurisdiction over shareholder derivative suits and the historical development of exclusive equity jurisdiction over injunction claims.[556]

***107** The Supreme Court, however, has never taken the Ross logic this far. In cases decided after Ross, the Court has consistently identified the injunction as an example of a purely equitable remedy, for which there is no Seventh Amendment right to a jury trial.[557] In fact, the Court seems to have retreated somewhat in its more recent Seventh Amendment decisions from the expansive interpretation of the Seventh Amendment right to a jury trial found in Beacon Theatres, Dairy Queen, and Ross. It is, nevertheless, important to ask whether the logic from this trio of decisions has any bearing on the defendant's profits remedy in modern trademark actions.

Equitable accountings were provided in pre-merger trademark actions for two reasons: (1) to compensate the trademark owner and (2) to undo the unjust enrichment of the infringer.[558] Equity assumed jurisdiction because of the need for an injunction, but if equity granted only an injunction, the trademark owner would have to pursue a second action at law for damages to obtain complete relief. Equity avoided this situation by granting an injunction and accounting for defendant's profits, the accounting being awarded as a substitute for a damages claim at law.

If a common law damages award could be obtained in the same action as an equitable injunction, there would be no need for an accounting of the type described in the preceding paragraph. Merger allows just such an action. Merger, therefore, seems to render the defendant's profits remedy in trademark actions superfluous, at least to the extent the remedy is sought as an alternative means of compensating the plaintiff. The historical rule preventing a court from providing damages and an injunction in the same action is obsolete. Merger eliminated at least part of the inadequacy that led equity to award compensatory accountings for defendant's profits in trademark actions.[559]

The Seventh Amendment analysis is not altered by this conclusion. At most, this conclusion suggests compensatory accountings may be unwarranted in post- ***108** merger trademark actions. Even if correct, this conclusion is of little consequence today because accountings for defendant's profits in modern trademark cases are based almost entirely on unjust enrichment. The suggestion that defendant's profits should no longer be available is simply incorrect. The difference between the defendant's profits remedy and damages remedy is greater today than in the past, suggesting there may be more need for the remedy now.

C. The Background of the Dairy Queen Case

The Dairy Queen decision itself contains sufficient clues concerning the Court's interpretation of the plaintiffs' claims. It is helpful, however, to understand the background of any dispute that reaches the Supreme Court, particularly when the issue before the Court is tangential to the substantive issues in the case. That certainly was true in Dairy Queen, where the jury trial issue received surprisingly little attention, even in the parties' Supreme Court briefs. The history of the Dairy Queen dispute is interesting and sheds light on the jury trial dispute, a dispute that likely seemed somewhat trivial in the larger scheme of things.

There were three interested parties involved in the larger Dairy Queen dispute, though only two of these parties were directly involved in the Dairy Queen case. The plaintiffs in the Dairy Queen litigation were the owners of the Dairy Queen trademark and the franchisors of the Dairy Queen stores.[560] The defendant was a franchisee that was granted the exclusive right to develop the Dairy Queen business in a large part of Pennsylvania.[561] The third party, Ar-Tik Systems, Inc., owned the U.S. patent to the freezer machine used to make the frozen dessert sold at Dairy Queen stores.[562] To fully appreciate the nature of the Dairy Queen dispute, it is helpful, and at least a little interesting, to review the development of the Dairy Queen business.

The Dairy Queen story began in the 1930s when J. F. McCullough, owner of a small ice cream plant in northern Illinois, decided to explore the possibility of selling partially frozen (i.e., soft-serve) ice cream.[563] McCullough believed ice cream tasted better before it was frozen solid, but he did not know if consumers would buy ice cream that was not solid enough to scoop.[564] Nor did he know if equipment existed to make and dispense such a product.[565]

***109** In the late 1930s, J. F. McCullough and his son, Alex McCullough, started looking for answers to these two questions. To gauge consumer interest, the McCulloughs sponsored an "all the ice cream you can eat" event at a local ice cream parlor.[566] Over 1600 servings of softened ice cream were eaten in two hours, convincing the McCulloughs their soft-serve ice cream idea was a good one.[567] Now, all they had to do was find a way to make the product.

After presenting their idea to two ice cream equipment manufacturers and receiving no promising responses, the McCulloughs stumbled onto the machine they needed.[568] Alex McCullough saw a sidewalk vender in Chicago selling frozen custard dispensed from a machine.[569] After some investigation, the McCulloughs discovered the frozen custard machine was the invention of Harry M. Oltz, who owned a U.S. patent on the machine.[570] The McCulloughs negotiated with Mr. Oltz, and on July 31, 1939, executed an agreement with Oltz for use of his patented machine.[571]

The original agreement between the McCulloughs and Mr. Oltz gave the McCulloughs the right to manufacture freezers covered by the Oltz patent.[572] The McCulloughs also obtained the exclusive right to use the patented freezers in Illinois, Wisconsin, and all states west of the Mississippi River.[573] Oltz retained the exclusive right to use the freezers in all other states.[574] The agreement required payment of royalties by the McCulloughs to Ar-Tik Systems, Inc., Oltz' company, based on the volume of ice cream mix used in the McCullough's territory.[575]

The McCulloughs selected the name "Dairy Queen" and opened the first Dairy Queen store in Joliet, Illinois in 1940.[576] The second store opened in ***110** Moline, Illinois in 1941.[577] Though the stores were successful and the product quite popular, the Dairy Queen business slowed due to World War II.[578]

After World War II, the Dairy Queen business grew quickly. In late 1946, there were eight Dairy Queen stores; by the end of 1948, there were about 400 stores; and by the end of 1950, some 1400 Dairy Queen stores were operating in the United States.[579] The Dairy Queen expansion was the result of the largest franchising effort in the United States at the time and one of the largest ever.[580]

The agreements used by the McCulloughs to expand the Dairy Queen business were complicated by the patent license agreement between the McCulloughs and Ar-Tik Systems. To comply with their obligation to pay royalties to Ar-Tik Systems, the McCulloughs included provisions in the agreements requiring each territory operator to make patent royalty payments directly to Ar-Tik Systems.[581] Thus, Ar-Tik Systems, though not a party to the franchise agreements, received royalty payments from the McCulloughs' operators.[582] Under the patent royalty provisions, the McCulloughs and their territory operators were required to pay Ar-Tik Systems a royalty based on the quantity of ice cream mix used. These requirements were not tied to the life of the Oltz patent.[583]

***111** The territory agreements also required payments to the McCulloughs for the right to use the Dairy Queen name and the business know-how required to operate a Dairy Queen store.[584] In the agreement at issue in the Dairy Queen dispute, the territory operator agreed to pay at least $150,000 for the right to develop the Dairy Queen business in a large part of Pennsylvania.[585] The Pennsylvania operator paid $1,000 up front, and the remaining $149,000 was spread over eight years.[586]

The territory agreement between the McCulloughs and the Pennsylvania operator was executed in 1949.[587] The operator made the payments required by the agreement for the first few years, but in 1954, the operator stopped making payments to Ar-Tik Systems and failed to make the required minimum annual payment to McCulloughs Dairy Queen.[588] Over the next five years, the Pennsylvania operator continued to use the Dairy Queen trademark and made a few payments to the McCulloughs, though these payments were substantially less than the minimums required by the agreement.[589]

***112** By the late 1950s, the Pennsylvania operator was in financial trouble. In 1958, Ar-Tik Systems sued to recover allegedly past-due royalties.[590] The McCulloughs were aware of the Ar-Tik Systems suit and in mid-1960 became concerned that a judgment in favor of Ar-Tik Systems might bankrupt the Pennsylvania operator.[591] This concern led the McCulloughs to send a letter to the Pennsylvania operator on August 26, 1960, notifying the operator of the McCulloughs' intention to terminate the territory agreement.[592] Under the terms of the agreement, the Pennsylvania operator had 30 days to cure the breach. Because ***113** the delinquency was not cured, the agreement apparently was terminated on September 25, 1960.[593]

The McCulloughs sued on November 21, 1960, alleging the Pennsylvania operator had "for a number of years, ceased payments . . . as required in the contract . . . which has unjustly enriched defendant and constitutes a material breach of said contract."[594] Because of this breach, the Pennsylvania territory operator allegedly was "in default to McCullough's Dairy Queen under the said contract . . . in excess of $60,000."[595]

The McCulloughs also complained of the defendant's continuing use of the Dairy Queen trademark. The defendant, doing business as Dairy Queen, Inc., "continue[d] to operate and to license others or franchise others to operate the Dairy Queen franchise in the pertinent Commonwealth of Pennsylvania territory" and to hold itself out "as an authorized and licensed Dairy Queen operator."[596] These actions, the plaintiffs alleged, "constitute infringement by defendant of McCullough's Dairy Queen's trademark 'DAIRY QUEEN'."[597]

Based on these and other factual allegations, the plaintiffs prayed for preliminary and permanent injunctions prohibiting further use of the Dairy Queen trademark,[598] "an accounting to determine the exact amount of money owing by defendant,"[599] and an order requiring the defendant to deposit all royalties obtained from store operators into the registry of the court.[600]

The district court (Judge Harold K. Wood) acted quickly on the plaintiffs' preliminary injunction request, holding a hearing before the defendant filed its answer. On December 28, 1960, the court granted a preliminary injunction prohibiting the defendant from further use of the Dairy Queen trademark.[601] The defendant appealed to the Third Circuit, a move that led to uncertainty about ***114** whether the district court still had jurisdiction over the action. The parties' counsel discussed the situation but could not reach a clear agreement as to the status of the district court action and whether it was appropriate for the defendant to file its answer while the appeal was pending. The defendant filed its answer, which contained a jury demand, on March 1, 1961.[602]

Given the nature of the Dairy Queen dispute, it is not surprising the plaintiffs focused little on the nature of the relief they sought. By the time the district court action was filed, the McCulloughs were embroiled in a fight over ownership of the Dairy Queen trademark. The franchisee already had been sued by Ar-Tik and lost, a fact that likely led the McCulloughs to file suit when they did. Given the precarious financial condition of the defendant and the brief duration of any trademark infringement, it seems quite unlikely the Dairy Queen plaintiffs filed suit in order to obtain an award of defendant's profits based on trademark infringement. More likely, the McCulloughs filed suit to salvage something from the unsuccessful effort to develop the Dairy Queen business in the Pennsylvania region.

The history of the Dairy Queen dispute does not significantly contribute to the resolution of the question posed in this article, but it does provide a more complete understanding of the case heard by the Supreme Court. Moreover, the somewhat convoluted background helps explain why the Court found it difficult to determine the nature of the plaintiffs' claims.

Conclusion

The analysis of the right to a jury trial in a trademark case is complex. It requires both a critical examination of the Dairy Queen decision and the historical nature of the defendant's profits remedy. The result, however, is clear. The defendant's profits remedy in modern trademark cases is equitable and does not support a right to a jury trial under the Seventh Amendment. Most courts and ***115** commentators have reached the opposite conclusion, largely because of an erroneous interpretation of Dairy Queen.

This article should end the confusion surrounding this important constitution right. It may not, however, end the controversy. Many modern trademark actions go to trial with no claim for actual money damages. If my analysis is accepted, far fewer jury trials will be had in trademark cases. Those who distrust juries may view this result as a good thing.[603] But it raises questions that need answers, particularly given the structure of patent law and copyright law, the other two primary fields within intellectual property law.

The Patent Act no longer authorizes awards of defendant's profits, but the Act does authorize damages.[604] A prevailing patentee is entitled to at least a reasonable royalty under the Act.[605] This is a damages remedy, and it creates a right to a jury trial. Because few patent cases will go to trial without a claim for monetary relief, there is a right to a jury trial in almost all patent cases. The Supreme Court recently limited the scope of this right by deeming patent claim construction an issue of law for the court,[606] but the fact remains that a right to a jury trial exists in most patent cases.[607]

Copyright cases also go to juries in most instances. Under the Copyright Act, a plaintiff may seek defendant's profits, but the Act also authorizes an award of either actual or statutory damages.[608] Few copyright owners elect to forego the recovery of damages, particularly with statutory damages eliminating many of the ordinary difficulties posed by the requirements for proving actual damages. The Supreme Court recently held that a claim for statutory damages under the ***116** Copyright Act is a legal claim,[609] and, as a result, most copyright cases are now tried to juries.

We are left, therefore, with an odd result. Trademark law turns upon consumers' perceptions, and, for that reason, trademark disputes are a relatively good fit for jury trials. Indeed, the standard for trademark infringement is whether relevant consumers are likely to be confused by the defendant's trademark use. What better question to present to a jury? Yet, if my analysis is correct, this question will be resolved by a judge more often than a jury. Questions of patent infringement, which can be extremely complex and difficult for lay jurors to understand, will continue to be decided by juries. Does this make any sense?

A complete answer to this rather bizarre situation might require a constitutional amendment, for a patent infringement claim seeking royalties is a legal claim. To remove such cases from juries, therefore, may require a change to the constitutional right to a jury trial. Trademark cases, on the other hand, could become jury cases through legislation. If Congress believes trademark cases should be tried to juries, and such a conclusion seems quite reasonable unless one distrusts juries in all contexts, the Lanham Act could be amended to provide such a right. Such an amendment would also end the need for the type of rarefied analysis presented above. That result alone may justify congressional action.

Footnotes

a1 Assistant Professor of Law, University of Florida, Levin College of Law. This article is dedicated to Louis T. Pirkey, my friend and mentor. I thank Sara Modi for her assistance with the early research for this article. This project took me well outside the realm of intellectual property, my chosen field of study. I am enormously grateful for the feedback provided by leading scholars from the civil procedure and remedies fields. I owe a particular debt to Douglas Laycock for taking the time to help me through the Seventh Amendment thicket. Tom Cotter, Chris Slobogin, Thomas D. Rowe, Jr., Kenneth L. Port, Doug Rendleman, and Amy Mashburn also provided helpful feedback on earlier drafts. This project was aided by a summer research grant from the Levin College of Law.

1 Bruce S. Sperling, The Right to Jury Trial in a Federal Action for Trademark Infringement or Unfair Competition, 62 Trademark Rep. 58, 58 (1972) (identifying Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962)).

2 The Supreme Court recently resolved important jury trial issues in patent law and copyright law, but has not considered the scope of the Seventh Amendment in a trademark case since deciding Dairy Queen. In Markman v. Westview Instruments, Inc., 517 U.S. 370, 372, 38 U.S.P.Q.2d (BNA) 1461, 1463 (1996), the Court held that interpretation of patent claims is an issue of law the court must resolve. Juries in patent cases continue to decide infringement, but the claims must be interpreted by the court. Id. at 384-85, 390, 38 U.S.P.Q.2d at 1468. The Court resolved a long-running controversy over the right to a jury trial in a copyright action seeking statutory damages in Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 46 U.S.P.Q.2d 1161 (1998). In Feltner, the Court held the statutory damages remedy is legal in nature and creates a Seventh Amendment right to a jury trial. Id. at 354-55, 46 U.S.P.Q.2d at 1167-68.

3 I do not mean to suggest that Dairy Queen has caused general confusion concerning the application of the Seventh Amendment. The confusion generated by Dairy Queen appears limited to trademark law. The Court's general holding--"that any legal issues for which a trial by jury is timely and properly demanded [must] be submitted to a jury"--was controversial at the time, but it has not caused any long-standing confusion in the federal courts. Dairy Queen, 369 U.S. at 473, 133 U.S.P.Q. at 295; see also infra PartThe Dairy Queen Court's General Holding: The Right to a Jury Trial on Legal Issues Is Absolute. (examining the general holding from Dairy Queen).

4 See 15 U.S.C. §§1116 (injunction), 1117(a)(1) (damages and defendant's profits) (1999); Restatement (third) of Unfair Competition §§35 (injunctions), 36 (damages), 37 (defendant's profits) (1995).

5 Dairy Queen, 369 U.S. at 477, 133 U.S.P.Q. at 297 ("as an action for damages based upon a charge of trademark infringement, it would be no less subject to the cognizance by a court of law") (citation omitted); Lee Pharm. v. Mishler, 526 F.2d 1115, 1117, 189 U.S.P.Q. (BNA) 193, 194 (2d Cir. 1975) (per curiam).

6 See, e.g., Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540, 46 U.S.P.Q.2d (BNA) 1574, 1575 (S.D.N.Y. 1998) ("undisputed that this [request for injunction] is an issue for the Court"); Ideal World Mktg., Inc. v Duracell, Inc., 997 F. Supp. 334, 337, 46 U.S.P.Q.2d (BNA) 1838, 1840 (E.D.N.Y. 1998) (an injunction prohibiting further trademark infringement is "entirely equitable in nature"). The Supreme Court has not considered the nature of an injunction claim in a trademark case, but it has found injunctions equitable in other contexts. See City of Monterey v. Del Monte Dunes, Ltd., 526 U.S. 687, 726 n.1 (1999) (Scalia, J., concurring) ("Since the merger of law and equity, any type of relief, including purely equitable relief, can be sought in a tort suit--so that I can file a tort action seeking only an injunction against a nuisance. If I should do so, the fact that I seek only equitable relief would disentitle me to a jury...."); Tull v. United States, 481 U.S. 412, 425 (1987) (injunction authorized by the Clean Water Act is an "equitable remedy").

7 "[T]he United States Supreme Court decision in Dairy Queen, Inc. v. Wood... did much to blur the previously sharp distinction between complaints seeking 'damages' and those seeking 'an accounting."' Burgess v. General Electric, 285 F. Supp. 788, 789, 159 U.S.P.Q. 431, 432 (D.N.J. 1968); see also Holiday Inns of Am., Inc. v. Lussi, 42 F.R.D. 27, 30, 153 U.S.P.Q. (BNA) 158, 160 (N.D.N.Y. 1967) ("Much is left unsaid [in Dairy Queen] that leaves uncertain and arguable whether the ruling specifically covered a trademark infringement suit for money damages....").

8 "Following the Supreme Court's 1962 decision in Dairy Queen, Inc. v. Wood, most courts have held that claims under Section 35 [of the Lanham Act] for damages or for an accounting of profits are 'legal' claims subject to the Seventh Amendment right to trial by jury." James M. Koelemay, Jr., A Practical Guide to Monetary Relief in Trademark Infringement Cases, 85 Trademark Rep. 263, 307 (1995) (internal citations omitted) (emphasis added); see also 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §32:124 (4th ed. 1996) (release 16, Dec. 2000) ("a claim for an accounting of defendant's profits is usually treated for jury trial purposes as the equivalent of a claim for legal damages"); infra note70. Courts have reached the same conclusion, also based on Dairy Queen, in patent and copyright cases. See Sid & Marty Krofft Television Prod., Inc. v. McDonald's Corp., 562 F.2d 1157, 1174-75 (9th Cir. 1977) (copyright case); Kennedy v. Lakso Co., 414 F.2d 1249, 1253-54, 163 U.S.P.Q. (BNA) 136, 138-39 (3d Cir. 1969) (patent case); Swofford v. B&W, Inc., 336 F.2d 406, 410-11 (5th Cir. 1964) (patent case). Most of the arguments presented in this article apply to copyright cases seeking defendant's profits, but this remedy is not as significant in copyright cases because of the availability of statutory damages. The Patent Act no longer authorizes the recovery of a defendant's profits. For these reasons, the question of the legal or equitable nature of a defendant's profits award is most significant in trademark cases.

Leading commentators on civil procedure and damages also have read Dairy Queen in this way. 9Charles Alan wright & Arthur R. Miller, Federal Practice and Procedure §2312 (2d ed. 1994) (noting that "no difference is now permissible between a claim for damages and a claim for profits," in trademark cases, as both must be considered legal claims after Dairy Queen); 1 Dan B. Dobbs, Law of Remedies: Damages-Equity-Restitution §4.3(5) at 614 (2d ed. 1993) ("The famous Dairy Queen case seemed to say that the constitution required federal courts to grant a jury trial whenever the claim was one for money, even though the claim was one for accounting of profits."); Id.§2.6(3) at 159 (reading Dairy Queen as involving a claim for "an accounting for profits").

In one recent decision, a district court reached the opposite conclusion. Minnesota Specialty Crops, Inc. v. Minnesota Wild Hockey Club, LP, Civ. No. 00-2317, 2002 U.S. Dist. LEXIS 13991, at *30-31 (D. Minn. July 26, 2002) ("In [Dairy Queen, Inc. v.] Wood, however, the Court noted that even though the claim was styled as an 'accounting,' it must really be construed as a contract action or as a claim for trademark damages."). Though I believe this court reached the correct result, I doubt the decision will alter the clear trend toward the reading of Dairy Queen described in the text. The court did not cite any decisions other than Dairy Queen, suggesting it may have been unaware of the rather significant weight of authority supporting the contrary reading of Dairy Queen.

9 The Supreme Court has used the disgorgement remedy as an example of a traditionally equitable remedy. See, e.g., Tull v. United States, 481 U.S. 412, 424(1987) (describing the "action for disgorgement of improper profits" as a claim "traditionally considered an equitable remedy"); Curtis v. Loether, 415 U.S. 189, 196-97(1974) (describing as equitable an action "requiring the defendant to disgorge funds wrongfully withheld from the plaintiff"). The disgorgement remedy is commonly used by the government in actions involving securities or bank fraud. See, e.g., SEC v. First Pacific Bancorp, 142 F.3d 1186, 1191-93 (9th Cir. 1998) (explaining the purpose of a disgorgement award in a securities fraud action); SEC v. Huffman, 996 F.2d 800, 802-03 (5th Cir. 1993) (same); First Nat'l Bank v. Warren, 796 F.2d 999, 1000-01 (7th Cir. 1986) (discussing the disgorgement remedy in a bank fraud action). As used in these actions, the disgorgement remedy is unquestionably an equitable remedy. See SEC v.

Commonwealth Chemical Sec., Inc., 574 F.2d 90, 95-96 (2d Cir. 1978) (noting that the absence of any direct injury to plaintiff (i.e., the government) in these actions makes the disgorgement claims more akin to traditional equity remedies); see also infra notes190-193, and accompanying text (exploring the distinction between disgorgement in the context of a public civil action and a private civil action).

10 See, e.g., Amasa C. Paul, The Law of Trade-Marks including Trade-Names and Unfair Competition §324 (1903) ("defendant's profits from [infringing] sales are not recoverable at law"). This point is explored in some detail below. See infra notes332-350, and accompanying text.

11 See infra notes70, 75, 76, PartDairy Queen's Progeny - Confusion in the Courts.

12 Emmpresa Cubana Del Tabaco v. Culbro Corp., 123 F. Supp. 2d 203, 206-08 (S.D.N.Y. 2000) (holding the plaintiff's request for defendant's profits was based on a unjust enrichment theory, rather than a compensation theory, and therefore was an equitable remedy); Daisy Group, Ltd. v. Newport News, Inc., 999 F. Supp. 548, 551-52, 46 U.S.P.Q.2d (BNA) 1856, 1859 (S.D.N.Y. 1998) (noting the plaintiff "seeks profits as a rough proxy measure of its damages," and holding that such a basis is compensatory, thus rendering the profits award legal);Alcan Int'l Ltd. v. S.A. Day Mfg. Co., 179 F.R.D. 398, 401-02, 48 U.S.P.Q.2d (BNA) 1151, 1153-54 (W.D.N.Y. 1998) (same); Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540, 46 U.S.P.Q.2d 1574, 1575-76 (S.D.N.Y. 1998) (finding a profits award legal in a trademark counterfeiting case because the award was largely punitive in nature); Merriam-Webster, Inc. v. Random House, Inc., 91 Civ. 1221,1993 U.S. Dist. LEXIS 7693, at *6-8 (S.D.N.Y. 1993) (striking defendant's jury demand because plaintiff "seeks to recover [defendant's] profits not as compensation for actual damages incurred, but rather solely to prevent [defendant's] unjust enrichment....") (brackets in original).

13 The Daisy Group case cited above seems a clear example of such manipulation. As the court noted, the parties did not directly compete, making it quite difficult for plaintiff to prove any actual monetary loss. Daisy Group, 999 F. Supp. at 552, 46 U.S.P.Q.2d at 1859. Indeed, the plaintiff dropped a claim for damages during the pre-trial proceedings. Id. at 549, 46 U.S.P.Q.2d at 1856. Unable to prove damages but still desiring a jury trial, the plaintiff characterized its request for defendant's profits as a "rough proxy" for its own losses. The court deemed the claim legal and upheld plaintiff's jury demand. Id. at 552, 46 U.S.P.Q.2d at 1859.

14 The Merriam-Webster case is an example of manipulation of this kind. The parties were direct competitors, but plaintiff cast its request for defendant's profits in terms of unjust enrichment. As the court noted, unjust enrichment "is the only rationale on which plaintiff proceeds." Merriam-Webster, 91 Civ. 1221,1993 U.S. Dist. LEXIS 7693, at *6. This rationale struck the court as an equitable theory, so the court granted plaintiff's motion for a nonjury trial. Id. at *7

15 Dairy Queen, 369 U.S. 469, 477-78, 133 U.S.P.Q. 294, 297 (1962) ("the constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings").

16 See, e.g., Balance Dynamics Corp. v. Schmitt Indus., 204 F.3d 683, 692, 53 U.S.P.Q.2d (BNA) 1972, 1979 (6th Cir. 2000) ("marketplace damages and actual confusion are notoriously difficult and expensive to prove"); Brookfield Comms., Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1050, 50 U.S.P.Q.2d (BNA) 1545, 1553-54 (9th Cir. 1999); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1539, 23 U.S.P.Q.2d (BNA) 1351, 1357 (2d Cir. 1992); PPX Enter., Inc. v. Audiofidelity Enter., Inc., 818 F.2d 266, 272-73, 2 U.S.P.Q.2d (BNA) 1672, 1676-77 (2d Cir. 1987); Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 875, 230 U.S.P.Q. (BNA) 831, 837 (2d Cir. 1986); Best Cellars, Inc. v. Grape Finds at Dupont, Inc., 90 F. Supp. 2d 431, 457, 54 U.S.P.Q.2d (BNA) 1594, 1613-14 (S.D.N.Y. 2000); Aztar Corp. v. NY Entm't, LLC, 15 F. Supp. 2d 252, 261 (E.D.N.Y. 1998); Aero-Motive Co. v. U.S. Aeromotive, 922 F. Supp. 29, 42 (W.D. Mich. 1996).

17 See generally Keith M. Stolte, Remedying Judicial Limitations on Trademark Remedies: An Accounting for Profits Should Not Require a Finding of Bad Faith, 87 Trademark Rep. 271 (1997).

18 Claims eliminated prior to trial are irrelevant to the Seventh Amendment analysis. Francis v. Dietrick, 682 F.2d 485, 486 (4th Cir. 1982) ("the withdrawal of the damage claim would raise a question about the county's right to a jury regardless of Francis's motive"); Nike, Inc. v. "Just Did It" Enter., 32 U.S.P.Q.2d (BNA) 1059, 1060-61 (N.D. Ill. 1994); Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1649 (N.D. Ill. 1990); Partecipazioni Bulgari, S.p.A. v. Jean-Charles Meige, 7 U.S.P.Q.2d (BNA) 1815, 1817 (S.D. Fla. 1988).

19 The following story provides an illustration of the importance of the issue addressed in this article. In the late 1980s, Burger King sued Pilgrim's Pride for trademark infringement. Burger King Corp. v. Pilgrim's Pride Corp., 705 F. Supp. 1522, 12 U.S.P.Q.2d (BNA) 1526 (S.D. Fla. 1988). The trademark at issue was "Chicken Tenders." Burger King, of course, sold Chicken Tenders meals at its restaurants. Pilgrim's Pride introduced a grocery store product under the name Chicken Breast Tenders. In its advertising, Pilgrim's Pride referred to the product as simply Chicken Tenders. Burger King argued that Pilgrim's Pride willfully ignored the "Chicken Tenders" trademark, and evidence consistent with this argument was presented. Id. at 1530, 12 U.S.P.Q.2d at 1528. Pilgrim's Pride argued the words chicken tenders were generic for a particular cut from a chicken breast, and evidence consistent with this argument also was presented. Id. at 1525, 12 U.S.P.Q.2d at 1528-29.

The case was tried to a jury. The jury returned a verdict in Burger King's favor on all issues, including the question of willful infringement. Id. at 1523-24, 12 U.S.P.Q.2d 1527-28. As a result of these findings, Pilgrim's Pride ultimately was ordered to pay Burger King over $2 million in profits and attorney fees. Burger King Corp. v. Pilgrim's Pride Corp., 15 F.3d 166, 30 U.S.P.Q.2d (BNA) 1173 (11th Cir. 1994) (affirming attorney fees award of $925,481.20); Burger King Corp. v. Pilgrim's Pride Corp., 934 F. Supp. 425, 427 (S.D. Fla. 1996) (awarding $1,259,663.00 in profits and an additional $106,034.83 in attorney fees). Though there was evidence supporting Burger King's positions on the merits, the case seems a rather close call.

The case was filed in Miami, where Burger King in headquartered. Pilgrim's Pride is a Texas company owned by Lonnie "Bo" Pilgrim, a Texan famous for his brash personality. "In 1989, during consideration of a bill to reform the state's workers compensation laws, Pilgrim walked onto the floor of the [Texas] Senate, where a committee meeting was concluding, and handed out $10,000 checks to key legislators involved in the workers' comp debate. Several legislators took the checks." Robert Bryce, Not Clucking Around, Austin Chronicle, Nov. 3, 2000, at Vol. 20, No. 10. Did Mr. Pilgrim's personality influence the jury? It is precisely this kind of intangible that makes the jury issue so important.

But was there a triable legal claim in the Burger King case? Given the different markets for the goods (fast food restaurants versus grocery stores), it would have been very difficult for Burger King to prove actual damages. In fact, after the trial, Burger King "stipulated that it would not seek recovery premised on actual damages." Burger King, 934 F. Supp. at 426. If Burger King's damages claim was dropped before the trial, rather than after, Pilgrim's Pride could have moved to strike the jury demand. If the case had been tried without a jury, the outcome might have been quite different.

20 Dairy Queen, Inc. v. Wood, 369 U.S. 469, 475, 133 U.S.P.Q. (BNA) 294-96 (1962).

21 See, e.g., Lee Pharm. v. Mishler, 526 F.2d 1115, 1116, 189 U.S.P.Q. (BNA) 193, 194 (2d Cir. 1975) (per curiam) ("All parties agree that the Supreme Court's opinion in Dairy Queen v. Wood... is the lodestar which must guide our analysis."); Sam's Dep't Store, Inc. v. Wal-Mart Stores, Inc., Civil No. 93-455-JD, 1994 U.S. Dist. LEXIS 16273, at *10-11 (D.N.H. Oct. 31, 1994) (relying heavily on Dairy Queen to resolve the jury trial issue); Holiday Inns of Am., Inc. v. Lussi, 42 F.R.D. 27, 29-30, 153 U.S.P.Q. (BNA) 158, 160 (N.D.N.Y. 1967) (concluding that "Dairy Queen brings revolutionary change" to the jury trial analysis in trademark cases).

22 Kimberly-Clark Corp. v. Kleenize Chem. Corp., 135 U.S.P.Q. (BNA) 123 (N.D. Ga. 1962); Coca-Cola Co. v. Cahill, 330 F. Supp. 354, 355, 171 U.S.P.Q. (BNA) 480, 480-81 (W.D. Okla. 1971); Coca-Cola Co. v. Wright, 55 F.R.D. 11, 12-13, 171 U.S.P.Q. (BNA) 754, 755 (W.D. Tenn. 1971).

23 Lee Pharm., 526 F.2d 1115, 189 U.S.P.Q. (BNA) 193 (2d Cir. 1975); Holiday Inns, 42 F.R.D. 27, 29-30, 153 U.S.P.Q. (BNA) 158, 160 (N.D.N.Y. 1967); see also infra note70 (collecting cases). Dairy Queen was read broadly by courts facing requests for accountings in other contexts as well. Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp., 562 F.2d 1157, 1174-75, 196 U.S.P.Q. (BNA) 97, 111-12 (9th Cir. 1977) (copyright case); Kennedy v. Lakso Co., 414 F.2d 1249, 1253-54, 163 U.S.P.Q. (BNA) 136, 138-39 (3d Cir. 1969) (patent case); Swofford v. B&W, Inc., 336 F.2d 406, 410-11, 142 U.S.P.Q. (BNA) 291, 294-95 (5th Cir. 1964) (patent case).

24 The following explanation is taken from the Holiday Inns case:

I must admit my first impression in the court presentation was that in a trademark infringement case the issues are basically equitable and unquestionably are to be tried to the Court. I think this would be the impression of many and would persist, because it seems traditional in most trademark cases....

However, my reading and interpretation of Dairy Queen brings revolutionary change, I think, to the concepts of the past, and more important, changes my viewpoint for the purposes of the serious decision to be made here in that regard.

42 F.R.D. at 30, 153 U.S.P.Q. (BNA) at 160; see also Burgess v. General Electric, 285 F. Supp. 788, 789 (D.N.J. 1968).

25 Dairy Queen, Inc. v. Wood, 369 U.S. 469, 473-74, 133 U.S.P.Q. (BNA) 294, 295-96 (1962); McCullough v. Dairy Queen, Inc, 194 F. Supp. 686, 687, 129 U.S.P.Q. (BNA) 400, 401 (E.D. Pa. 1961).

26 Dairy Queen Complaint at PP 12-17 (reproduced as Exhibit "A" to the Record, Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244)). The Dairy Queen plaintiffs filed suit on November 21, 1960.

27 Id. at Prayer for Relief P (A). The plaintiffs requested preliminary and permanent injunctions. Id. The district court apparently held a hearing on the preliminary injunction request shortly after the complaint was filed and before defendant filed an answer. In an unreported decision dated December 28, 1960, the court granted plaintiffs' request for a preliminary injunction. Findings of Fact, Conclusions of Law and Order Sur Plaintiffs' Motion for a Preliminary Injunction (provided as Appendix D to the Brief in Opposition to Cert., Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244)).

28 Dairy Queen Complaint at Prayer for Relief P (B). The complaint also contains an allegation that "Defendant is in default to McCullough's Dairy Queen under the said contract, 'Exhibit A', in excess of $60,000.00," id. P 14, but the prayers for relief contain only the general monetary claim quoted in the text.

29 Id. at Prayer for Relief P (C). The franchise agreement granted the franchisee the rights to use the Dairy Queen trademark and develop the Dairy Queen business in a particular geographic region. Id. at Exhibit A (Freezer and Territory Agreement).

30 Defendant's Answer & New Matter (reproduced as Exhibit "B" to the Record, Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244)). The prior events in the district court may have influenced defendant's decision to demand a jury trial. By the time defendant filed its answer, the district court already had ruled in plaintiffs' favor on the motion for preliminary injunction. See supra note27. This ruling included a number of findings favorable to the plaintiffs. Defendant may well have concludethe d that the district judge had made up his mind concerning the disputed factual issues in the case. Conversely, the plaintiffs likely wanted the district judge to hear the trial on the merits for similar reasons.

31 Motion to Strike Defendant's Demand for a Trial by Jury (reproduced as Exhibit "C" to the Record in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962)); Brief in Opposition to Cert. at 8 ("the apparent reason for the petition for certiorari is to obtain another delay in the final disposition of this case").

32 Plaintiffs made three arguments in support of the motion. First, they argued the answer and jury demand "was not properly filed in the District Court, in that when it was filed, the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed." Motion to Strike Defendant's Demand for a Trial by Jury P 1. Second, the plaintiffs argued the "defendant's demand for a jury trial is untimely." Id. P 2. Finally, the plaintiffs argued, "the issues herein are not triable of right by a jury." Id. P 3. No further argument was presented.

33 McCullough v. Dairy Queen, Inc, 194 F. Supp. 686, 687-88, 129 U.S.P.Q. (BNA) 400, 400-02 (E.D. Pa. 1961). The district court's ruling suggests there was a hearing on the jury trial issue, because the court refers to arguments made by defendant. Id. at 687, 129 U.S.P.Q. at 401 ("Although we agree with the defendant that the form of relief sought by plaintiffs is not necessarily determinative...."). Given the absence of any pleadings in the district court record, it seems there must have been a hearing where the parties presented arguments on the jury trial issue.

34 Id.

35 Id. The district court incorrectly interpreted the plaintiffs' claims. The plaintiffs did not allege the contract was terminated in 1954. The complaint reads, "Subsequent to the notice letter... and following the cancellation of defendant's franchise thereby, defendant nevertheless continued [to use the Dairy Queen trademark]." Dairy Queen Complaint at P 17. The alleged trademark infringement did not begin until September 25, 1960, the date the contract allegedly was terminated. Plaintiffs alleged breach of contract from 1954 until 1960, based on the territory operator's failure to make the required royalty payments during that period of time.

This error is significant. By viewing the trademark infringement claim as beginning in 1954, the district court greatly overstated the significance of the claim. The district court's preliminary injunction, issued in late December 1960, presumably ended the defendant's infringing use of the Dairy Queen trademark. The Third Circuit affirmed the preliminary injunction ruling on May 16,

1961. See McCullough v. Dairy Queen, Inc., 290 F.2d 871 (3d Cir. 1961) (per curiam). The duration of any trademark infringement, therefore, was at most three months (from late September 1960 until late December 1960), rather than several years as the district court concluded. The district court's mistaken reading of the plaintiffs' trademark infringement claim probably contributed to the court's conclusion that the trademark remedies predominated in the case and that plaintiffs' claim for contract damages was merely incidental to the trademark remedies. See infra notes36-38 and accompanying text.

36 McCullough v. Dairy Queen, 194 F. Supp. at 687-88, 129 U.S.P.Q. at 400-02.

37 The district court read the complaint as seeking an award of defendant's profits, despite the absence of any express mention of profits in the complaint. See supra note28. The Supreme Court, on the other hand, viewed the "accounting" claim as a damages claim requiring a review of the defendant's records. Dairy Queen, 369 U.S. at 478-79.

38 McCullough v. Dairy Queen, 194 F. Supp. at 687-88, 129 U.S.P.Q. at 400-02.

39 Petition for Writ of Mandamus at 7-8 (Dairy Queen Inc., v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244)) [hereinafter Mandamus Petition].

40 Dairy Queen, Inc. v. Wood, 368 U.S. 874 (1961). The caption of this case can be a bit misleading. Defendant, not plaintiffs, filed the petition seeking certiorari. Defendant incorporated under the name "Dairy Queen, Inc." The owners of the Dairy Queen trademark were plaintiffs in the action, but they were identified by their surnames in the case caption. Thus, the "Dairy Queen" named in the Supreme Court caption was the former franchisee, not the owner of the Dairy Queen trademark. The formal respondent in the Supreme Court proceeding was the Honorable Harold K. Wood, the federal judge who presided over the district court proceedings.

41 See generally Patrick Devlin, Equity, Due Process and the Seventh Amendment: A Commentary on the Zenith Case, 81 Mich. L. Rev. 1571, 1572-74 (1983). A more complete description is provided below of equity's incidental jurisdiction and the development of concurrent jurisdiction actions in the pre-merger law and equity courts. See infra PartThe Development of Concurrent Jurisdiction Actions and Equity's Incidental or Clean-up Jurisdiction.

42 Devlin, supra note41, at 1573, 1624.

43 See infra note127.

44 Fed. R. Civ. P. 2; City of Morgantown v. Royal Ins. Co., 337 U.S. 254, 258 (1949); Jim Arnold Corp. v. Hydrotech Sys., 109 F.3d 1567, 1578, 42 U.S.P.Q.2d (BNA) 1119, 1128 (Fed. Cir. 1997); 4 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure §§1041-45 (3rd ed. 2002); G. Ray Warner, Katchen Up in Bankruptcy: The New Jury Trial Right, 63 Am. Bankr. L.J. 1, 9 (1989); Carlton Mayhall, Constitutional Law--Federal Rules--Right to Civil Jury Trial, 15 Ala. L. Rev. 562, 566 (1963).

45 In some situations, related claims must be joined in a single action. Fleming James, Jr., Right to a Jury Trial in Civil Actions, 72 Yale L.J. 655, 675 (1962-63) ("Today, under merger, a plaintiff must seek in a single suit all relief arising out of a single group of operative facts....").

46 The Dairy Queen Court gave the following description of the practice:
Nonetheless, after the adoption of the Federal Rules, attempts were made indirectly to undercut that right by having federal courts in which cases involving both legal and equitable claims were filed decide the equitable claim first. The result of this procedure in those cases in which it was followed was that any issue common to both the legal and equitable claims was finally determined by the court and the party seeking trial by jury on the legal claim was deprived of that right as to these common issues.
Dairy Queen, 369 U.S. at 472, 133 U.S.P.Q. at 295.

47 In at least one trademark case decided after Dairy Queen a court seems to have taken this approach. See Kimberly-Clark Corp. v.

Kleenize Chem. Corp., 135 U.S.P.Q. (BNA) 123 (N.D. Ga. 1962) (rejecting a jury demand in a trademark infringement action seeking an injunction and damages). The cited decision was a ruling on a motion for reconsideration based on Dairy Queen. The district court rejected a jury demand by defendant in a decision issued prior to the Supreme Court's Dairy Queen decision. Kimberly-Clark Corp. v. Kleenize Chem. Corp., 194 F. Supp. 876 (N.D. Ga. 1961). Defendant later asked the court to reconsider its original ruling in light of Dairy Queen. The court agreed to reconsider the previous ruling, but concluded that Dairy Queen was "primarily a simple action on a debt allegedly due under a contract." Kimberly-Clark, 135 U.S.P.Q. (BNA) at 123. Kimberly-Clark, on the other hand, claimed only trademark infringement, a claim the court viewed as historically equitable. The district court denied the jury demand and apparently resolved all issues in the action without a jury. Id.

48 McCullough v. Dairy Queen, Inc, 194 F. Supp. 686, 687-88, 129 U.S.P.Q. (BNA) 400, 401-02 (E.D. Pa. 1961) (concluding that "all issues raised" in the action were "for the Court's determination").

49 359 U.S. 500 (1959).

50 Id. at 510-11.

51 Beacon Theatres also made it clear that either party may demand a jury trial. Id.. Though this rule seems unexceptional today, it was not consistent with the historical jury trial practice, where the plaintiff often had near complete control over the mode of trial. James, supra note45, at 675.

The Beacon Theatres decision was a sharp break with the Court's prior Seventh Amendment decisions, though the Court did not acknowledge this fact in Beacon Theatres or Dairy Queen. The break is illustrated well by the different approach taken by the Court in Porter v. Warner Holding Co., 328 U.S. 395 (1946). In Porter, the Court held that "where, as here, the equitable jurisdiction of the court has properly been invoked for injunctive purposes, the court has the power to decide all relevant matters in dispute and to award complete relief even though the decree includes that which might be conferred by a court of law." Id. at 399 (citing Alexander v. Hillman, 296 U.S. 222, 241-242 (1935)). Porter was decided eight years after the 1938 merger of law and equity, yet the Court upheld the historical practice of the equity courts, even in situations where the equity court decided issues that could have been tried in a court of law. Though Porter seems to conflict with Beacon Theatres on this point, the Beacon Theatres Court never cited Porter. Indeed, even Justice Stewart, who dissented in Beacon Theatres did not cite the Porter decision. Beacon Theatres, 359 U.S. at 516-19 (Stewart, J., dissenting). Beacon Theatres, therefore, was not only a break with prior practice and precedent, it was an unjustified, or at a minimum, inadequately explained, break.

A number of commentators have characterized Beacon Theatres as a break from the historical jury trial practice. See, e.g., 8 James Wm. Moore, Moore's Federal Practice §38.11 (3d ed., 1997) (release 113- March, 1997) ("Beacon is a sharp departure from pre-merger practice.... [U]nder Beacon,... what was formerly a single controversy [that was tried in equity is now treated] as several separate claims that could be brought as actions at law"); John C. McCoid, II, Procedural Reform and the Right to Jury Trial: A Study of Beacon Theatres, Inc. v. Westover, 116 U. Pa. L. Rev. 1, 5, 24 (1967); Recent Cases, Federal Rules of Civil Procedure - Declaratory Judgments - Right of Counterclaiming Defendant to Trial by Jury, 13 Vand. L. Rev. 571 (1960); Keith F. Sparks, Federal Courts: Right to a Jury Trial in Cases Involving Both Equitable and Legal Issues, 47 Cal. L. Rev. 760, 766-67 (1959).

52 Thermo-Stitch, Inc., v. Chemi-Cord Processing Corp., 294 F.2d 486, 491, 121 U.S.P.Q. (BNA) 1, 4 (5th Cir. 1961).

53 James, supra note45, at 687.

54 Id. At least one court reached a similar conclusion. In Mitchell v. Michigan-U.S. Indus. G.&L. Co., 189 F. Supp. 411, 412-13 (E.D. Mich. 1960), the court provided the following views on the Beacon Theatres decision (emphasis added):

A careful study of the Beacon Theatres case convinces the court that that case does not stand for a broad proposition creating an exception to the general rule (which denies the right to a jury trial in a purely equitable action) whenever a possibility exists that collateral estoppel may subsequently bind one of the parties to the action on certain issues in a distinctly separate legal action. Were the rule as contended for by the defendant, the distinction between actions at law and in equity with respect to the right to a jury trial, which clearly was 'preserved' by the Seventh Amendment, would be destroyed for all practical purposes, since in nearly all cases where an injunction is sought, collateral estoppel might apply in a possible subsequent legal action having some issues in common with the suit in equity.

This court is unable to conclude that such an important change in a well-established established legal principle should be predicated on the broad language used in a U.S. Supreme Court decision which is not in point, and this court believes that the

Supreme Court did not intend the language quoted above to have the effect contended for by the defendant in this action.

55 Dairy Queen, 369 U.S. at 470, 133 U.S.P.Q. (BNA) at 294.

56 One could argue that any claim heard in equity pursuant to the old incidental or clean-up jurisdiction should be deemed a legal claim after Beacon Theatres and Dairy Queen. This approach, however, fails to consider the possibility that some claims heard under equity's incidental or clean-up jurisdiction were not within the jurisdiction of the common law courts. Indeed, the historical treatment of the defendant's profits remedy in trademark and patent cases illustrates exactly this scenario. The profits award was not available in an action at law, and would not, standing on its own, support jurisdiction in equity. The analysis needed to support this conclusion is provided below. See infra notes366-389.

57 McCullough v. Dairy Queen, Inc, 194 F. Supp. 686, 687, 129 U.S.P.Q. (BNA) 400, 400-02 (E.D. Pa. 1961). There is nothing particularly odd about a defendant making a jury demand, but it may go against one's initial intuition. In any event, when a plaintiff who did not consider the jury trial issue while drafting its complaint is forced to recast its claims to avoid raising a jury triable issue, the result can be strange. Dairy Queen is a good example.

58 Dairy Queen Complaint at PP 12, 14.

59 Or, as the Supreme Court put it in Dairy Queen, "it would be difficult to conceive of an action of a more traditionally legal character." Dairy Queen, 369 U.S. at 477, 133 U.S.P.Q. at 297.

60 Plaintiffs argued that their claim for monetary relief was based entirely on the trademark infringement claim. "It distorts and misconstrues the plain language of the complaint to say that it incorporates, inter alia, an action for debt or any other action on the contract. The converse is true. Respondents' right to relief arises from the fact that there is no contract between the parties, and has been none since its cancellation." Brief for Respondents, H.A. McCullough and H.F. McCullough, Burton F. Meyers, Robert J. Rydeen, M.E. Montgomery and Lorraine Dale in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244), at 6 [hereinafter Respondents' Brief].
Not only is this argument inconsistent with the plaintiffs' complaint, which clearly alleged breach of contract, it is refuted by the undisputed facts of the case. Plaintiffs did not terminate the franchise agreement until late September, 1960. Prior to termination, defendant had authorization, under the agreement, to use the Dairy Queen trademark. There was no trademark infringement until after the termination. If plaintiffs really sought monetary relief based only on their trademark infringement allegation, the recovery probably would have been quite small and almost certainly much less than $60,000.00. See supra note35.

61 Dairy Queen, 369 U.S. at 476-77, 133 U.S.P.Q. at 297 (internal citations omitted). As the Dairy Queen court noted, id. at 477 n.12, 133 U.S.P.Q. at 297 n.12, the second interpretation "seems to be the construction given the complaint by the district judge in passing on the motion to strike petitioner's jury demand"). The third construction, though least likely in the majority's view, id. at 477 n.13, 133 U.S.P.Q. at 297 n.13, was adopted by Justice Harlan in a concurring opinion.

62 Id. at 477, 133 U.S.P.Q. at 297.

63 Id. ("As an action on a debt allegedly due under a contract, it would be difficult to conceive of an action of a more traditionally legal character.") (citations omitted).

64 Id. (emphasis added).

65 Dairy Queen, 369 U.S. at 477, 133 U.S.P.Q. at 297.

66 Id. at 477-78, 133 U.S.P.Q. at 297.

67 Id. at 478, 133 U.S.P.Q. at 297 (quoting Kirby v. Lake Shore & Mich. S. R.R. Co., 120 U.S. 130, 134 (1887)).

68 See, e.g., Alcan Int'l Ltd. v. S.A. Day Mfg. Co., 179 F.R.D. 398, 400, 48 U.S.P.Q.2d (BNA) 1151, 1152 (W.D.N.Y. 1998) ("defendant seeks injunctive relief, accounting for profits and costs, and attorneys' fees); G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp., 888 F. Supp. 44, 45, 35 U.S.P.Q.2d (BNA) 1797, 1798 (S.D.N.Y. 1995) (evaluating the trademark owners claim "for an accounting and disgorgement of profits"); Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1653-54 (N.D. Ill. 1990) (referring to possible monetary remedies as "damages" and an "accounting" (i.e., defendant's profits)); Restatement (third) of Unfair Competition §37 (accountings) (1995) .

69 See infra notes332-350, and accompanying text.

70 Cache, Inc. v. M.Z. Berger & Co., 99 Civ. 12320, 2001 U.S. Dist. LEXIS 226, at *48-49 (S.D.N.Y. Jan. 16, 2001) ("the defendants conceded at the argument of the pending motions that Cache's claim for an accounting of profits gives rise to a right to a trial by jury"); Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540-41, 46 U.S.P.Q.2d (BNA) 1574, 1575-76 (S.D.N.Y. 1998) (profits claim in a counterfeiting case is a legal remedy); Lurzer GMBH v. Am. Showcase, Inc., 75 F. Supp. 2d 98, 103-04 (S.D.N.Y. 1998) ("it is increasingly clear that claims for damages or profits under the Lanham Act must first be tried to a jury"); Daisy Group, Ltd. v. Newport News, Inc., 999 F. Supp. 548, 551-52, 46 U.S.P.Q.2d (BNA) 1856, 1858-59 (S.D.N.Y. 1998) (identifying Dairy Queen as "the controlling authority," and holding that a claim for an accounting for defendant's profits is legal and must be tried to a jury); Alcan Int'l Ltd. v. S.A. Day Mfg. Co., 179 F.R.D. 398, 401, 48 U.S.P.Q.2d (BNA) 1151, 1153 (W.D.N.Y. 1998) (Dairy Queen is "controlling;" "a claim for an accounting of an infringer's profits is a legal claim to be decided by a jury");Ideal World Mktg., Inc. v Duracell, Inc., 997 F. Supp. 334, 339, 46 U.S.P.Q.2d (BNA) 1838, 1842 (E.D.N.Y. 1998) (concluding that an award of defendant's profits is a legal remedy triable by jury, and that "the Court's decision is consistent with the Supreme Court's decision in Dairy Queen"); Hunting World, Inc. v. Reboans, Inc., 33 U.S.P.Q.2d (BNA) 1780, 1782 (N.D. Cal. 1994) (claim for defendant's profits "rests on legal authority" and creates a right to a jury trial); Sam's Dep't Store, Inc. v. Wal-Mart Stores, Inc., Civil No. 93-455-JD, 1994 U.S. Dist. LEXIS 16273, at *10-11 (D.N.H. Oct. 31, 1994) ("In Dairy Queen, the Supreme Court construed a claim for an accounting as a claim for legal relief of money damages." The court then explained, "The Dairy Queen Court did not distinguish between an accounting for damages and an accounting for profits."); Grove Fresh Distr., Inc. v. New England Apple Prods., Inc., No. 89 C 1115, 1991 U.S. Dist. LEXIS 258, at *8-9 (N.D. Ill. Jan. 11, 1991) (under Dairy Queen, an accounting for defendant's profits "is a legal claim for damages" and must be tried to a jury); Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1654 (N.D. Ill. 1990) ("a claim for a trademark infringer's profits is more analogous to a suit for damages than one for restitution"); AMF Inc. v. National Boat Works, Inc., 192 U.S.P.Q. (BNA) 81, 83 (M.D.N.C. 1975) ("Dairy Queen appears to dictate a trial by jury in this [trademark] action" seeking "an accounting of [defendant's] profits").
This interpretation of Dairy Queen was not limited to trademark cases. In Kennedy v. Lakso Co., 414 F.2d 1249, 1253-54, 163 U.S.P.Q. (BNA) 136, 138-39 (3d Cir. 1969), the court provided the following explanation of the effect of Dairy Queen on a claim for profits in a patent case:
It follows that no distinction can be drawn which would justify recognition of the right to jury trial for 'damages' and its denial in a claim for 'profits' on the theory that 'damages' are recoverable in an action at law whereas 'profits' have their origin in equitable principles which hold the infringer a trust for the patent holder. For whether the patentee's recovery is based upon 'damages'--the loss to him, or upon 'profits'--the unjust enrichment of the infringer, the underlying issue remains essentially the same--infringement. It is similarly indecisive whether plaintiff affixes the label of 'accounting' to the remedy he seeks. For the plaintiff must always establish the amount which he is entitled to recover. While it is true that equity traditionally has had jurisdiction in actions for an accounting, it has always been recognized that there may be a suit for accounting at law and indeed the essential ingredient of equity's jurisdiction has been the complicated nature of the accounting. The claim for an accounting, therefore, does not, on its face, destroy the right to a jury trial now that it is recognized to exist in cases where the court itself may also fashion equitable relief.

71 See Stotle, supra note17, at 287-93.

72 McCullough v. Dairy Queen, Inc, 194 F. Supp. 686, 687, 129 U.S.P.Q. (BNA) 400, 401 (E.D. Pa. 1961).

73 Dairy Queen, 369 U.S. at 478, 133 U.S.P.Q. at 297 ("The necessary prerequisite to the right to maintain a suit for an equitable accounting, like all other equitable remedies").

74 Id. at 479, 133 U.S.P.Q. at 298. Recall, the Dairy Queen defendant was the petitioner to the Supreme Court, so a review of his

records could be read to support either my interpretation of the case or the leading interpretation. But, given the nature of the damages remedy plaintiffs sought (i.e., royalties based in part on defendant's sales), there was a need to review the defendant's books to fix the amount of damages.

75 Leading commentators also struggle with this part of the Dairy Queen decision. Wright & Miller explain at one point that an accounting for defendant's profits based on "an equitable duty to account" is an equitable remedy and, thus, does not create a right to a jury trial. 9 wright & Miller, supra note8, at §2310. The same authors, however, read Dairy Queen to cover both damages and profits claims in trademark and patent cases. Id. §2312 (in terms of the right to a jury trial, "no difference now is permissible between a claim for damages and a claim for profits"). J. Thomas McCarthy, a leading commentator on trademark law, provides a similarly confusing discussion of Dairy Queen. 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, §32:124 (4th ed. 1996) (release 16, Dec. 2000). At first, McCarthy seems to read Dairy Queen correctly: "The Supreme Court held that plaintiff's [sic] claim for an 'accounting' was in reality a claim for legal relief of money damages." Id. Professor McCarthy seems to back away from this interpretation, however, when he states "a claim for an accounting of defendant's profits is usually treated for jury trial purposes as the equivalent of a claim for legal damages." Id. Indeed, McCarthy goes on to conclude that in a trademark case involving a claim for damages and a claim for an accounting for defendant's profits, "there is a right to trial by jury as to any factual issues arising under the damage or profit claim." Id.

76 A few post-Dairy Queen trademark decisions have held that a claim for defendant's profits is equitable, though most courts reaching this conclusion distinguish Dairy Queen based on the contract claim present in that case. See infra note83 (collecting cases). In a rather confusing decision, one court concluded a profits award is equitable without distinguishing Dairy Queen. American Cyanamid Co. v. Sterling Drug, Inc., 649 F. Supp. 784 (D.N.J. 1986). According to the court, "The Supreme Court [in Dairy Queen] implicitly recognized [the accounting] claim as seeking either damages or unjust profits." Id. at 788. No further explanation of Dairy Queen is provided, but the court concluded the plaintiff's claim for defendant's profits was equitable and did not support a jury demand. The court seems to have reached the correct result, but it did so without correctly reading the Dairy Queen decision. At least one court has relied on American Cyanamid. See Castrol, Inc. v. Pennzoil Quaker State Co., 169 F. Supp. 2d 332, 344 (D.N.J. 2001).

One recent decisions and one leading trademark commentator seem to reach the correct conclusion concerning Dairy Queen. Minnesota Specialty Crops, Inc. v. Minnesota Wild Hockey Club, LP, Civil No. 00-2317, 2002 U.S. Dist. LEXIS 13991, at *29-31 (D. Minn. July 26, 2002); Jerome Gilson, 3 Gilson on Trademark Practice and Procedure §8.06 [1][e] (release 46, Dec. 2001) (Dairy Queen "held an accounting of damages for trademark infringement provided a right to trial by jury"). Gilson goes on to note the split in the courts concerning the holding in Dairy Queen, but offers no suggestion as to the correct resolution of the right to a jury trial in trademark cases. Id.

77 A word search of the entire Dairy Queen decision reveals no uses of the words profit or profits. Nor does the Court use the words disgorge, disgorgement, or restitution.

78 Dairy Queen, 369 U.S. at 476, 133 U.S.P.Q. at 297 ("The most natural construction of" the complaint includes a request for "damages for infringement of their trademark since [the termination of the franchise agreement]"); An alternative construction of the complaint includes a claim for "damages for trademark infringement for the entire period of the alleged breach...." Id.; "[A]s an action for damages based on a charge of trademark infringement, [the action] would be no less subject to cognizance by a court of law." Id. at 477, 133 U.S.P.Q. at 297.

79 Id. at 479, 133 U.S.P.Q. at 297.

80 Id. at 475.

81 Id. at 473-74, 133 U.S.P.Q. at 296.

82 Dairy Queen, 369 U.S. at 474, 133 U.S.P.Q. at 296.

83 The contract issue was important in Dairy Queen, as the Supreme Court noted. Some courts, however, went much farther and limited Dairy Queen to cases involving both trademark infringement and breach of contract claims. See, e.g., G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp., 888 F. Supp. 44, 46, 35 U.S.P.Q.2d (BNA) 1797, 1798 (S.D.N.Y. 1995) ("However,

as this court has noted previously, the Dairy Queen Court based its decision on the fact that the predominant claim was for breach of contract and not for equitable relief.") (internal citation omitted); Kimberly-Clark Corp. v. Kleenize Chem. Corp., 135 U.S.P.Q. (BNA) 123, 123 (N.D. Ga. 1962) ("the Dairy Queen case, it seems to the Court, is an action at law on contract with only incidental procedural relief against further trademark infringement"); Coca-Cola Co. v. Cahill, 330 F. Supp. 354, 355, 171 U.S.P.Q. (BNA) 480, 480-81 (W.D. Okla. 1971) (distinguishing Dairy Queen because "here, Plaintiff and Defendants had no contractual relationship"). This view of Dairy Queen is clearly incorrect, given the Supreme Court's comments about the legal nature of both the contract claim and the trademark claim. Dairy Queen, 369 U.S. at 477 (plaintiffs' "claim for a money judgment is a claim wholly legal in its nature however the complaint is construed"). Later courts recognized this point and rejected the distinction noted above. The explanation provided in Lee Pharm., 526 F.2d at 1116-17, 189 U.S.P.Q. at 194, is illustrative:
Respondents would distinguish Dairy Queen, which also dealt with trademark infringement, on the ground that plaintiff and defendant in that case had entered into a contractual agreement governing their respective rights to use of the disputed trade name. No such contract is present in this case. Justice Black's majority opinion indicates, however, that the right to a jury trial did not hinge upon the presence or absence of a contract: '[A]s an action for damages based upon a charge of trademark infringement, it would be no less subject to cognizance by a court of law.' 369 U.S. at 477. Moreover, Justice Harlan's concurring opinion, 369 U.S. at 480, which explicitly construed the plaintiff's complaint in Dairy Queen as seeking an accounting for alleged trademark infringement rather than contract damages, similarly concluded that defendant was entitled to the jury trial it had requested.
See also, Jerome Gilson, 3 Gilson on Trademark Practice and Procedure §8.06 [1] [e] (release 46, Dec. 2001) ("Some have said Dairy Queen was primarily an action to enforce a contract, and therefore does not apply to trademark infringement cases. That distinction is inaccurate.") (internal citations omitted).

84 Dairy Queen, 369 U.S. at 477 n.15, 133 U.S.P.Q. at 297 n.15 (citing Arnstein v. Porter, 154 F.2d 464, 68 U.S.P.Q. 288 (2d Cir. 1946); Bruckman v. Hollzer, 152 F.2d 730, 68 U.S.P.Q. 252 (9th Cir. 1946)).

85 Arnstein, 154 F.2d at 468, 68 U.S.P.Q. at 292.

86 Bruckman, 152 F.2d at 731, 68 U.S.P.Q. at 253.

87 Dairy Queen, 369 U.S. at 480, 133 U.S.P.Q. at 294, 298. Justice Harlan apparently was influenced by the arguments of plaintiffs' counsel. Id. (describing his reading as one "strongly pressed at the bar"). His reading, however, was almost certainly incorrect. Under the terms of the Franchise Agreement, the Dairy Queen trademark owners had to provide written notice to terminate the agreement. See supra note35. The agreement terminated 30 days after the notice. Plaintiffs sent a termination letter on August 26, 1960, so the agreement ended on September 25, 1960. There could be no trademark infringement until the agreement was terminated. The period of infringement was rather brief, as the district court issued a preliminary injunction on December 28, 1960. Moreover, the $60,000 allegedly due was a result of the defendant's underpayment of royalties under the Franchise Agreement. If plaintiffs sought recovery based only on the trademark infringement claim, they would have been foregoing recovery of the $60,000, a result clearly inconsistent with the complaint. These and other facts concerning the background of the Dairy Queen dispute are provided in PartThe Background of the Dairy Queen Case, infra.

88 Dairy Queen, 369 U.S. at 480, 133 U.S.P.Q. at 298 (Harlan, J., concurring.) . (in a footnote to the quoted text, Justice Harlan noted, "Except as to the damages claim there is no dispute but that the complaint seeks only equitable relief.").

89 Id.

90 Id. at 480-81, 133 U.S.P.Q. at 298. Harlan cited the Arnstein and Bruckman cases noted above, and an additional patent case. Hartell v. Tilghman, 99 U.S. 547, 555 (1878). In Hartell, the Supreme Court allowed a patent owner to bring an action at law based on a claim for royalties due under a patent license. Id.

91 Dairy Queen, 369 U.S. at 478, 133 U.S.P.Q. at 297.

92 Devlin, supra note41, at 1628-30; Patrick Devlin, Jury Trial of Complex Cases: English Practice at the Time of the Seventh Amendment, 80 Colum. L. Rev. 43, 58 (1980).

[93] See infra notes332-350, and accompanying text.

[94] See infra PartComplexity and the accounting.

[95] Holiday Inns of Am., Inc. v. Lussi, 42 F.R.D. 27, 30, 153 U.S.P.Q. (BNA) 158, 160 (N.D.N.Y. 1967).

[96] 523 U.S. 340, 46 U.S.P.Q.2d (BNA) 1161 (1998).

[97] Id. at 346, 46 U.S.P.Q.2d (BNA) at 1164.

[98] 526 U.S. 687 (1999) (Scalia, J., concurring).

[99] Id. at 730 ("In sum, it seems to me entirely clear that a §1983 cause of action for damages is a tort action for which jury trial would have been provided at common law. The right of jury trial is not eliminated, of course, by virtue of the fact that, under our modern unified system, the equitable relief of an injunction is also sought.") (citing Dairy Queen).

[100] 396 U.S. 531, 542-43 (1970). The citation to Dairy Queen in Ross is somewhat ambiguous. The Court explained that a corporation's claim for damages on a breach of contract or negligence claim would create a right to a jury trial. After concluding, "Under these circumstances, it is unnecessary to decide whether the corporation's other claims are also properly triable to a jury," Dairy Queen is cited. Id. This citation could be limited to the Dairy Queen general holding that any legal claim creates a right to a jury trial on the issue relevant to that claim, regardless of the existence of other equitable claims in the case. But it is also possible the Ross Court cited Dairy Queen as an example of a case involving a legal claim for damages and other claims for equitable relief. If the latter explanation is correct, the citation to Dairy Queen in Ross provides further support for the interpretation of Dairy Queen advanced above.

[101] 415 U.S. 189 (1974).

[102] Id. at 195.

[103] Id. at 197.

[104] 481 U.S. 412 (1987).

[105] Id. at 425-26.

[106] Id. at 424 (quoting Porter v. Warner Holding Co., 328 U.S. 395, 402 (1946)) (emphasis added).

[107] Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 352, 46 U.S.P.Q.2d (BNA) 1161, 1166 (1998) ("Columbia makes no attempt to draw an analogy between an action for statutory damages under §504(c) and any historical cause of action --including those actions for monetary relief that we have characterized as equitable, such as actions for disgorgement of improper profits.") (citing Chauffeurs, Teamsters and Helpers, Local No. 391 v. Terry, 494 U.S. 558, 570-71 (1990); Tull, 481 U.S. at 424) (first emphasis in original; second emphasis added); Terry, 494 U.S. at 570 (1990) ("[W]e have characterized damages as equitable where they are restitutionary, such as in 'action[s] for disgorgement of improper profits."') (quoting Tull, 481 U.S. at 424); see also Granfinanciera, S.A. v. Nordberg, 492 U.S. 33, 86 n.9 (1989) (White, J., dissenting) ("We have previously recognized that actions to disgorge improperly gained profits... are... equitable actions--even though the relief they seek is monetary--because they are restitutionary in nature.") (citing Tull, 481 U.S. at 424).

108 In a recent decision, the Court provided clarification of this point. Great-West Life & Annuity Ins. Co. v. Knudson, 534 U.S. 204, 212-15 (2002). As the Court explained, "not all relief falling under the rubric of restitution is available in equity. In the days of the divided bench, restitution was available in certain cases at law, and in certain others in equity." Id. at 212. The Court went on to provide some explanation of how to determine whether a particular restitution claim was legal or equitable, but the Court expressly excluded the remedy of "an accounting for profits" from its analysis. Id. at 214 n.2 (describing the profits remedy as "a limited exception" to the general rules set forth in the decision). In any event, the Court was candidly correct when it acknowledged "our cases have not previously drawn this fine a distinction between restitution at law and restitution in equity..."). Id. at 214. For a general discussion of the dual legal/equitable nature of restitution, see generally Dobbs, supra note8, at §§4.2-4.3; Doug Rendleman, Common Law Restitution in the Mississippi Tobacco Settlement: Did the Smoke Get in Their Eyes?, 33 Ga. L. Rev. 847, 893-96 (1999); see also infra PartRestitution - The Remedy that "Straddles" the Divide.

109 328 U.S. 395 (1946).

110 Id. at 402 (internal citations omitted); see also Mertens v. Hewitt Associates, 508 U.S. 248, 255 (1993) ("[Petitioners] do not, however, seek a remedy traditionally viewed as "equitable," such as injunction or restitution.").

111 The cited cases date from 1946 to 2002, and the comments concerning the equitable nature of the disgorgement remedy appear to reflect the views of all the justices involved in the consideration of these cases. A search of all Supreme Court decisions revealed no comments inconsistent with the citations provided above.

112 The Court itself noted the risk in placing too much weight on dicta in its recent decision in Great-West Life & Annuity Ins. Co. v. Knudson, 534 U.S. 204 (2002). Petitioners argued that restitution is "a form of equitable relief." Id. at 212. This argument was supported by citations to prior decisions by the Court with statements similar to the excerpt from Porter provided above. See supra note110. In rejecting petitioner's argument, the Court noted the difference between the broad statements relied upon by petitioner and the more narrow issues actually decided in the Court's earlier decisions. Great-West, 534 U.S. at 214-15.

113 U.S. Const. amend. VII.

114 Parsons v. Bedford, Breedlove & Robeson, 28 U.S. (3 Pet.) 433, 446 (1830).

115 Id.; see also Atlas Roofing Co. v. Occupational Safety & Health Review Comm'n, 430 U.S. 442, 449 (1977) ("The phrase 'Suits at common law' has been construed to refer to cases tried prior to the adoption of the Seventh Amendment in courts of law in which jury trial was customary as distinguished from courts of equity... in which jury trial was not.") (quoting Parsons, 28 U.S. (3 Pet.) 433).

116 Parsons, 28 U.S. (3 Pet.). at 446-47; Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 348-49, 46 U.S.P.Q.2d (BNA) 1161, 1165 (1998) ("copyright suits for monetary damages were tried in courts of law, and thus before juries."); Pernell v. Southall Realty, 416 U.S. 363, 381 (1974); James, supra note45, at 655.

117 Parklane Hosiery Co. v. Shore, 439 U.S. 322, 333 (1979) (explaining that the Seventh Amendment inquiry focuses on the practice in 1791, the year the Amendment was ratified); Dimick v. Schiedt, 293 U.S. 474, 496 (1935); Charles W. Wolfram, The Constitutional History of the Seventh Amendment, 57 Minn. L. Rev. 639, 642 & n.8 (1973); Edith Guild Henderson, The Background of the Seventh Amendment, 80 Harv. L. Rev. 289, 294 (1966).

118 Parsons, 28 U.S. (3 Pet.). at 447. The "common law" identified in the Seventh Amendment was the English common law, "the grand reservoir of all of our jurisprudence," as Justice Story explained in an earlier circuit court decision. United States v. Wonson, 28 F. Cas. 745, 750 (C.C.D. Mass. 1812) Tilp 184 (No. 16, 750) (Story, J.); see also Baltimore & Carolina Line, Inc. v. Redman, 295 U.S. 654, 657 (1935) ("The right of trial by jury thus preserved is the right which existed under the English common law when the [Seventh] Amendment was adopted.").

119 James, supra note45, at 658; see also 9 wright & Miller, supra note8, at §2302 ("the dividing line between law and equity was vague in 1791").

120 James, supra note45, at 658; see also Devlin, supra note41, at 1572 ("equity created the greater part of its jurisdiction by abstractions from the common law. Suitors at common law who found its processes inequitable petitioned the chancellor to intervene."); 1 J. Pomeroy, A Treatise on Equity Jurisprudence §108 at 139, §127 at 169, §139 at 191-92 (5th ed. 1941); 4 J. Pomeroy, A Treatise on Equity Jurisprudence §1420 at 1076; G. Keeton, An Introduction to Equity 20 (5th ed. 1961).

121 James, supra note45, at 659.

122 I use "concurrent jurisdiction" in a somewhat narrow sense. The jurisdiction of the common law and equity courts overlapped in several ways, including some actions that had purely equitable aspects and purely legal aspects. Consider, for example, a plaintiff with a breach of contract claim premised upon a desired reformation of the underlying contract. The reformation issue was purely equitable, so the plaintiff had to first ask the chancellor to intervene and reform the instrument. If successful in that action, the plaintiff then could bring a common law breach of contract claim based on the reformed contract. This too could be viewed as an example of concurrent jurisdiction, because the law and equity courts each played a role in the resolution of the dispute. Id. at 670-71 (also noting that in some actions, the common law court had to make an initial ruling before an equitable claim could proceed).
I do not include such proceedings within my definition of "concurrent jurisdiction" actions. By "concurrent jurisdiction," I refer to substantive claims that could be tried entirely (i.e., the entire substance of the claim) in either the law courts or the equity courts. The procedures used and the remedies provided were different, but the two court systems exercised concurrent jurisdiction over the substantive claims.

123 The common law courts awarded damages. See, e.g., Mertens v. Hewitt Associates, 508 U.S. 248, 255 (1993) ("Money damages are, of course, the classic form of legal relief.") (emphasis in original); Curtis v. Loether, 415 U.S. 189, 196 (1974) ("the relief sought here--actual and punitive damages--is the traditional form of relief offered in the courts of law"); Devlin, supra note41, at 1573 ("an award of damages [was] the only remedy known to the common law...."). Devlin's statement is a bit overbroad, as the common law courts did provide restitutionary awards, particularly in cases involving real and personal property. See Dobbs, supra note8, at §4.2(2) (describing the common law actions of ejectment, replevin, and detinue). The primary remedy in equity was the in personam order, often in the form of an injunction. Devlin, supra note41, at 1573; C.C. Langdell, A Brief Survey of Equity Jurisdiction (PartII), 1 Harv. L. Rev. 111, 116-18 (1887).

124 Devlin, supra note41, at 1573.

125 Id.

126 Id.

127 James, supra note45, at 658-59.

128 Chauffeurs, Teamsters and Helpers, Local No. 391 v. Terry, 494 U.S. 558, 565 (1990) (quoting Tull v. United States, 481 U.S. 412, 417-18 (1987)).

129 See infra PartThe Historical Development of the Defendant's Profits Remedy in Trademark Actions.

130 See, e.g., Dobbs, supra note8, at §2.2 (describing the development of the equity courts in England); Langdell, supra note123, at 116-18.

131 Langdell, supra note123, at 116-17.

[132] Id.

[133] Id.; see also Dobbs, supra note8, at §2.2, at 74 (a "judgment at law, which declared rights in things --in rem").

[134] Dobbs, supra note8, at §2.2, at 73; Langdell, supra note123, at 117-18.

[135] Langdell, supra note123, at 118.

[136] Id.

[137] Id.

[138] Id.

[139] Id. Dobbs takes essentially the same view of equity, though he emphasizes the chancellors' efforts to do justice without altering the law of the land, or at least without explicitly altering the law. The following explanation is illustrative:
The answer of the chancellors [to those who questioned their legal role] was that they were not speaking law at all; far be it from them to change the law of England. No; the chancellors were keeping the law intact and making personal orders to the defendant.... The idea was that equity's pronouncements in an individual case did not make law; hence, the common law rule retained its generality and authority as "law." Equity's decree simply commanded an individual to act in some certain way. When he acted in that way, of course, he might have changed his legal status or his legal rights, but that would be by operation of "law." Equity did not therefore, change law, it changed the acts of persons. The law could ascribe whatever significance it liked to these acts.
Dobbs, supra note8, at §2.2, at 72-73; see also Sherman Steele, The Origin and Nature of Equity Jurisprudence, 6 Am. L. Sch. Rev. 10, 11-12 (1926).

[140] Dobbs, supra note8, at §4.2(2) (discussing legal actions for the recovery of titled property).

[141] Id. §4.2(2), at 573 ("If the defendant has secured title to the land by fraud, say, the plaintiff might have help from the chancellor, by way of a constructive trust and the chancellor's in personam order to the defendant to convey. But he had no right to ejectment at law.")

[142] "A constructive trust is the formula through which the conscience of equity finds expression. When property has been acquired in such circumstances that the holder of the legal title may not in good conscience retain the beneficial interest equity converts him into a trustee." Beatty v. Guggenheim Exploration Co., 122 N.E. 378, 380 (N.Y. Ct. App. 1919).

[143] Dobbs, supra note8, at §4.3(2), at 590-91; 1 James M. Fischer, Understanding Remedies, §57[d] (1999).

[144] See infra notes332-350 and accompanying text.

[145] See infra notes381-390 and accompanying text.

[146] Paul, supra note10, at §324; Joseph Story, Commentaries on Equity Jurisdiction as Administered in England and America, §1262 n.3 (14th ed. 1918) (discussing defendant's profits award in patent cases).

147 The proposed analysis is both historical and functional. It is historical because in defining remedies as traditionally legal or equitable, one must, of course, consider the traditions of the pre-merger courts. But unless a perfect match is found between the modern remedy and the traditional remedy, a functional comparison is needed. The Supreme Court's modern Seventh Amendment decisions illustrate precisely this kind of analysis.

In Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 46 U.S.P.Q.2d (BNA) 1161 (1998), the Court found a claim for statutory damages under the Copyright Act to be a legal remedy. This holding was based largely on the fact that the statutory damages remedy, or something quite like it, was available in copyright actions prior to the ratification of the Seventh Amendment in 1791. Id. at 348-52, 46 U.S.P.Q.2d at 1165-66. Because actions seeking such damages were tried in the law courts of the late eighteenth century, the Supreme Court held the modern claim was also legal. Id., 46 U.S.P.Q.2d at 1166-67. Thus, where the modern remedy has a direct historical antecedent, and where there have been no material changes in the nature of the remedy, the historical treatment of the antecedent controls the Seventh Amendment analysis. Id. at 348, 46 U.S.P.Q.2d at 1165 ("Unlike many of our recent Seventh Amendment cases, which have involved modern statutory rights unknown to eighteenth century England, in this case there are close analogies to actions seeking statutory damages under §504(c).") (internal citations omitted); see also Pernell v. Southall Realty, 416 U.S. 363, 373-74 (1974) ("Had Southall Realty leased a home in London in 1791 instead of one in the District of Columbia in 1971, it no doubt would have used ejectment to seek to remove its allegedly defaulting tenant.").

Where, on the other hand, the modern action lacks a direct historical antecedent, the Court has combined the historical and functional approaches described above. Tull v. United States, 481 U.S. 412 (1987), provides a good example. In Tull, the Court considered whether a civil action brought by the government to enforce penalties under the Clean Water Act was a legal or equitable action. Id. In reviewing the potentially analogous actions and remedies proposed by the parties, the Tull Court considered the historical nature of these proceedings and compared them to the modern statutory action. Id. at 418-24. When it turned to the remedy, the Tull Court's analysis was largely functional. "A civil penalty was the type of remedy at common law that could only be enforced in courts of law. Remedies intended to punish culpable individuals, as opposed to those intended simply to extract compensation or restore the status quo, were issued in courts of law, not courts of equity." Id. at 422; see also Chauffeurs, Teamsters and Helpers, Local No. 391 v. Terry, 494 U.S. 558, 570-71 (1990) (characterizing a claim for backpay and benefits as a claim for compensatory damages).

148 Reich v. Cont'l Cas. Co., 33 F.3d 754, 756 (7th Cir. 1994) (Posner, J.) ("restitution straddles this divide" between law and equity).

149 Dobbs, supra note8, at §4.1(1), at 551. A general treatment of restitution is well beyond the scope of this article. Restitution is a complex and controversial topic, with leading works unable to agree on a definition of restitution. See, e.g., Andrew Kull, Rationalizing Restitution, 83 Calif. L. Rev. 1191, 1191 (1995) ("Significant uncertainty shrouds the modern law of restitution. Few American lawyers, judges, or law professors are familiar with even the standard propositions of the doctrine, and the few who are continue to disagree about elementary issues of definition."); Douglas Laycock, The Scope and Significance of Restitution, 67 Tex. L. Rev. 1277, 1277-78 (1989) (noting the need for an overview of restitution theory and the existence of disagreement in leading works on the subject). Given the disagreement concerning the definition of restitution, the challenge of classifying particular types of restitution as legal or equitable is a daunting task indeed.

150 The key development in the "law of restitution" was the publication of the Restatement of Restitution (1937). According to Laycock, the first Restatement "created the field." Laycock, supra note149, at 1278; see also Dobbs, supra note8, at §§4.1(3), 4.2(1), 4.3(1).

151 Dobbs, supra note8, at §4.1(3); Great-West Life & Annuity Ins. Co. v. Knudson, 534 U.S. 204, 212 (2002) ("restitution was available in certain cases at law and in certain others in equity").

152 Dobbs, supra note8, at §4.1(1), at 551-52. This characteristic of restitution distinguishes the remedy from damages, where the focus is on the plaintiff's loss. Id. at 555 ("Restitution measures the remedy by the defendant's gain and seeks to force disgorgement of that gain. It differs in its goal or principle from damages, which measures the remedy by the plaintiff's loss and seeks to provide compensation for that loss.").

153 See infra notes332-350, and accompanying text.

154 See infra notes206-212, and accompanying text.

155 See infra notes224-229, and accompanying text.

[156] Great-West Life & Annuity Ins. Co. v. Knudson, 534 U.S. 204, 214 n.2 (2002) (characterizing the accounting for profits as an equitable remedy); Dobbs, supra note8, at §2.6(3), at 158 ("The remedy known as accounting or accounting for profits is usually regarded as equitable, but it can ultimately resemble a money judgment."). Dobbs later concludes, however, that Dairy Queen seems to require a jury trial of claims for an accounting for profits. Dobbs, supra note8, at §2.6(3), at 159; id., at §4.3(5), at 614.

[157] See supra notes103-110 and accompanying text.

[158] Dobbs, supra note8, at §4.1(1), at 556.

[159] Professor Dobbs is equivocal as to the nature of the accounting for profits remedy. Though he notes that the remedy is "usually regarded as equitable," see id. §2.6(3), at 158, he goes on to note the seemingly "legal" character of the money judgments that result from successful profits claims. "There is nothing especially equitable about the fact that the plaintiff recovers the defendant's profits or gains; quasi-contract claims permit recovery of such gains, and quasi-contract claims are indisputably claims 'at 'law.' So if the ultimate award in the accounting is merely a non-coercive money judgment, the accounting claim might be thought to require a jury trial." Id.

[160] Id. §2.6(1), at 151.

[161] 534 U.S. 204, 212-16 (2002).

[162] Id. at 207-08.

[163] Id. at 209-10. Great-West was not a jury trial case. The legal/equitable question arose in Great-West because the statute at issue authorized the federal courts to issue "other appropriate equitable relief." Id. at 209. The Great-West Court sharply divided (5-4) on both the outcome and the questions presented. In the dissenters' view, there was little need to focus on "the ancient classifications" of law and equity. Id. at 229 (Ginsburg, J., dissenting). The dissent focused instead on Congressional intent and concluded that Congress intended to include the plaintiffs' claim within the scope of the statutory scheme at issue. Id. at 224 ("The rarified rules underlying this rigid and time-bound conception of the term 'equity' were hardly at the fingertips of those who enacted §502(a)(3).").

[164] Id. at 214 ("[T]he basis for petitioners' claim is not that respondents hold particular funds that, in good conscience, belong to petitioners, but that petitioners are contractually entitled to some funds for benefits that they conferred.") (emphasis in original).

[165] Id. at 213-14. The liability discussed in Great-West was personal in the sense that a common law court would issue a ruling explaining the legal duty of one person with respect to another. For example, a common law court might issue a ruling stating, "Joe Smith owes a legal debt of £100 to Sam Jones." The defendant was liable under such a judgment, but the common law court did not order the defendant to pay the money to the plaintiff. The Sheriff had to enforce the common law court's ruling. See supra notes131-133 and accompanying text.

[166] Great-West, 534 U.S. at 213 ("Such claims were viewed essentially as actions at law for breach of contract (whether the contract was actual or implied).").

[167] Id at 213-214.

[168] Id at 213.

[169] Dobbs, supra note8, at §4.2(3), at 580.

[170] Id. at 582.

[171] Id. ("The count includes money paid by a third person, so long as the money in good conscience belongs to the plaintiff.").

[172] Id. §4.2(2) at 572.

[173] "The concept of liability with which specific restitution is in fact consistently associated is not unjust enrichment; it is the idea that the law awards ownership to the claimant with superior title." Kull, supra note149, at 1218.

[174] Dobbs, supra note8, at §4.2(2) (describing the old actions of ejectment, replevin, and detinue); Christopher T. Wonnell, Replacing the Unitary Principle of Unjust Enrichment, 45 Emory L.J. 153, 156 (1996) (identifying replevin and trover as examples of restitutionary remedies available at law); Dale A. Oesterle, Deficiencies of the Restitutionary Right To Trace Misappropriated Property in Equity and in UCC §9-306, 68 Cornell L. Rev. 172, 176 n.9 (1983) (noting that while "many writers exclude common law actions of trover, trespass to chattels, trespass for mesne profits, detinue, replevin, and ejectment, see, e.g., Restatement Of Restitution Introductory Note to ch. 7 (1936), these actions may provide a form of relief very similar to the more traditional restitutionary doctrines").

[175] Kull, supra note149, at 1216-18 (explaining specific restitution and the tracing rules used by the law courts to identify recoverable property in a defendant's possession); Laycock, supra note149, at 1290-93 (discussing specific restitution).

[176] It seems clear such recovery was allowed in some cases. See, e.g., Dobbs, supra note8, at §5.8(2), at 790-92 (discussing recovery of defendant's profits resulting from improper possession or use of plaintiff's property).

[177] Id. §4.2(2), at 574 (noting that the right to recovery in replevin, detinue, and ejectment actions "turned on property concepts"); Kull, supra note149, at 1218.

[178] Kull, supra note149, at 1209-10 (arguing that the contract cases do not involve restitution because the cases do not measure liability or recovery by the defendant's unjust enrichment; the contract forms the basis for both).

[179] See supra note141.

[180] See supra note142.

[181] See supra note143.

[182] See Dobbs, supra note8, §4.3(2), at 589 ("When equity imposes a constructive trust upon an asset of the defendant, the plaintiff ultimately gets formal legal title.").

[183] Id. at 589-90.

[184] See infra notes309-319 and accompanying text.

[185] See, e.g., Kull, supra note149, at 1193 ("the victim of a tort or other wrong may be able to recover an amount in excess of his

injury: as when a trademark or copyright owner, having suffered no damage, recovers some or all of an infringer's profits"); infra notes332-350 and accompanying text (discussing recovery of defendant's profits in trademark cases).

186 In a contract case, the defendant's gains, or some portion of them, may have been owed to plaintiff under the contract. A patent or trademark license requiring payment of royalties is a good example. In the property cases, a party who wrongly occupied land and obtained rents was legally required to restore the monies to the property owner. Thus, in both types of cases, the restitutionary awards were supported by the legal rights involved.

187 The word compensation is hardly a term of art in the law. It can be used to identify a form of legal damages, where certain requirements are imposed. But compensation also has a broader (or perhaps looser) meaning. When a claimant is injured, but cannot quantify the injury, we may be willing to provide some monetary relief in order to "compensate" the injured party, though we cannot say with any certainty whether the particular remedy is an accurate measure of the party's monetary injury. In this sense, it is fair to characterize even the restitutionary remedies provided in the contract and property cases as compensation.

188 Kull, supra note149, at 1192-93 (noting that courts have awarded restitution in situations where only unjust enrichment will support the award); Laycock, supra note149, at 1284-85.

189 Porter v. Warner Holding Co., 328 U.S. 395, 402 (1946).

190 574 F.2d 90 (2d Cir. 1978) (Friendly, J.).

191 Id. at 95-96.

192 Id. at 95; see also SEC v. Rind, 991 F.2d 1486, 1493 (9th Cir. 1993) ("We agree with the Second Circuit that a defendant is not entitled to a jury trial where the Commission sues for disgorgement of illicit profits.").

193 First Nat'l Bank v. Warren, 796 F.2d 999, 1000 (7th Cir. 1986) (Easterbrook, J.); see also United States v. Philip Morris, Inc., Civ. No. 99-2496, 2002 U.S. Dist. LEXIS 11980, at *18 n.8 (July 1, 2002).

194 See infra notes394-395 and accompanying text.

195 Dobbs, supra note8, at §2.6(1) at 151.

196 Id.at §4.3(2), at 591.

197 Id.at §§4.3(3)-4.3(4).

198 Great-West, 534 U.S. at 214.

199 Id. at n.2.

200 Id. (citing Dobbs, supra note8, at §4.3(1), at 588; id., §4.3(5), at 608).

201 Dobbs, supra note8, at §4.3(5), at 613.

[202] Id. §4.3(5), at 614 (internal citations omitted). Dobbs cites American Cyanamid Co. v. Sterling Drug, Inc., 649 F. Supp. 784 (D.N.J. 1986), as support for the contrary view of Dairy Queen. No other cases are cited.

[203] At least outside the context of trademark actions, where the majority of courts seem to view the accounting for profits remedy as a legal form of relief. See supra note70.

[204] See, e.g., Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1654 (N.D. Ill. 1990).

[205] Story, supra note146, §581 (noting that the account was one of the oldest common law actions); 2 Sir William Holdsworth, at 367 (2d ed. 1937) ("The action of account dates from the early years of the thirteenth century....); 2 Sir Frederick Pollock and Frederic William Maitland, The History of English Law 221 (2d ed. 1898) ("The earliest instance of this action known to us dates from 1232."); S.J. Stoljar, The Transformations of Account, 80 Law Q. Rev. 203, 203 (1964) ("One of the oldest common law actions, instances of account appear as early as 1200.") (citation omitted); Edmund O. Belsheim, The Old Action of Account, 45 Harv. L. Rev. 466, 467 (1932) ("Ancientry of origin is conceded to the action of account."); C.C. Langdell, A Brief Survey of Equity Jurisdiction (PartIV), 2 Harv. L. Rev. 241, 251 (1889) ("the obligation to account has existed and been recognized from early times....").

[206] Stoljar, supra note205, at 204 (original scope of the common law account was limited to "manorial bailiffs failing to account for money received or collected in the management of their lords' landed interests."); Belsheim, supra note205, at 468.

[207] Belsheim, supra note205, at 468. The latter point--that bailiffs were allowed deductions for expenses incurred--was important. The common law action for account, therefore, recognized both a duty (i.e., to account) and a right (i.e., to a fair accounting) of the bailiff. William Minor Lile, Bills for Account, 8 Va. L. Rev. 181, 189 (1922). Though the common law recognized the bailiff's right to reasonable deductions, the law courts would not enter a decree in the bailiff's favor if the accounting showed his expenses exceeded the money received. Langdell, supra note205, at 253. When such a result occurred, the bailiff had to bring an action for debt to recover the balance due him. Id.

[208] Belsheim, supra note205, at 469.

[209] Belsheim provides the following explanation of the need for the account:

[I]f the manor of Dale were granted by its lord to John Doe as bailiff to receive the rents, there would arise on John Doe's part the duty to account. In case of refusal to perform this duty, the proper remedy, and for some time after the opening of the thirteenth century the only remedy, was the action of account. Debt could not be brought; for, apart from the contractual aspect of this action, it lay only where the amount due was liquidated. This fundamental rule could never be satisfied in the instance of bailiffs for, as they were allowed expenses and fair losses, it was solely by an accounting first that the neat sum of money could be ascertained. Likewise, detinue, sister to debt, was unavailable because it was confined to the recovery of specific chattels. The bailiff's obligation to account for the rents did not entitle the lord of the manor to seek and recover in specie the vegetables, for example, as the specific content of those rents. Covenant, of course, was limited to actions upon agreements evidence by sealed writings; and unless this requirement was met, no relief could be forthcoming. Equally out of the question were the actions of trespass de bonis asportatis and replevin: the former only lay where the taking was from the possession of the plaintiff, while the latter was originally and essentially confined to cases of taking by wrongful distress. Thus, the bailiff who was commissioned to receive the rents was left subject merely to the obligation to account.

Id. at 469-70.

[210] This duty had to arise by operation of law, not from contract. Langdell, supra note205, at 253; Lile, supra note207, at 189 ("A contractual duty to account will sustain an action for damages, but not a bill for account."). Where the duty arose from contract, either actual or implied, the obligation was enforced by an action for assumpsit, not an accounting. Langdell, supra note205, at 253; Dobbs, supra note8, at §4.2(3).

[211] Langdell, supra note205, at 245 ("ownership by the plaintiff must concur with possession by the defendant."); Lile, supra note207, at 191-93.

212 See, e.g., Lile, supra note207, at 193.

213 Professor Langdell described the rule in this way. “First, the person upon whom such an obligation is sought to be imposed (and whom we shall call the defendant) must have received property of some kind not belonging to himself; for otherwise he will have nothing to account for or to render an account of.” Langdell, supra note205, at 243-44. The same facts apparently would have supported a claim for money had and received, though this common law action developed much later than the old action for account. Dobbs, supra note8, at §4.2(3), at 582 (describing the count for money had and received); id., at §4.3(5), at 608 (noting that the common law action for account was recognized before the common law began to enforce contracts).

214 Langdell, supra note205, at 244; see also Story, supra note146, at §584 (stating the common law account “was strictly confined to bailiffs, receivers, and guardians in socage”); 2 Holdsworth, supra note205, at 367; Lile, supra note207, at 190-95; Belsheim, supra note205, at 476 (noting that the common law account also was allowed between merchants in situations where the plaintiff merchant could charge the defendant merchant as a receiver).

Langdell’s reference to “guardians” may have been shorthand for guardians in socage. It is clear the common law account was available against a guardian in socage from at least 1267, when the Statute of Marlborough was enacted. This early legislation included a provision making the common law account available against guardians in socage, to protect the interests of the guardian’s ward. Belsheim, supra note205, at 476-77.

The guardianship in socage occurred when a tenant died without an heir of legal age. The minor heirs became the wards of the guardian. The guardianship was “in socage” if the tenancy was other than for knight service, in which case, the guardianship was “in chivalry” and an account would not lie. The Statute of Marlborough protected the heir by making it clear the guardian in socage held the land for the heir. The Statute prohibited guardians in socage from making waste, selling the property, or destroying the property and gave the heir an action for account against the guardian when the heir “cometh to his lawful age.” Id. (citing 52 Hen. III, c.17 (1267)).

215 Lile, supra note207, at 190 n.14.

216 Langdell, supra note205, at 248; Belsheim, supra note205, at 491.

217 Belsheim, supra note205, at 492; see also id. at 481 (“in the event that a stranger enter and without more ado receive, say, the rents from the tenants, who paid them over in the belief that they were fulfilling an obligation to their lord, the common law eventually stepped in and gave the remedy of account.”); Stoljar, supra note205, at 208; Langdell, supra note205, at 248-49.

218 Langdell, supra note205, at 249.

219 Id.

220 Belsheim, supra note205, at 492-93.

221 Story, supra note146, §585 (footnote omitted); see also J. B. Ames, Lectures on Legal History 120 (1913) (“An action of account could never lie against a tortfeasor, with the exception that the King could have such an action.”); Stoljar, supra note205, at 209 (the common law actions of tort and account did not overlap).

222 See supra note217.

223 Langdell provides the following example and explanation:

So if A collect a debt due to me, it has been held that I may elect whether I will compel the debtor to pay the debt to me, notwithstanding that he has paid it to A, or whether I will adopt the act of A, and compel him to account to me for the money collected; for, though A has received the money, yet he has not done any wrong to me, as it is not my money until it is paid to me; and when no wrong is done to me, I may make a privity by my consent.

Langdell, supra note205, at 249.

[224] Belsheim, supra note205, at 492-93.

[225] The count for money had and received covered this same scenario, though this action developed much after the common law account. Perhaps the extension of the count for money had and received to cover payments by third parties was not much of an extension, given the prior use of the old action for account to cover at least a subset of the fact patterns encompassed by the count for money had and received.

[226] See supra note214.

[227] Stoljar, supra note205, at 214; Langdell, supra note205, at 251.

[228] Langdell, supra note205, at 251-52 (describing the required showing at this stage of the common law account).

[229] Id. at 252.

[230] Id. at 252-53; Stoljar, supra note205, at 214.

[231] Devlin, supra note41, at 1624 (quoting 2 The works of James Wilson 492 (1967). Stoljar describes the procedure in this way.
If at any stage before the auditors some legal question arose (and there could arise many such questions in respect of a disputed tally or acquittance, or in respect of some private undertaking alleged to discharge D in part or whole), that question had to be referred back to the court. It is just this need for referring a case from auditors to court, from court to auditors, that turned account into a "tedious and troublesome action."
Stoljar, supra note205, at 214-15 (quoting Wilkins v. Wilkins, (1689) Comb. 149) (other citation omitted)).

[232] Langdell, supra note123, at 116.

[233] Langdell, supra note205, at 251 (the common law account was supposed to "compel[] the defendant to account with the plaintiff;" "this is a kind of relief for which the machinery and the methods of the common-law courts are very ill fitted").

[234] Though the old action for account was not recognized based on a contractual obligation. See supra note210.

[235] Dairy Queen, 369 U.S. 469, 479, 133 U.S.P.Q. 294, 298 (1962) ("The legal remedy cannot be characterized as inadequate merely because the measure of damages may necessitate a look into petitioner's business records.").

[236] 5 William Holdsworth, A History of English Law 288 (2d ed. 1937); see also Langdell, supra note205, at 242-43.

[237] Devlin, supra note41, at 1593.

[238] 3 William Holdsworth, A History of English Law 426-27 (2d ed. 1937) ("In the end [the common law account] was superseded by the more convenient remedies which the superior machinery of the court of Chancery was able to offer.").

[239] The continuing jurisdiction of the common law courts in matters of account was likely more theory than reality when the Seventh Amendment was ratified in 1791. Lord Chancellor Hardwicke noted in a 1751 equitable accounting that common law accounts were uncommon. Ex parte Bax, 2 Vew. Sen. 387, 28 Eng. Rep. 248 (1751). Langdell, writing in 1888, believed the common law

account "either abrogated or wholly obsolete." Langdell, supra note205, at 258.

240 Langdell, supra note205, at 244 ("If such be the rule at common law, of course the rule in equity must be the same in substance; for it is the common law that creates the obligation, the enforcement of it being alone the function of equity."). Langdell's point must be viewed in the context in which it was made, that is, as part of his description of the equitable bill for account. Equity exercised substantive jurisdiction over certain claims that were not recognized by the common law, and equity awarded accountings to plaintiffs who prevailed on such claims. Langdell seemed to distinguish between the equitable bill for account, the action discussed in the accompanying text, and other equitable accountings. Id.

241 Id. at 244.

242 Id. at 258 (In a true bill for account, "[t]he question whether the defendant is bound to account is, of course, heard by a judge, instead of being tried by a jury.").

243 Langdell believed it was still possible for either party to obtain a special jury trial on disputed factual issues relating to the alleged duty to account. Id. This view was consistent with Langdell's description of the true bill for account as the equitable counterpart of the common law action for account, but it is likely equity would have limited the use of such juries. Absent any such limitation, the procedure in equity would come to resemble that at law, with the only difference being that actions would go from chancellor to jury and from jury to chancellor.

244 Stoljar, supra note205, at 221.

245 Story, supra note146, §1262 n.3.

246 Langdell, supra note123, at 117.

247 Id. ("If, however, the property be movable, and the defendant remove or conceal it so that the sheriff cannot find it, the [common law] court is powerless.").

248 Stoljar notes that under early statutes, bailiffs could be imprisoned by the sheriff for a failure to appear and account. Stoljar, supra note205, at 205. The same statutes authorized the attachment of a bailiff's property to satisfy a decree resulting from a common law accounting. Id. These provisions were limited to bailiffs, probably to manorial bailiffs. Id.

249 See supra notes237, 238.

250 Langdell, supra note205, at 243 ("the fact has not been recognized that such bills are true bills for an account only when they are founded upon a legal obligation to render an account, and that in all other cases they rest upon some other principle in point of jurisdiction.").

251 Id. (criticizing the "wide, indeterminate, and vague sense in which the term 'account' has always been used in equity.").

252 Id.

253 Devlin, supra note41, at 1573-74; Lile, supra note207, at 184.

254 Lile, supra note207, at 187-88.

255 See cases cited supra notes366, 389 and accompanying text.

256 Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 259 (1916); see also Root v. Railway Co., 105 U.S. 189, 194 (1881) (accounting claim, standing alone, was insufficient to support equity jurisdiction in a patent case).

257 Devlin, supra note41, at 1624.

258 Paul, supra note10, §324.

259 Devlin, supra note41, at 1624; Lile, supra note207, at 183.

260 Lile, supra note207, at 183.

261 Id.

262 Id.

263 See supra note236.

264 See supra notes237-239.

265 Lile, supra note207, at 192 (explaining that "no such complexity need exist" for equity jurisdiction in true bills for account); 5 Holdsworth, supra note236, at 288 ("by the end of the fifteenth century, the mere fact that the case involved the taking of accounts was sufficient ground for interposition of the chancellor"); Langdell, supra note205, at 242-43.

266 See infra notes351-352 and accompanying text.

267 Id.

268 Dairy Queen, Inc. v. Wood, 369 U.S. 469, 478, 133 U.S.P.Q. (BNA) 294, 297 (1962) (quoting from Kirby v. Lake Shore & Mich. S.R. Co., 120 U.S. 130, 1887 (1887)).

269 Devlin, supra note41, at 1629-30.

270 Kirby v. Lake Shore & Mich. S. R.R. Co., 120 U.S. 130 (1887).

271 Id. at 131.

272 Id. at 131-32.

273 Id. at 132

274 Id. at 132-33.

275 Id. at 134-35.

276 Kirby, 120 U.S. at 134-35.

277 Id. at 135.

278 Id. at 134. The plaintiff won the battle (i.e., it persuaded the Supreme Court the claim was equitable), but lost the war. New York had a six year statute of limitations period for fraud claims, but plaintiff delayed almost seven years from his discovery of the fraud before filing suit. The Supreme Court held that the period from commission of the alleged fraud until the discovery of the fraud was excused, but that the suit should have been filed within six years. Id. at 139-40.

279 See supra notes240-241.

280 See Devlin, supra note41, at 1628-30; Lile, supra note207, at 185-86.

281 The Federal Trademark Act expressly identifies these remedies. 15 U.S.C. §1116 (1999); id. §1117(a)(1) (1999); Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 368-69, 53 U.S.P.Q.2d (BNA) 1573, 1579-80 (5th Cir. 2000) (reviewing remedies available under the Act); Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 752-53, 38 U.S.P.Q.2d (BNA) 1369, 1371-72 (2d Cir. 1996) (same); Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247, 33 U.S.P.Q.2d (BNA) 1140, 1144 (8th Cir. 1994); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537, 23 U.S.P.Q.2d (BNA) 1351, 1355-56 (2d Cir. 1992); William G. Barber, Recovery of Profits Under the Lanham Act: Are the District Courts Doing Their Job?, 82 Trademark Rep. 141, 141-42 (1992); James M. Koelemay, Jr., Monetary Relief for Trademark Infringement Under the Lanham Act, 72 Trademark Rep. 458 (1982). The same remedies are available in common law trademark actions. Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 259 (1916) (injunction and accounting); William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 531 (1924) (injunction); Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 73 U.S.P.Q. (BNA) 133 (1947) (injunction granted, accounting refused because the injunction satisfied the equities of the case); C.P. Interests, Inc. v. Cal. Pools, Inc., 238 F.3d 690, 57 U.S.P.Q.2d (BNA) 1690 (5th Cir. 2001) (injunction and damages awarded by district court); Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 408 F. Supp. 1219, 1232-33, 189 U.S.P.Q. (BNA) 17, 29-30 (D. Colo. 1976) (damages); see generally Restatement (third) of Unfair Competition §§35 (injunctions), 36 (damages), 37 (accountings) (1995).

282 James identified actions to enforce copyright and patent rights as examples of concurrent jurisdiction actions with cumulative legal and equitable remedies. See James, supra note45, at 675. As James explained, two actions were required (one in a law court and one in an equity court) to obtain all available remedies for a violation of such rights. Id. Though James did not include trademark actions in his illustrative discussion, pre-merger trademark actions shared this characteristic with the other two principal intellectual property actions.

283 See generally, 5 Holdsworth, supra note236, at 287-88 (common law courts provided only damages; chancellors issued various orders, including injunctions); Langdell, supra note123, at 116-19 (explaining the limitations on the powers of common law courts and the reasons behind those limitations).

284 See infra notes328-339 and accompanying text; Langdell, supra note123, at 116-19.

285 See infra notes328-335 and accompanying text.

286 See supra note147.

287 Langdell, supra note123, at 120.

288 See Dobbs, supra note8, at §4.3(5), at 613-14; I George E. Palmer, The Law of Restitution, §1.5(c) (1978).

289 See supra PartThe common law action for account.

290 Beverly W. Pattishall, Two Hundred Years of American Trademark Law, 68 Trademark Rep. 121, 121 (1978) (citing Sidney A. Diamond, The Historical Development of Trademarks, 65 Trademark Rep. 265, 266 (1975); Edward S. Rogers, Good Will, Trade-Marks and Unfair Trading 33-47 (1914); and, Edward S. Rogers, Some Historical Matter Concerning Trade-Marks, 9 Mich. L. Rev. 29 (1910)); see also Frank I. Schecter, The Historical foundations of the law relating to trade-marks (1925) (acknowledging early uses of ownership marks, but arguing the modern practice of using marks to indicate source began in the English guilds); Daniel M. McClure, Trademarks and Unfair Competition: A Critical History of Legal Thought, 69 Trademark Rep. 305, 310 (1979) ("The earliest use of marks on goods dates to antiquity...."); Gerald Ruston, On the Origin of Trademarks, 45 Trademark Rep. 127, 128 (1955) ("The history of marks is very old indeed. I have seen reproductions of some examples of stone-age pottery bearing marking of perhaps 5,000 B.C.); William H. Browne, A Treatise on the Law of Trademarks §1 (2d ed. 1885) ("The main subject of this treatise--the symbolism of Commerce--may well be deemed to be as old as commerce itself."); G. Paster, Trademarks--Their Early History, 59 Trademark Rep. 551 (1969).
Frank Schecter, an influential commentator on trademark law during the first half of the twentieth century, provides the following illustration of the rise in significance of trademarks during the late 19th and early 20th centuries.
Up to 1870 only sixty-two trade-mark cases in all were decided by American courts. An idea of the growth of the importance of trade-marks to their owners may be gathered from the fact that in 1870 only one hundred and twenty-one trademarks were registered under the Trademark Act,... while in 1923 almost fifteen thousand were registered.
Schecter, at 134; see also Kerly, Treatise on the Law of Trademarks 2 (5th ed. 1923) ("The law on this subject cannot be traced back further than the nineteenth century."); James L. Hopkins, The Law of Unfair Trade: Including Trade-Marks, Trade Secrets, and Good-Will §4 (1900) ("The growth of that recognition [of trademark rights] was very gradual").
Schecter attributed the relatively recent development of modern trademark law to the changes wrought by the Industrial Revolution in England. Schecter, at 41, 48, 63, 78, 129-30.
[T]rade-marks did not develop as valuable symbols of good-will so long as producer and consumer were in close contact... Close upon the Industrial Revolution case a tremendous expansion not only in the means of production and distribution but, proportionately, in the advertising of goods, in which process trade-marks for the first time acquired a national and not merely local significance.
Id. at 129-30. The changes in trade resulting from the Industrial Revolution were, in Schecter's view, the primary reason for the relatively late development of trademark law.

291 The case is discussed in some detail in Keith M. Stolte, How Early Did Anglo-American Trademark Law Begin? An Answer to Schecter's Conundrum, 8 Fordham Intell. Prop. Media & Ent. L.J. 505 (1998). There is some ambiguity in the reports as to the year Sandforth's Case was decided. Id. at 529 n.101.

292 "There is a discrepancy among the six sources as to the name of the case." Id. at 506 n.2. At least two of the sources identify the claimant as Sandforth. Stolte identified the case as Sandforth's Case "[t]o preserve the historical quality of the case." Id. The English scholar who discovered the case and who compiled the reports of the case, identifies the case as J.G. v. Samford. J.H. Baker, Introduction to English Legal History 522 n.68 (3d ed. 1990). Baker first identified the case in an earlier edition of his book. J.H. Baker, Introduction to English Legal History 385 n.45 (2d ed. 1979). Some of the source documents with reports on Sandforth's Case are provided in J.H. Baker & S.F.C. Milsom, Sources of English Legal History - Private Law to 1750, at 615-18 (1986).

293 Stolte, supra note291, at 530-32 (noting the numerous references to defendant's allegedly deceitful conduct in the complaint), id. at 536 (noting the disagreement among the judges as to whether an action for deceit would lie based on the plaintiff's allegations).

294 Id. at 529. The complete text of the Complaint from Sandforth's Case is provided in an appendix to the Stolte article. Id. at 545-47.

[295] Id. at 529. It is not clear what a "tucker's handle" was. Stolte suggests that the tucker's handle "could have been a tool of a clothier's trade," based on the meaning of the word tuck. Id. at 529 n.106.

[296] Id. at 530 (citation omitted).

[297] Id. at 530-31 (citation omitted).

[298] Id. at 530 (quoting Baker & Milsom, supra note292, at 616).

[299] Stolte, supra note291,. at 530-31 (citation omitted).

[300] Id. at 533-34.

[301] Id. at 533-34 ("Chief Judge Anderson noted that 'it seems the action lies, because J.S. is damaged by J.D. using his mark."') (citation omitted).

[302] Id at 534 ("Judge Peryam, however, disagreed, finding that 'there was no law against anyone using whatever mark he wished...."') (citation omitted).

[303] Stolte reviewed two abstracts of the decision in Sandforth's Case. The first indicates Chief Judge Anderson ruled the action would lie, apparently over the objection of Judge Peryam. In the second abstract, there is discussion of a London guild custom that prohibited the use of another clothier's mark. In this abstract, the Chief Judge and one other judge indicate the action will lie; two judges--Peryam and Mead--disagreed. The second abstract does not clearly indicate how the court ruled, but it appears plaintiff's claim must have been allowed because the plaintiff presented its proof. It seems, therefore, the Chief Judge overruled the dissent, though it is not clear how many judges supported the Chief Judge's view, or how many agreed with Judge Peryam. Id. at 533-36.

[304] Id. at 531-32 (noting the strength of the plaintiff's claims in Sandforth's Case).

[305] The difficulty in determining the volume of sales lost due to infringement is noted in many trademark cases. See supra note16.

[306] Stolte, supra note291, at 533.

[307] As noted above, the reports do not discuss the remedy. In addition, the reports are not entirely clear as to the result, though it appears the majority of the judges concluded the action would lie and that plaintiff had presented sufficient proof of deceit. Id. at 533-36.

[308] Hilton Davis Chem. Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 1567, 35 U.S.P.Q.2d (BNA) 1641, 1647 (Fed. Cir. 1995) (one reason patent owners preferred to bring patent infringement actions in equity was the availability of discovery, which was lacking in the law courts); Zenith Radio Corp. v. Matsushita Elec. Indus. Co., 478 F. Supp. 889, 918 n.45 (E.D. Pa. 1979) ("only in equity could discovery be compelled"); Story, supra note146, §§109-15 (describing the discovery practice in equity); Devlin, supra note41, at 1573 (discovery was "unknown to the common law"); John C. McCoid, II, Symposium on Jury Trials in Bankruptcy Courts: Right To Jury Trial In Bankruptcy: Granfinanciera, S.A. v. Nordberg, 65 Am. Bankr. L.J. 15, 20 (1991) ("there were some procedures, such as discovery and accounting, that were available only in equity."); Sarah N. Welling, Discovery of Nonparties' Tangible Things Under the Federal Rules of Civil Procedure, 59 Notre Dame L. Rev. 110, 130-31 (1983).

[309] "In many cases, the aggrieved party might be at a great disadvantage, unless he had some means of access to his opponent's books and papers. To enable him to fix the amount of injury done by the wrongful conduct of the other, he must look to discovery."

Browne, supra note290, §469.

310 Hilton Davis, 62 F.3d at 1567, 35 U.S.P.Q.2d at 1647; 5 Holdsworth, supra note236, at 287-88; Devlin, supra note41, at 1573; Langdell, supra note123, at 120-21.

311 See, e.g., Langdell, supra note123, at 126 (noting that the common law remedy was "very inadequate" in cases of patent or copyright infringement, in part because it was "extremely difficult to prove the extent of the infringement...."); Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744, 225 U.S.P.Q. (BNA) 387, 39 (7th Cir. 1985) ("The trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party."); Playboy Enter., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1274, 216 U.S.P.Q. (BNA) 1083, 1084 (9th Cir. 1982) (noting that monetary awards failing to render intentional infringement unprofitable "would encourage a counterfeiter to merely switch from one infringing scheme to another").

312 Schecter, supra note290, at 133.

313 Id.

314 The second point is made by Schecter, based on the comments in the letter. Though Schecter could find no reported American trademark cases from the eighteenth century, he concluded based on this letter "that there must have been a certain amount of litigation in the state courts in the early nineteenth century." Id.

315 Though many early trademark cases and several early commentators cite Southern v. How as support for the proposition that a common law action on the case for deceit would lie based on trademark infringement, Southern v. How was not a trademark infringement action. Schecter, supra note290, at 7. As Schecter explains, Southern v. How was an action for deceit based on the sale of counterfeit jewels. Id. There are five different reports of Southern v. How, id. at 7-8, and two of the five mention a comment by Judge Doderidge about an earlier action for deceit based on unauthorized use of the plaintiff's trademark. Id. at 8. One of the reports states:

Doderidge (sic) said, that in 22 Eliz. the action upon the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth by reason whereof he had great utterance to his benefit and profit, and that he used to set his mark on his cloth whereby it should be known to be his cloth: and another clothier, observing it, used the same mark to his ill-made cloth on purpose to deceive him, and it was resolved that the action did well lie.

Id. at 7 (quoting from Popham's Reports 144 (1656)). Schecter characterizes these references to an earlier case as "irrelevant reminiscent dictum," that has received authority "extraordinary and unwarranted." Schecter, supra note290, at 6. To illustrate the grossly exaggerated significance of Southern v. How, Schechter provides a detailed review of the various reports of the action, noting the numerous inconsistencies and the complete absence of any reference to Judge Doderidge's comments in three of the five reports of the case. Id. at 6-9. The case has, despite its somewhat questionable foundation, "acquired considerable weight as authority for the proposition that the unauthorized use of a trade-mark is unlawful and may be the subject of an action in deceit." Id. at 9.

Schecter's skepticism of Judge Doderidge's dictum in Southern v. How seems well founded, given the absence, at Schecter's time, of any known report of a trademark action from the reign of Elizabeth. It appears the somewhat recently discovered Sandforth's Case is the action mentioned by Judge Dodderidge. In any event, Sandforth's Case is clearly a trademark action and is the earliest known action of its kind in the English law reports. Stolte, supra note291, at 506-07.

316 3 Dougl. 293, 99 Eng. Rep. 661 (K.B. 1783). The discussion of this case is based on an abstract presented in Rowland Cox, A Manual of Trade-Mark Cases 2, at case no. 4 (2d ed. 1892).

317 33 Eng. Rep. at 661.

318 Id.

319 The court's comment in Singleton v. Bolton may have been dicta, but even if so characterized, there is no reason to believe the court's statement of the law was inaccurate. There also is a 1777 decision by the King's Bench, in which a plaintiff was awarded £100 based on defendant's sale of five counterfeit watches. The action was not based on common law trademark rights, but on a

statute that protected London's clockmakers. Schecter, supra note290, at 137 n.3 (citing 9 & 10 Wm. III, c. 28, Stat. at Large III, 713). The statute prohibited the export of empty watchcases engraved with counterfeit names. This prohibition was directed at the practice of filling the watchcases with inferior mechanisms and then selling them as London watches, "to the great prejudice of the buyers and the disreputation of the art at home and abroad." Schecter, supra note290, at 137 n.3. Though this case provides some support for the proposition that common law courts in England would protect trademark rights, it is indirect support at best.

320 See supra notes308 and 310.

321 2 Atk. 484, 26 Eng. Rep. 692 (1742).

322 26 Eng. Rep. at 694. Schecter notes that it was common in the eighteenth century for businesses to use the same signs as other businesses. Though this practice seems rather confusing, it appears the law did not consider the practice improper. Schecter, supra note290, at 134 n.6.

323 Schecter, supra note290, at 136.

324 Id.

325 Id. (quoting from F.M. Adams, Treatise on the Law of Trade-Marks 7 (1876)).

326 Id. at n.1 (citing Gibblett v. Reed, 9 Mod. 459, described in Cox, supra note316, at 2 case no. 3).

327 8 Ves. 215, 32 Eng. Rep. 336 (1803).

328 Hogg, 32 Eng. Rep. at 336.

329 Id.

330 Id. at 336-37.

331 Id. at 337.

332 Id. at 339 (the cases referred to in the quote were copyright cases, not trademark cases, but the Lord chancellor relied upon those decisions as support for his jurisdiction over the trademark dispute in Hogg v. Kirby).

333 Hogg, 32 Eng. Rep. at 340.

334 Id. at 340-41

335 Id. at 341

336 The court cited two copyright actions heard in equity prior to 1791. Id. at 339.

[337] 3 Myl. & Cr. 338, 40 Eng. Rep. 956 (1838). There apparently was at least one intervening equitable trademark action in England, though there is no regular report of the decision in that case. See R. Eden, A Treatise on the Law of Injunctions 314 (1821) (citing Day v. Day as an example of a trademark action where an injunction was granted; the date of the decision in Day v. Day is unknown, though it had to precede the 1821 publication of the treatise). The 1836 case of Knott v. Morgan, 2 Keen 213, 48 Eng. Rep. 610 (1836) provides further support for the proposition equity courts would intervene in trademark actions because of the need for an injunction. There is, however, no discussion of the accounting remedy in Knott.

[338] Koelemay, supra note281, at 463 (citing Millington, 40 Eng. Rep. at 961).

[339] Millington, 40 Eng. Rep. at 961.

[340] 23 F. Cas. 742 (CC Mass. 1844).

[341] Eric Grant, A Revolutionary View of the Seventh Amendment and the Just Compensation Clause, 91 Nw. U. L. Rev. 144, 171 (1996) ("Story's understanding of the scope of the constitutional right to a jury trial is expansive....").

[342] See, e.g., Story, supra note146, §14 (Arguing that in jurisdictions where law and equity are merged, factual issues raised in actions to enforce equitable rights must be tried to a jury); Id §1082 (Asserting that where a question of damages arises in an equitable action, it is better to have a jury determine the damages); Id. §1084 (declaring that a chancellor may use a jury to determine damages by issuing an order for quantum damnificatus to the common law court, which will, upon receiving the order, empanel a jury to decide the damages).

[343] Taylor, 23 F. Cas. at 744.

[344] Id. By Story's time, fraudulent use of another's trademark or trade name was a sufficient basis for an injunction. Story, supra note146, §1282. Story provides no further explanation of the basis for equity's jurisdiction over such actions, but he does note that in patent infringement actions equity would assume jurisdiction because a common law action for damages provided inadequate relief. Id. §§1260-63.

[345] There is at least one reported state court equitable trademark action that predates Taylor. See Bell v. Locke, 8 Paige Ch. 75 (N.Y. Ch. 1840) (denying petition for injunction against trademark infringement because plaintiff failed to prove defendant acted with a fraudulent purpose).

[346] Taylor v. Carpenter, 2 Sand Ch. 603 (N.Y. Ch. 1846). It is not clear why a second action was needed, as the former action was brought in the United States Circuit Court and presumably would have been enforceable anywhere in the United States. Nevertheless, the second action suggests plaintiff was unable to obtain relief in New York based on the former judgment in the Massachusetts federal court.

[347] Id. at 611.

[348] Id.

[349] Id. at 612.

[350] Root v. Railway Co., 105 U.S. 189, 194 (1881) ("The right to an account of profits is incident to the right to an injunction in copy and patent right cases...."); Taylor v. Carpenter, 23 F. Cas. 742, 744 (C.C. Mass. 1844) (Case No. 13,784) (Story, J.) (right to an injunction in equity so well established that it was "not now susceptible of any judicial doubt"); Francis H. Upton, A Treatise on the Law of Trade Marks 233-34 (1860) ("The remedy in equity for a violation of trade mark property, is not only effectual--as

operating to restrain by injunction the continuance of the wrong--but, jurisdiction being once assumed, to this end, it will be exercised to make the remedy complete, and to avoid a multiplicity of suits" by awarding an accounting for defendant's profits); Browne, supra note290, §451 (describing three general types of actions against trade mark piracy, including "suit in equity for injunction and an account of profits").

351 Koelemay, supra note281, at 466 ("By the time the United States Congress enacted the first federal trademark statute in 1870, an accounting of the defendant's profits was the primary pecuniary remedy sought by trademark owners and awarded by the courts, the action at law for damages being little used.") (internal citation omitted).

352 Paul, supra note10, §324 ("defendant's profits from [infringing] sales are not recoverable at law"); Addington v. Cullinane, 28 Mo. App. 238, 242 (1887) ("The net profits may be recovered in equity as profits made by the use of the plaintiff's property, and the defendant, as constructive trustee, compelled to account for them. But at law only damages can be recovered, and they will be measured by the plaintiff's loss and not by the defendant's gain....").

353 See supra note293; Schecter, supra note290, at 143 (although the common law action was one for deceit, it was not the plaintiff who was deceived, but the customers; "nevertheless, whether correctly or not, the law was definitely settled that the proper common law action for trade-mark infringement is an action in deceit"); Koelemay, supra note281, at 460 n.7.

354 See, e.g., Browne, supra note290, §458 (in an action for trade mark infringement, "fraud is of the essence of the injury").

355 Millington v. Fox, 3 Myl. & Cr. 338, 40 Eng. Rep. 956, 961-62 (1838) (Defendants had no "fraudulent intention in the use of the marks. That circumstance, however, does not deprive the Plaintiffs of their right to the exclusive use of those names....").

356 See, e.g., Edelstein v. Edelsten, 1 De. G.J. & S. 185, 199, 46 Eng. Rep. 78 (1863) ("it is not necessary for the injunction to prove fraud in the defendant...."); Browne, supra note290, §468 ("In equity, if the defendant, without fraud, use the trade-mark of the complainant, he is still liable."); Koelemay, supra note281, at 473.

357 Tilghman v. Proctor, 125 U.S. 136, 148 (1888) (accounting was "an equivalent or a substitute for legal damages"); Hogg v. Kirby, 8 Ves. 215, 223, 32 Eng. Rep. 336, 339 (1803); see also Devlin, supra note41, at 1624 (discussing accountings in equity).

358 See, e.g., Cartier v. Carlile, 31 Beav. 292, 297, 54 Eng. Rep. 1151, 1153 (1862) (in opposing the plaintiff's request for an accounting, defendants argued the plaintiff "cannot recover at law [because there was no proof of fraud, so] he ought not to recover in equity."); Koelemay, supra note281, at 467 ("in accord with the maxim aequitas seguitur legem ('equity follows the law'), the chancellors refused to award an accounting for profits against innocent infringers and required showings of fraudulent intent.").

359 Recall that equity assumed jurisdiction over matters of account (i.e., the true bill for account) "by the end of the fifteenth century." 5 Holdsworth, supra note236, at 288.

360 See supra notes141-143.

361 Dobbs, supra note8, at §4.3(2), at 592 (explaining that when a constructive trust is imposed "the plaintiff may obtain, not merely what he lost, but gains received by the defendant from the property's increase in value, from its transfer, from its use in a business operation") (internal citations omitted).

362 See, e.g., Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 259 (1916) (the trademark "infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the cestui que trust").

363 Hogg v. Kirby, 8 Ves. 215, 32 Eng. Rep. 336, 339 (1803).

364 Story, supra note146, §1262 n.3 (discussing the defendant's profits award in patent cases).

365 See infra notes381-387 and accompanying text.

366 56 U.S. (15 How.) 546 (1853).

367 Id. at 559-60.

368 Id. at 555.

369 Id.

370 Id. 555-56.

371 Id. at 555.

372 Livingston, 56 U.S. (15 How.) at 555 ("[H]e charged the defendants for profits on the work done by their machine at the rate of one dollar per thousand feet, instead of fifty cents, as in his former report....").

373 Id. at 559.

374 Id. ("[T]he courts of law were open to them for redress, and in those courts they might... have claimed not compensation merely, but vengeance, for such injury as they could show that they had sustained.").

375 Id. at 559-60.

376 Id. at 560. The Supreme Court confirmed this rule in a number of subsequent decisions. Dean v. Mason, 61 U.S. (20 How.) 198, 203 (1857) (reversing decree awarding enhanced profits); Rubber Co. v. Goodyear, 76 U.S. (9 Wall.) 788, 804 (1869) (the infringer is "liable for actual, not possible, gains."); Mowry v. Whitney, 81 U.S. (14 Wall.) 620, 650-51 (1871) (profits limited to the financial gain resulting from the actual infringement, not the larger gain resulting from use of a system where the invention was but a part of the system); City of Elizabeth v. Pavement Co., 97 U.S. 126, 138 (1877) ("if an infringer of a patent has realized no profit from the use of the invention, he cannot be called upon to respond for profits; the patentee, in such case, is left to his remedy for damages.").

377 Livingston, 56 U.S. (15 How.) at 560. Professor Dobbs notes that restitution is not punitive, even though it may often result in an award that exceeds the plaintiff's loss. Dobbs, supra note8, at §4.1(4), at 567 ("Restitution may be more than compensation to the plaintiff but under most measures of restitution it is not more than the defendant's unjust gain in the transaction. For this reason, such restitution is not punitive.").

378 The fundamental difference between damages and restitution as the measure of recovery. Damages measure the recovery from the perspective of the plaintiff; it looks to the plaintiff's loss. Restitution measures the recovery from the perspective of the defendant; it looks to the defendant's gain. No general statements may be made, however, as to the size of a damages award compared to a restitution award. In many scenarios, the defendant's gain will exceed the plaintiff's loss, but the Livingston case seems to illustrate the opposite situation. If the recovery were measured by the gain plaintiffs would have made on the lost sales (i.e., assuming plaintiffs would have made the disputed sales but for defendant's infringement), it appears plaintiffs would have

recovered more because they charged a higher price for the goods. See generally Dobbs, supra note8, at §4.1(1), at 551, 555.

379 Packet Co. v. Sickles, 86 U.S. (19 Wall.) 611, 617 (1873).

380 See, e.g., Dean, 61 U.S. (20 How.) at 203 (equity requires the infringer "to pay the profits of his labor to the owner of the patent."); Burdell v. Denig, 92 U.S. 716, 720 (1875) ("Profits are not the primary or true criterion of damages for infringement in an action at law. That rule applies eminently and mainly to cases in equity, and is based upon the idea that the infringer shall be converted into a trustee, as to those profits, for the owner of the patent which he infringes...").

381 105 U.S. 189 (1881).

382 Id. at 190.

383 Id.

384 Id. at 191.

385 Id. at 214.

386 Id. at 214-15.

387 Root, 105 U.S. at 215-16.

388 240 U.S. 251 (1916).

389 Id. at 259 (citing Root v. Railway Co., 105 U.S. 189, 214 (1881) and Tilghman v. Proctor, 125 U.S. 136, 148 (1888)).

390 See also Hogg v. Kirby, 8 Ves. 215, 223, 32 Eng. Rep. 336, 339 (1803) (remedy in an equitable trademark action "compensat[es] the pecuniary damage... by an account of the profits...."); Taylor v. Carpenter, 2 Sand Ch. 603, 612 (N.Y. Ch. 1846) ("An order for an account is also proper that the remedy may be complete in the case."); Koelemay, supra note281, at 465 ("an accounting of the defendant's profits soon became the preferred mode of compensation in equity...."); id. at 487 ("Throughout the 1800s and early 1900s the purpose of monetary relief in trademark cases, both at law and in equity, was to compensate the trademark owner....").

391 See supra note363

392 See supra notes292-305 and accompanying text.

393 Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 259 (1916).

394 Mark A. Lemley, The Modern Lanham Act and the Death of Common Sense, 108 Yale L.J. 1687, 1687-88 (1999) (discussing expansion of private rights under trademark law); Dennis S. Corgill, Measuring the Gains of Trademark Infringement, 65 Fordham L. Rev. 1909, 1914 (1997) ("it no longer makes sense to justify an accounting as compensatory"); 2 Dan B. Dobbs, Law of Remedies: Damages-Equity-Restitution §6.4(3), at 82-83 (noting the availability of the defendant's profits remedy in trademark cases involving no competition).

[395] The Burger King litigation described in the introduction is a good example of this shift. See supra note19. In that case, Burger King sued Pilgrim's Pride, a company that sold frozen chicken products in grocery stores. It would have been a stretch to argue that Pilgrim's Pride's profits were a good measure of Burger King's losses. The jury, however, found that Pilgrim's Pride willfully infringed, and the court awarded Pilgrim's Pride's profits on that basis. Id. at 1523. Unjust enrichment seems to support the award, but compensation does not.

[396] See generally 5 McCarthy, supra note75, §30.64.

[397] Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co., 349 F.2d 389, 391-93, 146 U.S.P.Q. (BNA) 512, 514-15 (2d Cir. 1965); W.E. Bassett Co. v. Revlon, 435 F.2d 656, 664 (2d Cir. 1970); Maltina Corp. v. Cawy Bottling Co., 613 F.2d 582, 585, 205 U.S.P.Q. (BNA) 489, 492 (5th Cir. 1980) (an accounting in a trademark action "serves two purposes: remedying unjust enrichment and deterring future infringement."); Roulo v. Russ Berrie & Co., 886 F.2d 931, 941, 12 U.S.P.Q.2d (BNA) 1423, 1431 (7th Cir. 1989) (profits are awarded upon proof of the defendant's unjust enrichment or the need for deterrence); Burger King Corp. v. Mason, 855 F.2d 779, 781, 8 U.S.P.Q.2d (BNA) 1263, 1264 (11th Cir. 1988) (an accounting in a trademark case "provides a deterrent to similar activity in the future."); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1539-40, 23 U.S.P.Q.2d (BNA) 1351, 1357-58 (2d Cir. 1992) ("[W]e have held that a court may award a defendant's profits solely upon a finding that the defendant fraudulently used the plaintiff's mark.... The [deterrence] rationale underlying this holding is not compensatory in nature, but rather seeks to protect the public at large."); see generally Koelemay, supra note281, at 493 ("Several decisions have followed Monsanto and Bassett in endorsing deterrence as a sufficient ground for awarding an accounting for profits."), n.203 (collecting cases); Bryan M. Otake, The Continuing Viability of the Deterrence Rationale in Trademark Infringement Accountings, 5 U.C.L.A. Ent. L. Rev. 221 (1998).

[398] 349 F.2d 389, 146 U.S.P.Q. (BNA) 512 (2d Cir. 1965).

[399] Id. at 396, 14 U.S.P.Q. at 578. The Monsanto court went on to find that deterrence supported an award of defendant's profits.

[400] 435 F.2d 656, 168 U.S.P.Q. (BNA) 1 (2d Cir. 1970).

[401] Monsanto, 349 F.2d at 390-91, 146 U.S.P.Q. at 513. The defendant, Perfect Fit, sold a mattress pad labeled as "Acrilan mattress pads." Acrilan is an acrylic fiber developed by Monsanto. Upon testing some of the Perfect Fit pads, Monsanto discovered the pads contained less than 25% acrylic fiber, some pads containing no acrylic fiber. Several of the performance claims made by Perfect Fit were untrue because of the lack of acrylic fiber in their mattress pads. Monsanto brought suit to stop the misuse of its Acrilan trademark. Id.

[402] Bassett, 435 F.2d at 659, 168 U.S.P.Q. at 3.

[403] Id.

[404] Id.

[405] Id. at 662, 168 U.S.P.Q. at 5 (quoting the district court's opinion in W.E. Bassett Co. v. Revlon, Inc., 305 F. Supp. 581, 588, 163 U.S.P.Q. (BNA) 446 (S.D.N.Y. 1969)).

[406] Id. at 662-63, 168 U.S.P.Q. at 6.

[407] Id. at 663, 168 U.S.P.Q. at 6.

408 Bassett, 435 F.2d at 664, 168 U.S.P.Q. at 6.

409 Id., 168 U.S.P.Q. at 7-8.

410 Id.

411 Id. (citing Monsanto Chemical Co. v. Perfect Fit Prods. Co., 349 F.2d 389, 146 U.S.P.Q. (BNA) 572 (2d Cir. 1965).

412 Id.

413 Or consumers may be unaware of the source of the various "Trim" branded products, but still believe the new "Cuti-Trim" product comes from the same unknown source.

414 SecuraComm Consulting, Inc. v. SecuraCom, Inc., 166 F.3d 182, 190, 49 U.S.P.Q.2d (BNA) 1444, 1448-49 (3d Cir. 1999); Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1222-23 (10th Cir. 1998); Minnesota Pet Breeders v. Schell & Kampeter, 41 F.3d 1242, 1247, 33 U.S.P.Q.2d (BNA) 1140, 1143-44 (8th Cir. 1994); Babbit Elecs. v. Dynascan Corp., 38 F.3d 1161, 1182, 83 U.S.P.Q.2d (BNA) 1001, 1017 (11th Cir. 1994); Wynn Oil Co. v. Amer. Way Serv. Corp., 943 F.2d 595, 606-07, 19 U.S.P.Q.2d (BNA) 1815, 1824-25 (6th Cir. 1991); Roulo v. Russ Berrie & Co., 886 F.2d 931, 941, 12 U.S.P.Q.2d (BNA) 1423, 1430-31 (7th Cir. 1989).

415 See supra note311.

416 Dobbs, supra note8, at §4.5(5), at 655.

417 George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1539, 23 U.S.P.Q.2d (BNA) 1351, 1357 (2d Cir. 1992) ("The [deterrence] rationale... is not compensatory in nature, but rather seeks to protect the public at large.").

418 In a recent decision, the First Circuit noted the potential tension between the deterrence rationale and the Lanham Act's apparent rule against punitive awards. Tamko Roofing Prods., Inc. v. Ideal Roofing Co., 282 F.3d 23, 38, 61 U.S.P.Q.2d (BNA) 1865, 1875 (1st Cir. 2002) (The "role of deterrence must be carefully weighed in light of the statutory prohibition on the imposition of penalties"); 15 U.S.C. §1117(a) (1999).

419 Courts have not been consistent in their interpretation of the unjust enrichment rationale. See Barber, supra note281, at 158-59.

420 Tull v. United States, 481 U.S. 412, 422 (1987) ("Remedies intended to punish culpable individuals, as opposed to those intended simply to extract compensation or restore the status quo, were issued by courts of law, not courts of equity."); Livingston v. Woodworth, 56 U.S. (15 How.) 546, 559 (1853) ("We are aware of no rule which converts a court of equity into an instrument for the punishment of simple torts...."); Paul, supra note10, §326 ("In equity, exemplary (vindictive or punitive) damages will never be awarded or decreed."); James, supra note45, at 672 (equity refused to enforce penalties).

421 See supra notes366-378 and accompanying text.

422 Punitive damages were available in common law trademark actions, and such awards likely remain available as a remedy for common law trademark infringement. Paul, supra note10, §324 (punitive damages were available in trademark actions at law). 3 Gilson, supra note76, §8.08. It is also worth noting that the federal trademark laws authorize punitive awards in counterfeiting cases. Indeed, the Lanham Act requires an award of treble damages and attorney fees, absent "extenuating circumstances," in cases of intentional counterfeiting. 15 U.S.C. §1117 (b) (1999); see also id. §1117 (c) (authorizing statutory damages of up to $1,000,000 per counterfeit mark).

Trademark counterfeiting also is subject to federal criminal laws. The intentional trafficking in counterfeit goods or services is a felony, punishable by up to ten years in prison and fines of up to $2,000,000 for individuals and up $5,000,000 for an organization. 18 U.S.C. §2320 (a) (1998). The penalties increase for second offenses, with the maximum imprisonment term reaching 25 years and the maximum fines increased to $5,000,000 for individuals and $15,000,000 for organizations. Id.

423 By "deterrence/punishment rationale," I refer to the view that an accounting for defendant's profits may be granted even when not supported by either a compensation or unjust enrichment rationale.

424 15 U.S.C. §1117(a) (1999).

425 See, e.g., Dial One of the Mid-South, Inc. v. BellSouth Telcomms., Inc., 269 F.3d 523, 527, 60 U.S.P.Q.2d (BNA) 1599, 1601-02 (5th Cir. 2001); Balance Dynamics, Corp. v. Schmitt Indus., Inc., 204 F.3d 683, 695, 53 U.S.P.Q.2d (BNA) 1972, 1980-81 (6th Cir. 2000); Sands, Taylor & Wood Co. v. Quaker Oats Co., 34 F.3d 1340, 1347, 32 U.S.P.Q.2d (BNA) 1065, 1070-71 (7th Cir. 1994).

426 The first two post-Dairy Queen trademark cases to reach the jury trial issue split. In the first case, Kimberly-Clark Corp. v. Kleenize Chem. Corp., 135 U.S.P.Q. (BNA) 123 (N.D. Ga. 1962), the court read Dairy Queen as limited to cases involving both contract and trademark claims. Because Kimberly-Clark involved only a trademark claim, the court struck defendant's jury demand. The opposite conclusion was reached in the Holiday Inns case, where the court concluded that Dairy Queen required a change to the prevailing practice of trying trademark cases without a jury. Holiday Inns of Am., Inc. v. Lussi, 42 F.R.D. 27, 30-31, 153 U.S.P.Q 158, 161 (N.D.N.Y. 1967).

427 See, e.g., 9 Wright & Miller, supra note119, §§2310, 2312; Gary M. Ropski, The Federal Right to a Jury Trial--Awakening of a Dormant Constitutional Right, 70 Trademark Rep. 177, 187-89 (1980) (noting that an "accounting for damages" creates a right to a jury trial under Dairy Queen absent extraordinarily complex facts); Lurzer GMBH v. Am. Showcase, Inc., 75 F. Supp. 2d 98, 103-04 (S.D.N.Y. 1998); Daisy Group, Ltd. v. Newport News, Inc., 999 F. Supp. 548, 551-52, 46 U.S.P.Q.2d (BNA) 1856, 1858-59 (S.D.N.Y. 1998); Alcan Int'l Ltd. v. S.A. Day Mfg. Co., 179 F.R.D. 398, 401, 48 U.S.P.Q.2d (BNA) 1151, 1153 (W.D.N.Y. 1998); Hunting World, Inc. v. Reboans, Inc., 33 U.S.P.Q.2d (BNA) 1780, 1782 (N.D. Cal. 1994); Korenstein v. Dreyfus Corp., 77 Civ. 2521, 1979 U.S. Dist. LEXIS 11365, at *5-7 (S.D.N.Y. June 28, 1979); Holiday Inns of Am., Inc. v. Lussi, 42 F.R.D. 27, 29-30, 153 U.S.P.Q. (BNA) 158, 160 (N.D.N.Y. 1967).
Some courts have reached the conclusion that trademark accountings are legal and, therefore, support a Seventh Amendment right to a jury trial, without placing much reliance on the Dairy Queen Court's analysis. The leading case is Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648 (N.D. Ill. 1990).
At least one court has held that an accounting claim in a counterfeiting case is a legal claim, in part because of the punitive elements of the counterfeiting provisions of the Lanham Act. Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540-41, 46 U.S.P.Q.2d (BNA) 1574, 1575-76 (S.D.N.Y. 1998).

428 Dairy Queen, 369 U.S. at 478, 133 U.S.P.Q. at 297.

429 9 Wright & Miller, supra note9, §2312.

430 Dairy Queen, 369 U.S. at 478, 133 U.S.P.Q. at 297 (quoting from Kirby v. Lake Shore & Mich. S. R.R. Co., 120 U.S. 130, 134 (1887).

431 Patrick Devlin has argued complexity was a sufficient basis for equity jurisdiction in late eighteenth century England. Devlin, supra note41; Devlin, supra note92.

432 120 U.S. 130 (1887). For an explanation of the Kirby case, see supra text accompanying notes270-278.

433 In Ross v. Bernhard, 396 U.S. 531 (1970), the Supreme Court again identified complexity as a possible basis for equity jurisdiction, and therefore, for proceeding without a jury. The Ross Court listed three considerations relevant to the Seventh

Amendment analysis: "first, the pre-merger custom with reference to such questions; second, the remedy sought; and, third, the practical abilities and limitations of juries." Id. at 538 n.10. The third Ross consideration seems to authorize district courts to proceed without a jury if the case is unduly complex. And though several courts interpreted Ross in this way, the current view is that complexity will rarely, if ever, justify a decision to strike a properly made jury demand. See, e.g., In re Japanese Elec. Prods. Antitrust Litig., 631 F.2d 1069 (3d Cir. 1980).

The Japanese Elec. Prods. Antitrust Litig. case was extremely complex, with many named parties and even more alleged co-conspirators. The issues were complicated, too, with allegations of conspiracies to control the pricing of electronics products in the United States market. The defendants moved to strike the plaintiff's jury demand, and the district court, in a detailed opinion, denied the motion. In the district court's view, the Ross comment about the practical abilities of juries did not create a valid exception to the Seventh Amendment right to a jury trial. Zenith Radio Corp. v. Matsushita Elec. Indus. Co., 478 F. Supp. 889 (E.D. Pa. 1979). The case was admittedly complex and it would unquestionably test the limits of lay jurors, but such complexity was not, the district court held, a basis for denying the plaintiff a jury trial. Defendants petitioned the Third Circuit for a Writ of Mandamus.

The Third Circuit affirmed the district court's decision on the Seventh Amendment issue, holding complexity, without more, was insufficient to deny the right to a jury under the Seventh Amendment. Japanese Elec. Prods. Antitrust Litig., 631 F.2d at 1080-83. The Third Circuit, however, did not stop there. Defendants also argued that trying the case to a jury would violate the due process clause of the Fifth Amendment. The Third Circuit agreed, but recognized its conclusions placed the Fifth and Seventh Amendments into conflict. The Fifth Amendment due process clause required a nonjury trial, the Third Circuit held, despite the apparent right to a jury trial under the Seventh Amendment. Id. at 1084-86. This holding is unlikely to impact the jury trial analysis in many cases, because to raise a Fifth Amendment due process concern, the complexity must be so severe a jury cannot comprehend the tasks before it. Id.

434 15 U.S.P.Q.2d (BNA) 1648 (N.D. Ill. 1990).

435 Id. at 1654.

436 Id. at 1651. The court's statement about the timing of equity's first interventions in trademark cases is apparently based on the absence of known cases granting such relief by 1791. Though the record, thin as it is, supports the court's statement, it remains quite possible that some chancellors intervened in trademark cases prior to the adoption of the Seventh Amendment. There probably never will be a clear answer to this question, but the ambiguity is of little consequence, as explained in an earlier part of this article. See text accompanying notes321-352.

437 Oxford Indus., 15 U.S.P.Q.2d (BNA) at 1651.

438 Id.

439 The court also correctly identifies the relevant Seventh Amendment question:

the decisive question is not whether in the days of two independent courts the suit as a whole would have been brought in a court of equity or law.... 'The Seventh Amendment question depends on the nature of the issue to be tried rather than the character of the overall action.'

Id. (quoting Ross v. Bernard, 396 U.S. 531, 538 (1970)). The plaintiff in Oxford Industries originally sought damages, an accounting, and an injunction. The court ruled that the injunction was purely equitable and granted a directed verdict on the damages claim. Id. Thus, the accounting claim became determinative on the Seventh Amendment issue.

440 Devlin, supra note41, at 1624.

441 Oxford Indus., 15 U.S.P.Q.2d (BNA) at 1653 (emphasis in original).

442 Id. at 1654.

443 Id. at 1653-54.

444 Id. at 1654.

445 Id.

446 See supra notes270-278 and accompanying text.

447 See supra notes332-350 and accompanying text.

448 Sperling, supra note1, at 61-63; Crane Co. v. Crane, 157 F. Supp. 293, 294 (N.D. Ga. 1957) (no jury trial in trademark action seeking damages, an accounting, and an injunction, because the damages were incidental to the equitable relief sought); Admiral Corp. v. Admiral Employment Bureau, Inc., 151 F. Supp. 629, 630-31, 113 U.S.P.Q. (BNA) 268, 268-69 (N.D. Ill. 1957) (no jury trial on accounting or damages issues incidental to an injunction claim, but there is a right to a jury on questions relating to punitive damages). These decisions were based, at least in part, on the view that equity had incidental jurisdiction over damages claims in trademark cases. The same approach was used in copyright infringement actions. See, e.g., Bruckman v. Hollzer, 152 F.2d 730, 732, 68 U.S.P.Q. (BNA) 252, 254 (9th Cir. 1946) ("the rule is fundamental that where a plaintiff seeks legal and equitable relief in respect of the same wrong, his right to trial by jury is lost." Judge Cardozo quoting from Di Menna v. Cooper & Evans Co., 115 N.E. 993, 994 (N.Y. 1917))); Russell v. Laurel Music Corp., 104 F. Supp. 815, 816, 94 U.S.P.Q. (BNA) 63, 63-64 (S.D.N.Y. 1952) (no right to a jury in a copyright infringement action seeking damages, an accounting, and an injunction); Berlin v. Club 100, Inc., 12 F.R.D. 129, 130, 91 U.S.P.Q. (BNA) 237, 237-38 (D. Mass. 1951) (copyright action for damages, accounting, and injunction tried without a jury).

449 See supra PartThe Historical Development of the Defendant's Profits Remedy in Trademark Actions.

450 See supra note448.

451 135 U.S.P.Q. (BNA) 123 (N.D. Ga. 1962).

452 Kimberly-Clark Corp. v. Kleenize Chem. Corp., 129 U.S.P.Q. (BNA) 341, 342-43 (N.D. Ga. 1961). When the issue was reconsidered in 1962, a new district judge had assumed responsibility for the case. Judge Sloan issued the 1961 decision, and Judge Morgan the 1962 decision. The decisions contain no explanation for this change.

453 Kimberly-Clark, 135 U.S.P.Q. (BNA) at 123.

454 Id.

455 Id.

456 Id. at 123-24.

457 8 Moore, supra note51, §38.31 [1][b][iii]. Another commentator has taken an even more restrictive view of Dairy Queen. See Sperling, supra note1, at 63 (concluding Dairy Queen did not change the prior practice, except to clarify the jury's role in determining the amount of damages; "other unresolved issues" are tried without a jury).

458 8 Moore, supra note51, §38.31 [1][b][iii] (citing Coca-Cola Co. v. Cahill, 330 F. Supp. 354, 355, 171 U.S.P.Q. (BNA) 480, 480-81 (W.D. Okla. 1971)). In Cahill, the court distinguished Dairy Queen, holding "Plaintiff's suit for injunctive relief and an equitable

accounting relating to trademark infringement and unfair competition is historically equitable in nature." See also Coca-Cola Co. v. Wright, 55 F.R.D. 11, 12-13, 171 U.S.P.Q. (BNA) 754, 755 (W.D. Tenn. 1971).

459 G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp., 888 F. Supp. 44, 46, 35 U.S.P.Q.2d (BNA) 1797, 1798 (S.D.N.Y. 1995) (quoting Standard Metals Corp. v. Tomlin, No. 80 Civ. 2983, 1982 U.S. Dist. LEXIS 12241 (S.D.N.Y. 1982)).

460 Dairy Queen, Inc. v. Wood, 369 U.S. 469, 476-77, 133 U.S.P.Q. (BNA) 294, 297; see also 9 Wright & Miller, supra note8, §2302.1 ("The theory of the complaint in [Dairy Queen] was not clear.").

461 Dairy Queen, 369 U.S. at 477, 133 U.S.P.Q. at 297.

462 Id. at 472-73, 133 U.S.P.Q. 294. This holding from Dairy Queen is flatly inconsistent with the analysis presented in the Modefine case. G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp., 888 F. Supp. 44, 46, 35 U.S.P.Q.2d (BNA) 1797, 1798 (S.D.N.Y. 1995).

463 649 F. Supp. 784 (D.N.J. 1986).

464 Id. at 789.

465 Id.

466 Id. at 788.

467 See infra PartThe Accounting for Defendant's Profits Remedy was Functionally Closer to Traditional Equitable Remedies than to Traditional Legal Remedies.

468 Minnesota Specialty Crops, Inc. v. Minnesota Wild Hockey Club, LP, Civil No. 00-2317, 2002 U.S. Dist. LEXIS 13991, at *30-31 (D. Minn. July 26, 2002).

469 Reebok Int'l, Ltd. v. Marnatech Enter., Inc., 970 F.2d 552, 559-60 (1992); Microsoft Corp. v. U-Top Printing Corp., No. 93-16048, 1995 U.S. App. LEXIS 414, at *2-3 (9th Cir. Jan. 9, 1995).

470 Reebok, 970 F.2d at 558.

471 Id. at 559 (citing Republic of the Philippines v. Marcos, 862 F.2d 1355, 1364 (9th Cir. 1988) (en banc)).

472 Id. (quoting Fuller Brush Prods. Co. v. Fuller Brush Co., 299 F.2d 772, 777 (7th Cir. 1962)).

473 562 F.2d 1157, 1175 (9th Cir. 1977).

474 Swofford v. B&W, Inc., 336 F.2d 406, 411 (5th Cir. 1964).

475 Microsoft Corp. v. U-Top Printing Corp., No. 93-16048, 1995 U.S. App. LEXIS 414, at *3 (9th Cir. Jan. 9, 1995).

[476] Daisy Group, Ltd. v. Newport News, Inc., 999 F. Supp. 548, 552, 46 U.S.P.Q.2d (BNA) 1856, 1858 (S.D.N.Y. 1998) (quoting George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1538-39 (2d Cir. 1992)).

[477] See e.g. Emmpresa Cubana Del Tabaco v. Culbro Corp., 123 F. Supp. 2d 203, 206-08 (S.D.N.Y. 2000); see also Alcan Int'l Ltd. v. S.A. Day Mfg Co., 179 F.R.D. 398, 402 (W.D.N.Y. 1998); Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540-41, 46 U.S.P.Q.2d (BNA) 1574, 1575-76 (S.D.N.Y. 1998); Merriam-Webster, Inc. v. Random House, 1993 U.S. Dist. LEXIS 7693 (S.D.N.Y. June 10, 1993). The three cases from the Southern District of New York were decided by different judges.

[478] Emmpresa Cubana Del Tabaco, 123 F. Supp. 2d at 206-08.

[479] Id.

[480] Gucci, 994 F. Supp. at 540-41, 46 U.S.P.Q.2d at 1576.

[481] Alcan Int'l Ltd., 179 F.R.D. at 402, 48 U.S.P.Q.2d at 1154 ("It is clear that S.A. Day seeks profits as a rough measure of its damages"); see also Daisy Group, 999 F. Supp. at 552, 46 U.S.P.Q.2d at 1858 (plaintiff argued the accounting for profits it sought was a rough proxy measure of its damages).

[482] 91 Civ. 1221, 1993 U.S. Dist. LEXIS 7693 (S.D.N.Y. 1993).

[483] Id. at *6.

[484] Id. at *7 ("Plaintiff's claim for defendant's profits, based on a theory of unjust enrichment, is, for the foregoing reasons, triable without a jury.").

[485] 999 F. Supp. 548, 46 U.S.P.Q.2d (BNA) 1856 (S.D.N.Y. 1998).

[486] Id. at 552, 46 U.S.P.Q.2d at 1859.

[487] Id.

[488] It is possible to use a defendant's profits as an upper limit on a reasonable royalty award, but such an award would constitute damages, not an award of defendant's profits. The point, in a broader sense, is that a defendant's profits can be used as evidence of a plaintiff's losses, but only where there is some foundation for such use. And more importantly, when a defendant's profits are used in this way, the remedy at issue is not the defendant's profits.

[489] Dairy Queen, 369 U.S. 469, 477-78, 133 U.S.P.Q. 294, 297 (1962).

[490] See, e.g., Oxford Indus., Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1653-54 (N.D. Ill. 1990).

[491] Equity assumed jurisdiction over matters of account by the end of the 15th-century. See supra note236. The common law account was seldom used after equity's intervention. See supra notes242-249. The earliest reported trademark cases in equity with any discussion of the accounting for defendant's profits are dated from the early 19th-century. See supra notes327-335.

[492] See supra notes206-209.

493 See supra notes210-216.

494 The bailiff was allowed deductions for reasonable expenses and losses. See supra note207.

495 See supra notes217-220.

496 See supra notes223-225.

497 Such a relationship may exist in one important class of trademark disputes: the holdover licensee situation. In this situation, the parties were in a contractual relationship prior to the trademark infringement. That relationship may have given rise to a contractual duty to pay royalties, but such an obligation would not be within the scope of the common law account. A breach of contract claim for damages might lie under these circumstances, but a common law action for account would not. See supra note210. Thus, even in situations where there was a prior contractual relationship between the trademark owner and trademark infringer, the dispute would remain outside the scope of the common law account.

498 See supra note221.

499 See supra notes353-354 and accompanying text.

500 Stoljar, supra note205, at 209 ("the law was still much concerned with maintaining the differences between the respective forms of action.").

501 See supra notes217-224 and accompanying text.

502 Id.

503 See supra notes221-222.

504 If the amount owed was known, one could bring an action for debt. See supra note209. In the example, an accounting probably is needed because he or she may not know the exact amount received or the expenses incurred by the receiver.

505 See supra note225.

506 See supra note214.

507 See supra note218.

508 If the third party cannot be found, it is likely the landlord would try to recover his rents from the tenants, effectively forcing the tenants to pay double rent for the period. If the tenants cannot make such payments, the landlord would suffer the shortfall. Or both lord and tenants suffer, with the lord receiving less than is due and the tenants paying more than their normal rents.

509 See supra notes312-350 and accompanying text.

510 See supra PartRestitution - The Remedy that “Straddles” the Divide.

511 See supra PartThe Supreme Court Has Characterized Dairy Queen as a Damages Case and the Profits Remedy as an Equitable Remedy.

512 See supra notes353-354.

513 See supra note171.

514 “The reason given was that ‘if any one received my money without my order, though it is a tort yet an indebitatus will lie, because by reason of the money the law creates a promise.”’ Dobbs, supra note8, at §4.2(3), at 580 (citing Arris v. Stukley, 2 Mod. 260, 86 Eng. Rep. 1060 (1677)).

515 See supra notes141-143.

516 See supra notes388-390.

517 See supra notes310-311.

518 See, e.g., Dobbs, supra note8, §4.3(2).

519 See supra text accompanying notes392-393.

520 The comments of the chancellor in Hogg v. Kirby, 8 Ves. 215, 223, 32 Eng. Rep. 336, 339 (Ch. 1803) are illustrative. After noting that “it is nearly impossible to know the extent of the damage” caused by trademark infringement, the chancellor explained “the remedy here, though not compensating the pecuniary damage except by an account of the profits, is the best....” Id.

521 Justice Story described the defendant’s profits remedy in patent cases as follows:
In equity profits are a proper measure of damages for infringement of patent, though not at law. The principle is that equity converts the infringer into a trustee as to the profits, a principle appropriate in equity by reference to a master, who can examine books and papers and examine the infringer and his employees on oath.
Story, supra note146, §1262 n.3.

522 The Supreme Court in Dairy Queen suggested that modern procedural changes can affect the Seventh Amendment analysis. The availability of special masters, under the Federal Rules of Civil Procedure, for example, may allow juries to understand cases that would have been too complex prior to the adoption of the Rules. Dairy Queen, 369 U.S. 469, 478, 133 U.S.P.Q. (BNA) 294, 297 (1962). This approach may undermine the final argument presented in the text because the advantages Justice Story identified (i.e., discovery and compelled testimony under oath) are now available in all actions. Thus, under the logic of the Dairy Queen court, these characteristics of the old equity courts would not be a proper basis upon which to treat a particular remedy as equitable.
If the Dairy Queen Court intended such a result, the Court went too far. It is one thing to hold that legal claims previously heard in equity pursuant to the chancellors’ incidental or clean-up jurisdiction require jury trial in the post-merger system. But it is quite another to ignore the important differences between the law and equity courts and the effects such differences had on the development of remedies. Discovery and compelled testimony were both examples of the chancellors’ coercive power, and these uses of that power made the defendant’s profits remedy more effective. For this reason, the comments of Justice Story should be considered additional evidence of the equitable nature of the defendant’s profits remedy.

[523] See supra note394.

[524] See supra notes396-414.

[525] The trademark cases endorsing deterrence speak only of the need to deter willful infringement. See supra note396. Deterrence need not be limited to willful behavior, as it is indeed possible, and in some situations desirable, to deter careless behavior. The deterrence cases cited above, however, rely on the rationale when faced with instances of willful trademark infringement.

[526] See George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532 (2d Cir. 1992).

[527] See supra note420. Equity did provide monetary relief to remedy unjust enrichment, but this rationale is distinct from punishment. Unjust enrichment, in general terms, occurs when a defendant obtains monetary gain at the plaintiff's expense. Ordering a defendant to pay its ill-gotten gains over to the plaintiff can be viewed as a compensatory remedy, particularly in situations where the defendant's actions foreclosed plaintiff's exploitation of the opportunity for gain.

[528] See supra note422.

[529] See, e.g., Gucci Am., Inc. v. Accents, 994 F. Supp. 538, 540-41, 46 U.S.P.Q.2d (BNA) 1574, 1575-76 (S.D.N.Y. 1998) (noting similarity between a punitive accounting and an award of punitive damages).

[530] Consider, for example, the following hypothetical. A plaintiff sues for infringement and seeks an injunction, an accounting for defendant's profits, attorney fees, and costs. Defendant demands a jury trial, and the plaintiff moves to strike the demand. The court concludes the remedies are all equitable, and grants the motion. After conducting a bench trial, the court concludes the defendant willfully infringed and awards three times the defendant's profits. If the award is punitive, the defendant may be entitled to a new trial before a jury on the liability issues. To avoid this type of situation, courts should steer clear of punitive accountings in trademark cases.

[531] See supra notes476-477.

[532] See supra notes482-489 and accompanying text.

[533] As Judge Easterbrook of the Seventh Circuit explained in a leading trademark case, "people who want damages have to prove them...." Zazu Designs v. L'Oreal, S.A., 979 F.2d 499, 505, 24 U.S.P.Q.2d (BNA) 1828, 1833 (7th Cir. 1992) (quoting Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410, 415 (7th Cir. 1992)); see also Otis Clapp & Son v. Filmore Vitamin Co., 754 F.2d 738, 744-45, 225 U.S.P.Q. (BNA) 387, 391-92 (7th Cir. 1985) (a plaintiff must prove both the amount of damages and "that the defendant's actions caused the claimed harm"); 3 Gilson, supra note76, §8.08 ("damages in a trademark infringement action are designed to compensate for all injuries to the plaintiff proximately caused by the infringing acts of the defendant").A plaintiff, however, "is held to a lower burden of proof in ascertaining the exact amount of damages, because, 'the most elementary conceptions of justice and public policy require that the wrongdoer shall bear the risk of uncertainty which his own wrong has created."' Otis Clapp & Son, 754 F.2d at 745, 225 U.S.P.Q. (BNA) 392 (quoting Bigelow v. RKO Radio Pictures, Inc., 327 U.S. 251, 265 (1946) (Frankfurter, J., dissenting)); see also Grantham & Mann, Inc. v. Am. Safety Prods., 831 F.2d 596, 602 (6th Cir. 1987) ("[O]nce the existence of damages has been shown, all that an award of damages requires is substantial evidence in the record to permit a factfinder to draw reasonable inferences and make a fair and reasonable assessment of the amount of damages."); 5 McCarthy, supra note75, §30:72.

[534] "In an impersonal marketplace, instances of actual confusion may not be readily discoverable because consumers do not typically disclose their state of mind when making purchases." Restatement (Third) of Unfair Competition §23 cmt. d. (1995).

[535] This conclusion, of course, is based on a number of assumptions. Perhaps most importantly, if the defendant sells the infringing

goods at a lower price than plaintiff, some purchasers of defendant's infringing goods might not have bought plaintiff's goods absent the infringement. The same result might be caused by defendant's superior marketing or better market presence. But if prices and other factors are similar, and consumers purchase defendant's goods thinking the goods are plaintiff's, then the conclusion stated in the text is valid.

536 See, e.g., Balance Dynamics Corp. v. Schmitt Indus., 204 F.3d 683, 692, 53 U.S.P.Q.2d (BNA) 1972, 1979 (6th Cir. 2000) ("marketplace damages and actual confusion are notoriously difficult and expensive to prove"); Brookfield Comms., Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1050, 50 U.S.P.Q.2d (BNA) 1545, 1553-54 (9th Cir. 1999); PPX Enter., Inc. v. Audiofidelity Enter., Inc., 818 F.2d 266, 272-73, 2 U.S.P.Q.2d (BNA) 1672, 1676-77 (2d Cir. 1987); Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 875, 230 U.S.P.Q. (BNA) 831, 837 (2d Cir. 1986); Best Cellars, Inc. v. Grape Finds at Dupont, Inc., 90 F. Supp. 2d 431, 457, 54 U.S.P.Q.2d (BNA) 1594, 1613-14 (S.D.N.Y. 2000); Aztar Corp. v. NY Entm't, LLC, 15 F. Supp. 2d 252, 261 (E.D.N.Y. 1998); Aero-Motive Co. v. U.S. Aeromotive, 922 F. Supp. 29, 42 (W.D. Mich. 1996).

537 "It is particularly difficult to prove damages in the form of a prospective loss of sales." Restatement (Third) of Unfair Competition, §36 cmt. h (1995).

538 See, e.g., Otis Clapp & Son, 754 F.2d at 745, 24 U.S.P.Q. at 392 (comparison of the past growth in plaintiff's sales was an insufficient basis for a projection of what sale would have been but for the infringement; too many other variables may have contributed to the change in plaintiff's sales); Borg-Warner Corp. v. York-Shipley, Inc., 293 F.2d 88, 95, 130 U.S.P.Q. (BNA) 294, 299 (7th Cir. 1961) (district court must consider "several intervening causes" of the claimed injury).

539 See, e.g., David J. Kera and Theodore H. Davis, Jr., Annual Review: A. United States, The Fifty-Third Year of Administration of the Lanham Trademark Act of 1946, 91 Trademark Rep. 1, 191 (2001) ("the number of cases in which plaintiffs sought and obtained awards of actual damages remained few, no doubt due to the fact that such damages are notoriously difficult and expensive to prove."); Oxford Indus. v. Hartmarx Corp., 15 U.S.P.Q.2d (BNA) 1648, 1654 (N.D. Ill. 1990) (explaining the difficulties faced by a trademark owner who tries to prove actual damages).

540 See Stolte, supra note17; Danielle Conway-Jones, Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits, 42 Santa Clara L. Rev. 863 (2002); Eugene W. Luciani, Note, Does the Bad Faith Requirement in Accounting of Profits Damages Make Economic Sense?, 6 J. Intell. Prop. L. 69 (1998); Bryan M. Otake, The Continuing Viability of the Deterrence Rationale in Trademark Infringement Accountings, 5 UCLA Ent. L. Rev. 221 (1998).

541 Id.

542 Zazu Designs v. L'Oreal, S.A., 979 F.2d 499, 505, 24 U.S.P.Q.2d (BNA) 1828, 1833 (7th Cir. 1992).

543 See supra note44.

544 James, supra note45, at 675.

545 Fed. R. Civ. P. 26-37 (governing the rules of deposition and discovery in court), 53 (governing the use of masters in federal court).

546 "The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate." Fed. R. Civ. P. 38(a). The legislation enabling the adoption of the Federal Rules expressly required protection of the Seventh Amendment right to jury trial. 48 Stat. 1064 (codified at 28 U.S.C. §723(c)). These provisions, however, were superfluous because neither Congress (via the enabling Act) nor the Supreme Court (via adoption of the Federal Rules) could restrict the jury trial right guaranteed by the Constitution. Nevertheless, these provisions reiterate the intent of both Congress and the Court to protect the right to a jury trial.

547 Beacon Theatres, Inc. v. Westover, 359 U.S. 500 (1959); Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294

(1962); Ross v. Bernhard, 396 U.S. 531 (1970).

548 Dairy Queen, 369 U.S. at 478 n.19, 133 U.S.P.Q. at 297 n. 19 (quoting Beacon Theatres, 359 U.S. at 209).

549 Ross, 396 U.S. at 541-42.

550 Id. at 545-47. The Ross majority did not dispute the equitable origins of the shareholder derivative suit. Indeed, the majority explains that corporate officers abused the common law rules that prohibited shareholders from suing corporate officers or directors. Equity intervened in response to the injustice created by the common law rule. Id. at 534.

551 Id. at 534-35.

552 Id. at 534 ("one precondition for the [shareholder derivative] suit was a valid claim on which the corporation could have sued....").

553 Id. at 534-35.

554 Ross, 396 U.S at 540.

555 There was a difference in the substantive elements of the infringement claim. The common law required proof of fraud or deceptive intent, but equity relaxed the fraud requirement and granted injunctions if consumer confusion was likely. See Koelemay, supra note281, at 466-67.

556 This point is forcefully made in the dissent of Ross v. Bernhard, 396 U.S. 531, 549-50 (1970) (Stewart, J. dissenting):

In short, the [shareholder derivative] cause of action is wholly a creature of equity. And whatever else can be said of Beacon Theatres and Dairy Queen, they did not cast aside altogether the historic division between equity and law.

If history is to be so cavalierly dismissed, the derivative suit can, of course, be artificially broken down into separable elements. But so then can any traditionally equitable cause of action, and the logic of the Court's position would lead to the virtual elimination of all equity jurisdiction. An equitable suit for an injunction, for instance, often involves issues of fact which, if damages had been sought, would have been triable to a jury. Does this mean that in a suit asking only for an injunctive relief these factual issues must be tried to the jury, with the judge left to decide only whether, given the jury's findings, an injunction is the appropriate remedy? Certainly the Federal Rules make it possible to try a suit for an injunction in that way, but even more certainly they were not intended to have any such effect. Yet the Court's approach, it seems, would require that if any "legal issue" procedurally could be tried to a jury, it constitutionally must be tried to a jury.

There are two strong responses to the Ross dissenters' point about injunctions. First, the Seventh Amendment right to a jury trial is limited to cases "where the value in controversy shall exceed twenty dollars," a limitation that may exclude cases involving only injunctive relief. This result is not altogether clear, however, because in the context of federal diversity jurisdiction, courts interpret the "amount in controversy" to include the value of the rights at issue in the litigation. In other words, "value" could mean more than merely monetary relief.

Second, the common law rule against shareholder suits was merely a procedural rule. That is, the relief sought in many shareholder derivative suits is not unlike the relief sought in actions recognized by the law courts. The unavailability of injunctions in actions brought at law, on the other hand, results from the law courts' limited powers over the parties. For this reason, a common law court could not grant an injunction, though it is possible the law courts could have allowed shareholder derivative suits. See supra PartThe Modern Seventh Amendment Standard.

557 City of Monterey v. Del Monte Dunes, Ltd., 526 U.S. 687, 726 n. 1 (1999) (Scalia, J., concurring) ("Since the merger of law and equity, any type of relief, including purely equitable relief, can be sought in a tort suit--so that I can file a tort action seeking only an injunction against a nuisance. If I should do so, the fact that I seek only equitable relief would disentitle me to a jury...."); Tull v. United States, 481 U.S. 412, 425 (1987) (injunction authorized by the Clean Water Act is an "equitable remedy").

558 See supra PartThe basis for the accounting for defendant's profits remedy in pre-merger trademark actions.

559 The common law damages award also was inadequate in trademark actions because it was difficult to quantify the monetary injury caused by infringement. See supra notes141, 309. Merger had no effect on this shortcoming of the damages remedy.

560 Dairy Queen Complaint PP 4-7.

561 Id. PP8-9.

562 Id. PP 10-11 and Exhibit A to the Complaint.

563 Caroline H. Otis, The Cone with the Curl on Top, The Dairy Queen Story, Celebrating Fifty Years, 1940-1990 6 (Susan Mundale & Mike Sullivan eds., 1990).

564 Id. at 11.

565 Id. at 6, 10-11.

566 Id. at 11-12.

567 Id. at 12.

568 Id. at 12-13.

569 Otis, supra note563, at 13.

570 Id.

571 Id.

572 Id.

573 Id.

574 Id.

575 Otis, supra note563 at 13. The royalty rate in the original agreement was based on the number of freezer machines made. The rate was 4 cents per gallon of mix for the first ten machines, 2 cents per gallon on the next 20 machines and 1 cent per gallon on additional freezers. Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F.2d 496, 501 n.6, 133 U.S.P.Q. (BNA) 109, 112 n.6 (3d Cir. 1962). In 1946, the parties amended the royalty structure in the agreement and set a 4 cents per gallon royalty on all mix used in the freezers. Id. The four cents per gallon royalty was in place during the period of explosive growth of the Dairy Queen business.

576 Otis, supra note563, at 24.

577 Id. at 25.

578 Id. at 26-27.

579 Id. at 30, 36. By 1960, there were over 3,000 Dairy Queen stores. During the first twenty years of the Dairy Queen business, the stores used over 20 million gallons of soft-serve ice cream mix. Id. at 46.

580 Id. at 27-28, 37. In the beginning, the McCulloughs sold geographic territories to operators for a fixed price, paid either up-front or spread over a period of years. The shift to a franchise system began in 1943, when Harry Axene purchased the rights to develop the Dairy Queen business in Illinois and Iowa. Axene developed these areas by selling trade areas for a low up-front price and a royalty based on the volume of ice cream mix used. This "franchising" approach worked well and was later adopted by the McCulloughs. The Dairy Queen franchise system was a model for other fast-food franchise systems. Id.

581 Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F.2d 496, 501-02, 133 U.S.P.Q. (BNA) 109, 113 (3d Cir. 1962).

582 Id.; Dairy Queen Complaint, Exhibit A P 3.

583 Dairy Queen Complaint, Exhibit A P 3; Ar-Tik Systems, Inc. v. McCullough, 133 F. Supp. 807, 808, 107 U.S.P.Q. (BNA) 168, 169 (S.D. Ill. 1955). This royalty structure was challenged by the McCulloughs and some of their operators after the Oltz patent expired on May 18, 1954. The operators were required under their territory agreements to make payments directly to Ar-Tik Systems. Some operators stopped making those payments when the Oltz patent expired. In addition, some franchisees stopped making royalty payments to the territory operators. Two separate legal actions followed.

In the first action, the Dairy Queen territory operator for Ohio, Cecil Medd, sued an Ohio franchisee who stopped making all royalty payments when the Oltz patent expired. Medd alleged the royalties paid to him (a portion of which were then paid by Medd to the McCulloughs) were not based on the Oltz patent, but were royalties for the use of the Dairy Queen trademark and other trademarks owned by Dairy Queen. Medd prevailed in the action, but the decision makes no mention of whether the franchisee was required to continue making payments to Ar-Tik Systems. Medd v. Boyd Wagner, Inc., 132 F. Supp. 399, 105 U.S.P.Q. (BNA) 492 (N.D. Ohio 1955).

The second action pitted Oltz against the McCulloughs. Ar-Tik Systems, Oltz' company, sued the McCulloughs to recover royalties for the period after the Oltz patent expired. Ar-Tik Systems prevailed, the court finding that Oltz provided more than just his patent to the Dairy Queen venture. "For so long as the franchise holder continues to use machines manufactured under the agreement, or for so long as he continues to use the name 'Dairy Queen' in connection with his business, he is subject to the rights of either Oltz or McCullough...." Ar-Tik Systems, Inc. v. McCullough, 133 F. Supp. at 810, 107 U.S.P.Q. at 170. In the Court's view, "there is nothing illegal or contrary to public policy in the agreement between McCullough and Oltz. That contract, together with all their subsequent dealings and their joint activities in the development of the Dairy Queen business indicated an intention that the rights and duties of the parties should extend beyond the life of any patent." Id.

584 Otis, supra note563, at 28-29; Dairy Queen Complaint, Exhibit A P 4; Medd v. Boyd Wagner, Inc., 132 F. Supp. at 409, 105 U.S.P.Q. at 499.

585 Dairy Queen Complaint, Exhibit A P 4.

586 Id. The $150,000 was the minimum payment required from the Pennsylvania operator. The agreement required annual payments of $18,625 or 50% of the revenue received from the operation or franchising of Dairy Queen stores in the territory, whichever amount was larger.

587 Dairy Queen Complaint, Exhibit A.

588 Dairy Queen Complaint PP 11, 12; Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F.2d 496, 505, 133 U.S.P.Q. (BNA) 109, 116 (3d Cir. 1962). Brief in Opposition to Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit, Appendix D (Findings of Fact, Conclusions of Law and Order Sur Plaintiffs' Motion for a Preliminary Injunction (Dec. 28, 1960)) P9 ("Since 1954, the defendant has not met the minimum payment required by the contract.") [hereinafter Preliminary Injunction Order].

589 The Pennsylvania operator disputed the McCulloughs' breach of contract allegations. According to the defendant, the parties reached an agreement in 1954 modifying the minimum payment requirements of the original contract. The defendant claimed his payments complied with the modified requirement, and therefore, the contract was never breached. See Defendant's Answer & New Matter PP 26-27 (reproduced as Exhibit "B" to the Mandamus Petition, Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962) (October Term, 1961, No. 244)). The defendant apparently made the following payments to the McCulloughs after 1954: $5,000 on December 29, 1956; $5,000 on April 20, 1959; $2,887.50 on January 7, 1960; and $3970.20 on September 30, 1960. Id. P 27. The record does not indicate whether such amounts reflected 50% of the defendant's revenues, nor is there any response by the plaintiffs to the defendant's claim the contract was modified in 1954.

590 This was not the first suit by Ar-Tik Systems to recover royalties. Ar-Tik Systems sued the McCulloughs in Illinois in 1955 and prevailed in that action. As a result the McCulloughs were required to continue paying Ar-Tik Systems a 4 cent per gallon royalty for as long as the Dairy Queen business operated.

In the suit against the Pennsylvania territory operator, Ar-Tik Systems prevailed in the district court and was awarded over $115,000 in damages and interest. See Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F.2d 496, 511, 133 U.S.P.Q. (BNA) 109, 120 (3d Cir. 1962). That decision was reversed by the Third Circuit, which held "the grant of patent monopoly was spent" when the Oltz patent expired in 1954. Id. at 510, 133 U.S.P.Q. at 119. "An attempt to extend that monopoly by the exaction of royalties thereafter was unenforceable." Id.

The Third Circuit's decision put the McCulloughs in a difficult position. Under the 1955 decision, the McCulloughs had to continue paying the 4 cent royalty to Ar-Tik Systems. Yet after the Third Circuit decision, few, if any, franchisees could be expected to continue making royalty payments to Ar-Tik Systems, thus leaving the McCulloughs responsible for paying all royalties to Ar-Tik Systems.

To make matters worse for the McCulloughs, several of the larger Dairy Queen territory operators disputed the McCullough's claim of ownership of the Dairy Queen trademark. These operators claimed the McCulloughs sold their rights to the trademark to Harry Axene through a series of transactions during the 1940s.

Faced with these increasing difficulties the McCulloughs decided to sell their interests in the Dairy Queen business. In 1962, the same year the Third Circuit issued its decision on the patent royalty issue, the McCulloughs sold all their "holdings and rights to the group who then formed International Dairy Queen." Otis, supra note563, at 57. International Dairy Queen, or IDQ, was formed in 1962 and has owned the Dairy Queen trademarks since its formation. Id.

591 Dairy Queen Complaint P 15 (a large judgment in favor of Ar-Tik Systems may cause the McCulloughs to "lose, through bankruptcy or other action of defendant, the rights to money that has previously been collected by defendant..."). In fact, the McCulloughs tried to intervene in the Ar-Tik Systems action. See Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 22 F.R.D. 122, 117 U.S.P.Q. (BNA) 480 (E.D. Pa. 1958). The court denied the McCulloughs' motion to intervene because, the court concluded, the McCulloughs would not be bound by the result of the case and could pursue their claims in a separate action. Id. at 123-24, 117 U.S.P.Q. at 480-82.

592 Dairy Queen Complaint P 16. The termination notice was based on the franchisee's failure to make the $18,625 annual payments required under the agreement.

593 The Pennsylvania operator paid the McCulloughs $3,970.20 on September 30, 1960. See Defendant's Answer & New Matter P 27. The defendant, as noted above, denied breaching the agreement.

594 Dairy Queen Complaint P 12.

595 Id. P 14.

596 Id. P 17.

597 Id.

598 Id. at Prayer for Relief P (A).

599 Id. P (B).

600 Dairy Queen complaint at P (C).

601 Memorandum and Order Sur Plaintiffs' Motion to Strike Defendant's Demand for Jury Trial (reproduced as Exhibit "D" to the Record in Dairy Queen, Inc. v. Wood, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962)). The district court held a preliminary injunction hearing, but the record does not indicate when the hearing was held. Id. The defendant's answer was not filed until March 1, 1961.

602 The action proceeded rather quickly after the district court's preliminary injunction ruling, with actions taken in the district court, the Third Circuit, and the Supreme Court over a span of about eight months. On January 6, 1961, the McCulloughs posted the bond necessary to secure the preliminary injunction. The defendant noticed its appeal of the preliminary injunction ruling on January 9, 1961. On January 10, the parties' counsel discussed the status of the district court action and apparently were unsure whether there was still jurisdiction in the district court. After exchanging letters that failed to confirm any clear agreement on the status of the action, the defendant filed its answer on March 1, 1961. On March 9, 1961 the plaintiffs moved to strike the defendant's jury demand. The defendant's appeal of the preliminary injunction ruling was still pending when these pleadings were filed. The Third Circuit affirmed the preliminary injunction on May 16, 1961, and the district court granted the plaintiffs' motion to strike the jury demand on June 1, 1961. The defendant sought a Writ of Mandamus on June 12; the Third Circuit denied the Writ on June 22; and on June 28 the district court issued an order setting the case for trial, without jury, on August 1, 1961. This trial date apparently was suspended, because the Supreme Court granted certiorari on October 16, 1961 and, on April 30, 1962, reversed the Third Circuit on the jury trial issue. See Petitioner's Reply Brief [in Support of Petition for Writ of Certiorari] at 2-3, Exhibits A-C; Dairy Queen, 369 U.S. 469, 133 U.S.P.Q. (BNA) 294 (1962).

603 I do not share this view. In my opinion, juries are a useful and appropriate means for resolving disputed factual issues. The actual role juries play in our modern judicial system is controversial, but my evaluation of the right to a jury trial in trademark cases is not driven by any personal dislike or distrust of juries.

604 35 U.S.C. §284; Aro Mfg. Co. v. Convertible Top Co., 377 U.S. 476, 507, 141 U.S.P.Q. (BNA) 681, 694 (1964) (holding that the 1952 Patent Act eliminated the defendant's profits remedy from U.S. patent law).

605 35 U.S.C. §284.

606 Markman v. Westview Instruments, Inc., 517 U.S. 370, 390, 38 U.S.P.Q.2d (BNA) 1461, 1463 (1996).

607 The Markman Court noted that its ruling did not eliminate juries from patent cases. There are "two elements of a simple patent case, construing the patent and determining whether infringement occurred... 'The first is a question of law, to be determined by the court, construing the letters-patent, and the description of the invention and specification of claim annexed to them. The second is a question of fact, to be submitted to a jury."' Markman, 517 U.S. at 384, 38 U.S.P.Q.2D (BNA) at 1468 (quoting Winans v. Denmead, 56 U.S. 330, 338 (1853) (internal citation omitted).

608 17 U.S.C. §504.

609 Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 354-55, 46 U.S.P.Q.2d (BNA) 1161, 1167 (1998).

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