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Plaintiff may choose between remedy of damages and restitution
Israel - Gilat, Bareket & Co, Reinhold Cohn Group

Court system
Confusion
Passing off

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In *Gianni Versace SpA v Versace 83 Ltd* (Case 2960-00, July 21 2010), the Tel Aviv District Court has issued an interesting decision on compensation in the long-running dispute between Italian fashion house [Gianni Versace SpA](#) and local fashion retailer Versace 83 Ltd.

In 1985 Versace 83 applied for the registration of various device marks containing the word 'Versace' in English and Hebrew. Gianni Versace opposed the registration of the marks, but subsequently withdrew its opposition. The marks were registered in 1989.

In 1999 Gianni Versace became aware of the fact that Versace 83 had abandoned use of its marks as registered. In particular, Versace 83 ceased using the word 'Versace' in Hebrew for its marks, labels and catalogues. Instead, it used the word 'Versace' in Latin script alone, as well as other marks associated with Gianni Versace (eg, VERSACE CLASSIC, the medusa symbol and the Greek key) and expressions such as 'Moda Italy' and 'original garment'. In 2000 Gianni Versace sued Versace 83 for trademark infringement, passing off, unjust enrichment and consumer deception. In parallel proceedings before the trademarks registrar, Versace 83's trademarks were cancelled in 2008 on the grounds that they had been registered in bad faith (for further details please see "[VERSACE marks cancelled after 20 years](#)").

In 2001 the district court held that Versace 83 had infringed Gianni Versace's rights during the period from 1999 to 2000 when it ceased using its marks as registered and started using misleading symbols and expressions linked to Gianni Versace. Versace 83 was enjoined from using its marks after a one-year phase-out and was ordered to provide an accounting for the period between 1999 and 2000, when infringing goods were being sold (for further details please see "[Versace 83 found liable for infringement of VERSACE marks](#)"). An appeal to the Supreme Court is currently pending. The issue of compensation was deferred and is the subject of the present decision.

First, the district court reiterated that Gianni Versace was not entitled to compensation for Versace 83's use of the name Versace to the extent that such use fell within the scope of Versace 83's long-registered VERSACE marks, due to acquiescence. However, Gianni Versace was entitled to accounting and compensation for the period between 1999 (when Versace 83 stopped using the marks as registered) and November 2000 (when the action was filed). The court further held that Versace 83's infringing use encompassed use of the name Versace in any form.

Second, the district court held that Gianni Versace could, upon receiving Versace 83's accounting, choose between the following remedies:

- damages to compensate the injury to its goodwill; or
- restitution.

The court noted that the remedy of restitution does not entail the recovery of all profits made by the defendant, but is limited to the 'hypothetical' difference between:

- the profits resulting from the sale of infringing goods drawing on the plaintiff's goodwill; and
- the profits that the defendant would have made had it not infringed the plaintiff's trade name and marks.

The court held that once Gianni Versace had chosen the remedy of restitution, such remedy encompassed the total compensation to which it was entitled for injury to its legitimate interest. Furthermore, the court noted that, although Gianni Versace had demonstrated injury to its goodwill, it had failed to provide data regarding the damage caused (which, unlike Versace 83's profits, should have been within Gianni Versace's knowledge). The court further held that Versace 83 had failed to provide an adequate accounting of its profits, which was clearly intended to defeat the assessment of recovery.

Although the court accepted Gianni Versace's argument that the calculation of recovery should be based on overall profits (approximately \$225,000, according to Versace 83), it reaffirmed that restitution did not entail the recovery of all of Versace 83's profits, but was limited to the difference between the profits resulting from the sale of infringing goods by Versace 83 and the profit that the latter would have made absent the infringement.

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The court cited earlier case law under which the plaintiff has the burden of proving the damage suffered or the amount of restitution due to it. However, exceptions apply where:

- an objective difficulty prevents the plaintiff from ascertaining the damage suffered or the amount of restitution accurately, in which case the plaintiff's burden is limited to providing relevant data, as is reasonable in the circumstances, and the court has discretion to provide the rest by way of estimate; and
- a subjective difficulty prevents the plaintiff from demonstrating the damage suffered or the amount for restitution because of the defendant's conduct, in which case the burden of proof shifts to the defendant.

However, in an action for accounting, the burden of proof lies with the defendant in any event, as the latter has to prove the accuracy and reliability of its accounts. If the defendant fails to provide adequate accounting, the court will have recourse to judicial assessment based on the data provided.

In light of the data provided by Versace 83, the court estimated that the amount of compensation was IS 400,000 (approximately \$110,000), noting that Gianni Versace's main remedy was the permanent injunction preventing Versace 83 from using the name Versace. Gianni Versace was also awarded costs of IS50,000.

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