

Blog Post

Supreme Court Will Decide When Trademark Infringers May Be Ordered to Forfeit Profits

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By Evelina Gentry

On Friday, June 28, 2019, the U.S. Supreme Court agreed to decide the circumstances necessary to support an award of a trademark infringer's profits under section 35 of the Lanham Act, 15 U.S.C. § 1117(a). *Romag Fasteners Inc. v. Fossil Inc., et al.*, No. 18-1233. The ruling hopefully will resolve a long-standing circuit split over whether willfulness is a required element of proof and create a roadmap for profit awards in trademark cases.

Romag Fasteners Inc. (Romag) sells magnetic clips for purses and wallets under its registered trademark, ROMAG. Romag's clips are also covered by the claims of a patent owned by Romag. Fossil Inc. (Fossil) is a fashion accessory company that designs, markets, and sells, among other things, small leather goods.

In 2010, Romag sued Fossil (along with certain retailers of Fossil products) for patent and trademark infringement in the District of Connecticut. Romag alleged that Fossil was selling handbags using counterfeit ROMAG clips. In 2014, a jury found Fossil liable for both patent and trademark infringement. The jury awarded Romag a royalty of \$51,052.14 for the patent infringement. For trademark infringement, the jury made an advisory award of \$90,759.36 of Fossil's profits under an unjust

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enrichment theory and \$6,704,046 of profits under a deterrence theory. The jury also found that Fossil's patent and trademark infringement was not willful. After a subsequent two-day bench trial on equitable defenses and remedies, the district court reduced the patent damages because of laches. Based on the jury's finding that Fossil's infringement had not been willful, the district court also concluded that Romag was not entitled to an award of Fossil's profits. *See Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85 (D. Conn. 2014), *aff'd*, 817 F.3d 782 (Fed. Cir. 2016), *cert. granted, judgment vacated*, 137 S. Ct. 1373 (2017), *and vacated in part*, 686 F. App'x 889 (Fed. Cir. 2017).

Romag appealed to the Federal Circuit, which affirmed. *See Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 783 (Fed. Cir. 2016), *cert. granted, judgment vacated*, 137 S. Ct. 1373 (2017). In 2016, the case was presented to the Supreme Court on both the willfulness question and the laches question. Because the laches question was resolved in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017), the Supreme Court granted the petition, vacated the Federal Circuit's ruling, and remanded for further proceedings. The Federal Circuit recalled its prior mandate in May 2017, and remanded the case to the trial court. *See Romag Fasteners, Inc. v. Fossil, Inc.*, 686 F. App'x 889, 890 (Fed. Cir. 2017).

In November 2017, the district court entered an amended judgment reinstating the full patent damages award, and continuing to deny any award for trademark infringement. Romag appealed to the Federal Circuit on the lack of an award for trademark infringement, which dismissed the appeal on motion on February 5, 2019. On March 22, 2019, Romag filed its certiorari petition seeking an answer to the following question: "Whether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer's profits for a violation of section 43(a), *id.* § 1125(a)."

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125, provides, in part, as follows:

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act....

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause

dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury....

(d) Cyberpiracy prevention

(1)

(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18 or section 220506 of title 36.

Section 35, 15 U.S.C. § 1117(a), sets forth remedies for violation of section 43. It provides, in pertinent part, that:

When . . . a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been

established in any civil action arising under this chapter, the plaintiff shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

The petition asserts that the circuit courts are “sharply divided” whether proof of willfulness is required to recover an infringer's profits in a trademark infringement action. On the one hand, the Third (*Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005)), Fourth (*Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006)), Fifth (*Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002)), Sixth (*Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010)), Seventh (*Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989)), and Eleventh Circuits (*Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 F. App'x 899, 902 (11th Cir. 2007) (per curiam)) do not require a showing of willfulness for a plaintiff to recover an award of an infringer's profits for violation of § 43(a). In those circuits, the infringer's intent merely is one of the factors considered in weighing the equities.

Moreover, those circuits rely on the 1999 Amendment to the Lanham Act to treat willfulness as only a factor in weighing the equities. When section 43(c) was enacted, Congress amended section 35 “by striking ‘or a violation under section 43(a),’ and inserting ‘a violation under section 43(a), **or a willful violation under section 43(c).**’” Pub. L. No. 106-43, § 3, 113 Stat. 218, 219 (1999) (emphasis added). Thus, as a result of the 1999 Amendment, to recover under Section 35, willfulness was only expressly required to be proved for dilution violations.

On the other hand, the Second (*Merck Eprova AG v. Gnosis S.P.A.*, 760 F.3d 247, 261 (2d Cir. 2014)), Eighth (*Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994)), Ninth (*Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441

(9th Cir. 2017), cert. denied, 138 S. Ct. 1984 (2018)), Tenth (*W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005)) and D.C. Circuits (*ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990)) require a showing of willfulness in order to recover an infringer's profits. Additionally, the Federal Circuit's decision underlying this case also requires a willfulness finding.

The First Circuit (*Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002)) also requires a showing of willfulness, but only where the parties are not direct competitors.

Romag's petition contends, "[c]ourts, academics, and commentators widely acknowledge the square conflict this case presents." It further states, "[n]umerous courts ... have catalogued the disagreement," "[a]cademics have lamented the 'schizophrenic view [in the circuits].'" It concludes that this "state of affairs is intolerable for a federal statute that should apply uniformly across the country" and that "[o]nly this Court can break the impasse."

Romag also argues that the resolution of the question presented "has significant practical and policy implications." It explains, "[b]ecause a plaintiff's actual damages are often difficult to measure, an award of an infringer's profits is often the only meaningful monetary relief that trademark owners can secure." Thus, Romag concludes, "the distinction between treating willfulness of infringement as a weighty concern, on the one hand, and as a dispositive concern, on the other hand, can change the outcome of a case."

Romag further argues that "a mark holder's eligibility to recover profits [based on] which court is deciding the infringement dispute" is contrary to the Lanham Act's purpose to "harmonize the then-existing patchwork of trademark protections and to

ensure that trademark rights would not vary based on geography.”

We will continue to closely follow proceedings in this matter on this blog.

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