

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Supreme Court To Decide Willful Trademark Infringement Issue

In a case that may significantly affect the damages available in certain trademark cases, the U.S. Supreme Court is set to resolve a six-to-six circuit split over whether a successful trademark-infringement plaintiff may recover the defendant-infringer's own profits without showing that the defendant's false or misleading use of the trademark was willful. *Romag Fasteners v. Fossil*, No. 18-1233 (2019). We report here on *Romag* and on the decisions of the Circuit Courts of Appeals.

The Lanham Act

The Lanham Act provides trademark holders with a cause of action against “[a]ny person who ... uses in commerce any word, term, name, symbol, or device ... or any false designation of origin,

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false or misleading description of fact, or false or misleading representation of fact” that “is likely to cause confusion, or to cause mistake, or to deceive as to the All 12 regional Circuit Courts of Appeals have considered whether a showing of willfulness is required for a prevailing trademark plaintiff to recover a defendant's profits under §1117(a). Six hold that no such showing is required, and six hold that it is.

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.” 15 U.S.C. §1125(a).

For a violation of §1125(a), the Act further provides that, “subject to the principles of equity,” a trademark-infringement plaintiff may recover “(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.” 15 U.S.C. §1117(a). Importantly, although §1117(a) requires “a willful violation under Section 1125(c)” — a phrase that was added by Congress in a 1999 amendment — for a plaintiff to receive any of the above-listed remedies for a violation of §1125(c), §1117(a) does not use “willful” in reference to violations of §1125(a).

Decisions of Circuit Courts Of Appeals

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such showing is required, and six hold that it is.

The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits do not require willfulness. *Laukus v. Rio Brands*, 391 F. App'x 416, 424 (6th Cir. 2010); *Optimum Techs. v. Home Depot U.S.A.*, 217 F. App'x 899, 902 (11th Cir. 2007); *Synergistic Int'l v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *Banjo Buddies v. Renosky*, 399 F.3d 168, 171 (3d Cir. 2005); *Quick Techs. v. Sage Grp. PLC*, 313 F.3d 338, 349 (5th Cir. 2002); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989). Instead, the Third, Fourth, and Sixth Circuits follow the Fifth Circuit's "factor-based" approach, which includes evaluation of factors such as "(1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." *Quick Techs.*, 313 F.3d at 349. Although not required, according to the Fifth Circuit, "willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate." *Id.* Likewise, in the Seventh Circuit, "[o]ther than general equitable considerations, there is no express requirement that the parties be in direct competition or

that the infringer wilfully infringes the trade dress to justify an award of profits." *Roulo*, 886 F.2d at 941. Finally, the Eleventh Circuit also does not require willfulness, but instead may award an accounting of defendant's profits where "(1) the defendant's conduct was willful and deliberate, (2) the defendant was unjustly enriched, or (3) it is necessary to deter future conduct." *Optimum Techs.*, 217 F. App'x at 902.

At the merits stage, Romag argues that "Section 1117(a), by its terms, does not require a showing of willfulness as a prerequisite to awards of infringers' profits in all cases. That omission is dispositive."

In the Second, Eighth, Ninth, Tenth, and District of Columbia Circuits, on the other hand, a showing of willfulness is "a prerequisite for awarding a defendant's profits." *Stone Creek v. Omnia Italian Design*, 875 F.3d 426, 441 (9th Cir. 2017); *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014); *W. Diversified Servs. v. Hyundai Motor Am.*, 427 F.3d 1269, 1273 (10th Cir. 2005); *Minn. Pet Breeders v. Schell & Kampeter*, 41 F.3d 1242, 1247 (8th Cir. 1994); *ALPO Petfoods v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990). Notably, in *Stone Creek*, the Ninth Circuit explained that the 1999 amendment did not eliminate the

willfulness requirement because the "history of enactment convincingly shows that the 1999 amendment was intended only to correct a conspicuous drafting error in the 1996 version of the remedies provision" such that it "would be a mistake to draw a negative implication from the unrelated and later-introduced language that the amendment somehow negated our circuit's well-settled willfulness requirement." 875 F.3d at 441-42.

Similarly, in the First Circuit, a showing of willfulness is "usually" required unless plaintiff and defendant are direct competitors. *Fishman Transducers v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012).

District Court and Federal Circuit Opinions in 'Romag'

Romag sells magnetic snap fasteners for use in wallets, handbags, and other leather goods. The snaps are manufactured in factories in China. Fossil designs and markets fashion accessories, including handbags and small leather goods. Like Romag, Fossil uses a contract manufacturer to make its products. Fossil and Romag entered into an agreement to use Romag fasteners. After Romag discovered counterfeit Romag snaps on Fossil handbags, it sued Fossil for trademark infringement, false designation of origin, patent infringement, and other causes of action.

After a seven-day federal jury trial, the jury found Fossil liable

for trademark infringement, found that Fossil did not willfully infringe, and awarded Romag approximately \$6,800,000 of Fossil's profits. 29 F. Supp. 3d 85, 90 (D. Conn. 2014). The jury also found Fossil liable for false designation of origin, state common law unfair competition, violation of the Connecticut Unfair Trade Practices Act, and patent infringement.

Following a two-day bench trial, the district court further held, as a matter of law, that because Fossil's infringement was not willful, Romag was not entitled to recover Fossil's profits associated with that infringement. *Id.* at 91. According to the court, "the plain language of §1117(a) does not indicate that Congress intended to abrogate the common-law willfulness requirement by adding the word 'willful' to modify the trademark dilution section of the statute" and the "post-amendment language with respect to section 1125(a) is the same language that the Second Circuit interpreted, based on the principles of equity, to require a finding of willfulness." *Id.* at 109.

Because there were patent claims asserted, the appeal was to the Federal Circuit. That court then applied the law of the Second Circuit to the trademark issues and affirmed, holding that "we see nothing in the 1999 amendment that permits us to declare that the governing Second Circuit precedent

is no longer good law." 817 F.3d 782, 789 (Fed. Cir. 2016). The court explained that "the limited purpose of the 1999 amendment was simply to correct an error in the 1996 Dilution Act," the "language of the statute as to infringement liability remains unchanged with regard to the award of profits under the 'principles of equity,'" and "the inserted language concerning willfulness in dilution cases does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement." *Id.*

Supreme Court Appeal

The Supreme Court granted Romag's petition for certiorari. At the merits stage, Romag argues that "Section 1117(a), by its terms, does not require a showing of willfulness as a prerequisite to awards of infringers' profits in all cases. That omission is dispositive." 2019 WL 4464225, at *17. Romag also argues that in §1117(a), Congress "carefully distinguished ... between 'a violation of' section 1114, a 'violation under section 1125(a) or (d)'" and "a willful violation under section 1125(c)." *Id.* Thus, argues Romag, "[h]ad Congress wanted to impose a uniform willfulness requirement to recovery of profits, it easily could have." *Id.* at *5. Additionally, according to Romag, "[a]s a practical matter, an award of profits is often a mark holder's only remedy. Requiring willfulness in every case, regardless of other

circumstances, would deny mark holders compensation and create perverse incentives for global manufacturers to avoid monitoring their supply chains." *Id.*

Fossil's merits brief is due on November 26. In its opposition to certiorari, Fossil argued that the "common law required willfulness for an award of an infringer's profits" and §1117(a)'s "reference to 'the principles of equity'—which has remained unchanged despite subsequent amendments—incorporated that common-law rule." 2019 WL 2267218, at *3. Thus, according to Fossil, "as the Federal Circuit correctly concluded, nothing in a 1999 technical, conforming amendment altered that standard." *Id.* Fossil also pointed out that the "differ[ent] standards" of the circuits "in practice produce similar results: even where willfulness is 'important' but not a prerequisite, the overwhelming majority of decisions upholding defendant's profits awards involve intentional, willful misconduct. And 'important factor' courts almost never award profits absent willful infringement." *Id.* at *2.

Oral argument has not yet been scheduled.