

## **Trademark Remedies: Willfulness Requirement, Lessons From Romag v. Fossil, Implications for Trademark Strategies**

Maximizing Monetary and Non-Monetary Remedies in Trademark Litigation

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# ***Romag Fasteners Inc. v. Fossil Inc.*** **and Trademark Remedies**

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# ***Supreme Court Decision that “Willfulness” is Not a Prerequisite for Disgorgement of Defendant’s Profits as Damages***

*Romag Fasteners, Inc. v. Fossil Grp., Inc., et al.*, 590 US \_\_\_, 2020, 140 S. Ct. 1492 (2020).

# ***Romag* Decision and Potential Effects**

Background

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Impact on Trademark Litigation

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Impact on Other Lanham Act Cases?

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Impact on Trademark Clearance

# ***Romag v. Fossil* Background**



- ***Romag* District Court Decision**

- District of Connecticut – patent and trademark infringement suit
- Jury in an advisory opinion found “callous disregard” and awarded Romag approximately:
  - \$54.4K in reasonable royalties for patent infringement;
  - \$2.4MM in attorney’s fees and costs; and
  - \$6.8MM of Fossil’s profits
- District Judge applying Second Circuit law struck profits award because no willfulness finding

- ***Romag* Appellate Court Decision**

- Federal Circuit applying Second Circuit law affirmed District Court based on absence of required willfulness finding

# ***Romag v. Fossil* Background – cont'd**

- **Romag's Petition for a Writ of Certiorari –**
  - Presented question whether under 15 U.S.C. § 1117(a) willful infringement is a prerequisite for an award of infringement profits under 15 U.S.C. § 1125(a) and cited Circuit divide over the issue and policy reasons.
- **Circuit Split on Willfulness as a Prerequisite to Defendant's Profits as Damages**
  - Willfulness required in Second, Eighth, Ninth, Tenth, and D.C. Circuits
  - Willfulness only one factor in First,\* Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits
    - First Circuit: Willfulness required where parties are not direct competitors
- **Romag Supreme Court Decision**
  - Vacated and Remanded – Held: Willfulness is not required to award defendant's profits as damages.
  - Supplemental briefs due in Federal Circuit on July 2, 2020.

# 15 U.S. Code § 1117. Recovery for violation of rights

## (a) Profits; damages and costs; attorney fees

*When a violation of any right of the registrant of a mark . . . , 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 . . . , 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. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.*

# Impact on Trademark Litigation

- **Citing Decisions; So far largely uneventful**
  - *JL Bev. Co., LLC v. Jim Beam Brands Co.*, No. 18-16597, 2020 U.S. App. LEXIS 16791 (9th Cir. May 27, 2020) (citing *Romag* for principle that disgorgement is equitable remedy).
  - *Airhawk Int'l, LLC v. Ontel Prods. Corp.*, Case No. 18-cv-00073-MMA-AGS, 2020 U.S. Dist. LEXIS 81869 (S.D. Cal. May 8, 2020) (denying reconsideration of summary judgment disgorgement award, evidence of conscious wrongdoing continues to be sufficient showing).
- **Potential Impact by Circuit**
  - First, Second, Eighth, Ninth, Tenth, and D.C. Circuits
  - Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits
- **Potential for Increased Lawsuits/Bolder Plaintiffs?**
  - Asserting borderline descriptive marks
  - Incentivizing contingency and funding cases

# Impact on Other Lanham Act Cases?

- **False Advertising?**
- **Unfair Competition?**
- **Cybersquatting?**

# Impact on Trademark Clearance / Opinions of Counsel

- **Broader “Mens Rea” or “Culpability” =**
  - **Extra caution in clearance**
  - **Establishing defined processes**
  - **Considering formal opinions**
- **Related practical actions to reduce culpability:**
  - **Strong indemnity provisions – i.e., in supplier agreements**
  - **Proactive comprehensive due diligence to ensure no inadvertent infringement**

# Considerations Going Toward Culpability

- **Size matters**
- **Identifying need for clearance**
- **Care in searching for similar goods / services using mark**
- **Follow-through for identified companies**
- **Level of thought put into likelihood of confusion**
- **Contacting companies using similar mark**
- **Response to C&D letters**

*E.g. Fisons Horticulture, Inc. v. Vigoro Indus.*, 30 F.3d 466, 480 \*41-42 (3d Cir. 1994), *Fleet Feet, Inc. v. Nike Inc.*, 419 F. Supp. 3d 919 (M.D.N.C. 2019)

# Trademark Remedy Strategies

Statutory Framework

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Defendant's Profits

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Actual Damages

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Enhanced Damages and Fees

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Punitive Damages

# 15 U.S. Code § 1117. Recovery for violation of rights

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# Actual Damages

- **Lost Profits**
  - Very high Plaintiff burden to show non-speculative, demonstrable losses
  - Better suited for certain types of cases:
    - Parties are direct competitors, few market players, substitutable products, overlapping territory, actual confusion evidence
    - Helps tie losses directly to Defendant
- **Corrective Advertising / Harm to Mark**
- **Price Erosion**
- **Reasonable Royalty** – makes most sense in cases with routinely-licensed marks
- **Creative approaches**

# Defendant's Profits

- **Very low Plaintiff burden to establish Defendant's gross revenues; burden then shifts to Defendant to prove all elements of cost and deduction claimed.**
- **Balanced with Plaintiff burden to establish culpability, or other equitable circumstances warranting defendant's profits such as unjust enrichment, deterrence, etc.**
- ***Romag* "mens rea" analysis attempts to preserve equity without placing extra-statutorial burdens**
- **Good option for cases where actual damages will be hard to prove – like in most cases – and easier to achieve in light of *Romag***

# Enhanced Damages and Attorney's Fees

- **Standards**
  - **Enhanced Damages:**
    - 15 U.S.C. § 1117(a): “In assessing damages *the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.* Such sum in either of the above circumstances shall constitute compensation and not a penalty.”
  - **Attorney's Fees:**
    - 15 U.S.C. § 1117(a): “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”
- **Potential Impact of *Romag* given Willfulness/Intent overlap**

# Punitive Damages

- **Lanham Act Prohibits Punitive Damages**

- 15 U.S.C. § 1117(a) (“.... Such sum in either of the above circumstances shall constitute compensation and not a penalty.”)

- **State Law Dependent**

- Georgia, for example, allows punitive damages as an enhancement on a compensatory damages award (O.C.G.A. § 51-12-5.1) which could arise from a state common law unfair competition claim.

- **Strongly culpability-based:**

- “... willful misconduct, malice, fraud, wantonness, oppression, or that entire want of care which would raise the presumption of conscious indifference to consequences.”

# Non-Monetary Remedy Strategies

Injunctions – Harm, Scope, Safe Distance

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Seizure and Destruction

# Injunctions – Preliminary and Permanent

- **Irreparable Harm**
  - Post-*eBay Inc. v. MercExchange, L.L.C.* 547 U.S. 388 (2006): What is acceptable?
    - Extension from patent owners to trademark owners.
    - No presumption of irreparable harm now; but don't forget factual circumstances that contributed to the adoption of the presumption.
    - Loss of brand control
    - Reputational harm
    - Actual confusion
- **When Injunctions are Denied**
- **Being Specific in Scope – Enforceability**
- **“Safe-Distance” Rule – Scope and limits**

# Seizure and/or Destruction Orders

- **Seizure is a more “extraordinary” aggressive remedy, i.e., for counterfeiting cases.**
- **Seeking an order that infringing product be destroyed is good add-in for any case with branded items where there is no sell-through time allowed:**
  - Products
  - Marketing materials
  - Signage
  - Packaging
- **Ensures infringing products don’t end up in stream of commerce through back channels.**

# Right to a Jury

Disgorgement as an Equitable Remedy

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Drawing out Plaintiff's Damages Strategy

# QUESTIONS?



# ***Thank You***

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