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Trademark Infringement Just Got More Dangerous

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On April 23, 2020, the U.S. Supreme Court decided *Romag Fasteners v. Fossil Inc.* addressing whether proof of willful infringement was a required element before an infringer's profits could be awarded. In a unanimous decision, the Court answered with a resounding "no." While still an important factor, willfulness is not a "precondition" to an award of the infringer's profits.

Will this open the flood gates to trademark infringement suits where the defendant's profits are at stake? Time will tell, but it seems likely there will be more trademark Infringement suits and awards of the Defendant's profits in all federal circuits. More details of the opinion follow, along with brief comments on how to avoid trademark infringement in the first place.

The Landscape Before Romag

Under the Lanham Act, a court can award a winning trademark plaintiff injunctive relief, damages, or a defendant's "ill-gotten profits." Courts turn to the behavior and state of mind of the defendant to see what type of relief a plaintiff should be granted. Often, an innocent violator is seen differently from a deliberate and intentional infringer. In response, many courts, including the Second Circuit, held that a plaintiff could only win profits as a remedy when the plaintiff showed that the defendant *willfully* infringed its trademark.

Romag v. Fossil

In an unusual opinion authored by Justice Neil Gorsuch, the Court took Fossil's arguments in order, dismissing most of them in a clear and decisive manner based on statutory language. The case turned on a review of the language on the Lanham Act:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under

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section 1125(c) of this title, shall have been established ..., the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and 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 Court looks to the statute, stating "this language spells trouble for Fossil and the circuit precedent on which it relies." This language shows that willfulness remains a part of 1125(c) but not 1125(a) or (d). Lacking a statutory basis or history to insert "willful infringement," Fossil pointed to language that an award of profits under Sec. 1125(a) was "subject to the principles of equity." Further, the Court noted that the requirement of willfulness was not required in patent infringement cases and other analogous suits. In response, Fossil suggested that trademark law differed, having applied a virtually universal willfulness requirement for so long. The Court agreed with Fossil that the defendant's mental state is an important consideration in deciding whether disgorgement of profits is an appropriate remedy. However, Judge Gorsuch concluded that that broad phrase "subject to the principles of equity" did not require modification of the statute and "willful infringement" as an absolute precondition for an award of Defendant's profits.

What Does Romag Mean To Me?

As willfulness can address many other aspects of an infringement claim and damages, allegations and affirmative defenses will still cover whether the defendant was acting in a willful or innocent manner. But an aggressive or careless Defendant, who can't credibly claim its infringement was innocent, may now feel compelled to settle a case, rather than risk continuing to infringe the mark with Defendant's increasing profits at risk.

And Plaintiffs may be more willing to pursue an infringement, particularly where it is clear the defendant turned a blind eye toward the possibility of infringing a federally registered mark. It may now be more important that the Defendant can establish it took reasonable steps to clear its mark, to avoid intentionally infringing the plaintiff's mark.

So how do you clear a mark and help avoid putting your hard-earned profits at risk?. When considering adopting a new trademark, and all the associated investment that goes with it, the ideal mark must be "legally available" for use and federal registration. In short, that means the mark must not be the same or confusingly similar to another mark already used or registered for the same or similar goods in the United States. Preliminary and comprehensive availability searches are advisable, to protect the investment and continued right to use and federally register the adopted mark.

Ideally, the mark also should be easy to pronounce, distinctive and have a positive connotation, and not be merely descriptive of the product. A tall order, but in today's new legal environment, selecting and clearing a new brand or trademark has never been more important.

For further information please contact your Butzel Long attorney or the authors of this Alert.

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