

The Willfulness Requirement in Trademark Damages and the Imagination of Counsel

In 'Romag Fasteners v. Fossil,' the U.S. Supreme Court resolved a longstanding split among the federal circuits, on the issue of whether a plaintiff must show that a defendant acted with 'willful' intent to receive an award of profits for certain types of trademark infringement under the Lanham Act.

By Greg Derin

Mark Twain wrote, "You can't depend on your eyes when your imagination is out of focus." Intellectual property laws are written to foster and protect creation and innovation. Throughout our history, that same impetus has driven litigation, both to fulfill its purpose, and as counsel have expanded statutory law and precedent for the benefit of their clients and segments of the bar.

A significant intellectual property question was answered by the U.S. Supreme Court on April 23. In its wake, lingering questions remain—will the resolution create a void that will be solved by the evolution of case law, new statutes or aggressive litigation? Will the decision be much ado about nothing?

In *Romag Fasteners v. Fossil*, No. 18-1233, the Supreme Court resolved a longstanding split among the federal circuits, on the issue of whether a plaintiff must show that a defendant acted with "willful" intent to receive an award of profits for certain types of trademark

infringement under the Lanham Act. Albeit deploying concurring opinions, the court unanimously concluded that such an intent was *not* required in cases involving the false or misleading use of a trademark. Previously, the First, Second, Eighth, Ninth, Tenth and D.C. Circuits had held that *willfulness* was required before profits could be awarded in such cases. The Third, Fourth, Fifth, Sixth, Seventh and Eleventh Circuits applied an equitable balancing test in which a defendant's conduct was a relevant fact, but was not dispositive. Without attribution, it was this latter standard which the majority essentially adopted.

Romag involved a dispute between the designer, Fossil, and a supplier of fasteners for its handbags and other accessories. Romag supplied fasteners to Fossil for use in its handbags and other accessories. Fossil's factories in China began utilizing counterfeit fasteners, leading Romag to allege that it failed to protect against this conduct. At trial,



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the jury found that Fossil had acted with "callous disregard" of Romag's rights, but failed to conclude that such conduct was "willful." Following precedent from the Second Circuit, which required a finding of "willful" conduct, the district court declined to award profits from the sales of products utilizing the counterfeit fasteners.

Closely adhering to a short review of the legislative history of the Lanham Act, the seven-member major-

ity opinion, sparingly authored by Justice Gorsuch, found no requirement of willfulness for a Section 15 U.S.C. §1117(a) violation (false and misleading uses of trademark), as distinct from a dilution claim, which facially does require a finding of willful intent. The court concluded that “a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate,” but is not determinative. Rejecting the competing arguments asking the court to balance the perceived needs to deter “baseless” trademark suits with promotion of greater respect for trademarks in the “modern global economy,” the court noted that “the place for reconciling competing and incommensurable policy goals ... [however] is before policymakers.”

Justice Sotomayor concurred in the majority’s reading of the statute, and in the result, but in a separate opinion questioned the majority’s conclusion that courts sitting in equity were as likely to award profits for “willful,” as for “innocent,” infringement. Justice Sotomayor thus implicitly cautioned courts of equity to consider the scintilla of infringers.

Subject to nuanced differences, expressed principally in a concurrence by Justice Sotomayor, the decision was narrowly circumscribed by adhering to the perceived legislative intent manifested on the face of the Lanham Act. The opinion may thus preview the manner in which the Roberts court may find common ground—at least on intellectual property issues. *Romag* thereby

settled a circuit split by leaving to the district courts the proper assignment of a remedy after determining a defendant’s intent in cases involving the false or misleading use of a trademark. Such an equitable balancing test, in which a defendant’s conduct was a relevant fact, but was not dispositive, has operated without wreaking havoc in multiple circuits for many years. Of interest, however, is the fact that the circuits that are home to the most trademark actions (the Second and Ninth Circuits) have adhered to the now-abandoned bright-line willfulness requirement.

Romag does not resolve all *willfulness* issues. Beyond the removal of the bright-line threshold test in the circuits, *Romag* does not remove a secondary layer beneath this surface. For example, in *Fifty-Six Hope Road Music v. A.V.E.L.A.*, 778 F.3d 1059 (9th Cir. 2015), the Ninth Circuit looked to the final clause of 15 U.S.C. §1117(a): “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” The test for an award of attorney fees in §1117(a) cases was untouched by *Romag*. Citing *Gracie v. Gracie*, 217 F.3d 1060 (9th Cir. 2000), the court in *A.V.E.L.A.* observed that a case is deemed “exceptional” “when the infringement is malicious, fraudulent, deliberate, or willful.” The trial court in *A.V.E.L.A.* found the defendants’ conduct to have been “willful” for this purpose. While the concept of willfulness necessarily involves subjective applications of facts, all circuits will continue to apply standards, including ones relating to willfulness, whether to

an award of attorney fees, or to the broader equitable criteria left open by the *Romag* majority.

While *Romag* seemingly resolves the longstanding circuit split regarding whether willful conduct is required to support an award of profits, it fails to create a clear standard by which a defendant’s conduct is to be judged in Section 1117(a) cases. Almost certainly, courts will be loath to award profits in most clear cases of “innocent” infringement. Each circuit will, however, be left to develop standards for the award of damages, profits and costs, as has been done historically in the Third, Fourth, Fifth, Sixth, Seventh and Eleventh Circuits, unless Congress chooses to establish benchmarks. Until then, the impact of *Romag* will not be clear. By merely removing a willfulness “requirement,” but retaining an implied equitable mens rea element for a profits award, it is unlikely that the decision will alter the landscape significantly or induce more filings. Rather, the ambiguity and confusion once confined to six Circuits will now reign in all of the federal courts. And counsel’s imagination will become increasingly more focused on the willfulness of a defendant’s conduct.

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