

Will High Court's Trademark Ruling Spark Litigation Wave?

By **Bill Donahue**

Law360 (April 24, 2020, 4:45 PM EDT) -- In the wake of a U.S. Supreme Court decision making it easier to win money in trademark cases, are courts about to see a spike in infringement lawsuits and huge awards?

The ruling on Thursday, in favor of a company called Romag Fasteners, said that courts can order trademark infringers — in this case Fossil Group Inc. — to fork over their ill-gotten profits even if they haven't violated the law willfully.

Before Thursday, some courts had only granted such "disgorgements" of profits in cases where a defendant acted willfully, but the high court called that an "inflexible precondition" that Congress didn't write into the text of the Lanham Act.

Ahead of the ruling, Fossil and its supporters had warned that such an outcome could lead to more "baseless" lawsuits, filed by bad actors lured by the potential of a windfall judgment to sue over relatively small-scale infringement.

But as the dust settled on Thursday's ruling, experts weren't so sure much had changed.

For starters, while the high court removed "willfulness" as a hard-and-fast requirement, it repeatedly stressed that an infringer's mindset should still be a very important consideration when courts are deciding whether to harshly punish them.

Given that carve-out, the court's gripes seemed almost abstract — more concerned with the existence of a judge-made rule than actually changing how courts handle the issue.

"We do not doubt that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," the court wrote. "But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances."

According to trademark experts, that language will empower district courts to continue using plenty of discretion in awarding such profits, avoiding the kind of sky-is-falling problems Fossil warned about.

"An accidental infringement by a small mom-and-pop business is not likely to lead to an award of profits and financial ruin," said Ronald G. Dove Jr., a co-chair of the intellectual property practice at the

firm Covington & Burling LLP. "But a willful or reckless disregard of preexisting trademark rights will now more readily be punished."

It's also important to note that much of the country has already been operating under the approach endorsed by the Supreme Court. While the important Second and Ninth Circuits imposed the hard requirement, many of the nation's other courts did not.

"The reality is that willfulness has not been required in many jurisdictions and we haven't seen judges leaning into awarding profits in the typical case," said Douglas Masters, a trademark attorney at Loeb & Loeb.

Rather than sweeping changes to how courts award profits, the biggest change sparked by Thursday's ruling might be procedural.

"I believe it will have significant procedural effect, but perhaps rather limited substantive effect," said Marc S. Reiner, a trademark attorney at Hand Baldachin Associates LLP.

Ahead of Thursday's ruling, a common tactic for defendants in trademark cases had been to quickly seek dismissal or summary judgment on the issue of willfulness. That way, they could establish that a plaintiff would not recover any significant money from the case.

"These types of motions will now be rare and jury trials will be far more common," Reiner said. "Substantively, however, I do not believe that monetary awards will be more common than before."

Other experts, though, were concerned about the policy implications raised by Fossil despite the court's careful wording.

According to David H. Bernstein, the head of the intellectual property practice at Debevoise & Plimpton LLP, the possibility of a huge profits award "has the potential to weaponize the Lanham Act and complicate efforts to settle even routine trademark cases."

"Disgorgement of damages may well be appropriate in cases where a defendant has acted with fraudulent intent," he said, but in cases where conduct was less egregious, a profits award "unfairly penalizes a defendant and may give the plaintiff an undeserved windfall."

Bernstein stressed that he believed the high court's ruling was legally correct, but said that federal lawmakers should consider taking action to change the law in ways courts cannot.

"Unless and until Congress acts, I think today's ruling will result in more litigation," he said. "Not necessarily in baseless cases, but I do think meritorious cases that should be settled on reasonable terms are now more likely to become protracted as plaintiffs hold out for windfall awards."

--Editing by Adam LoBelia.