PREVIEW
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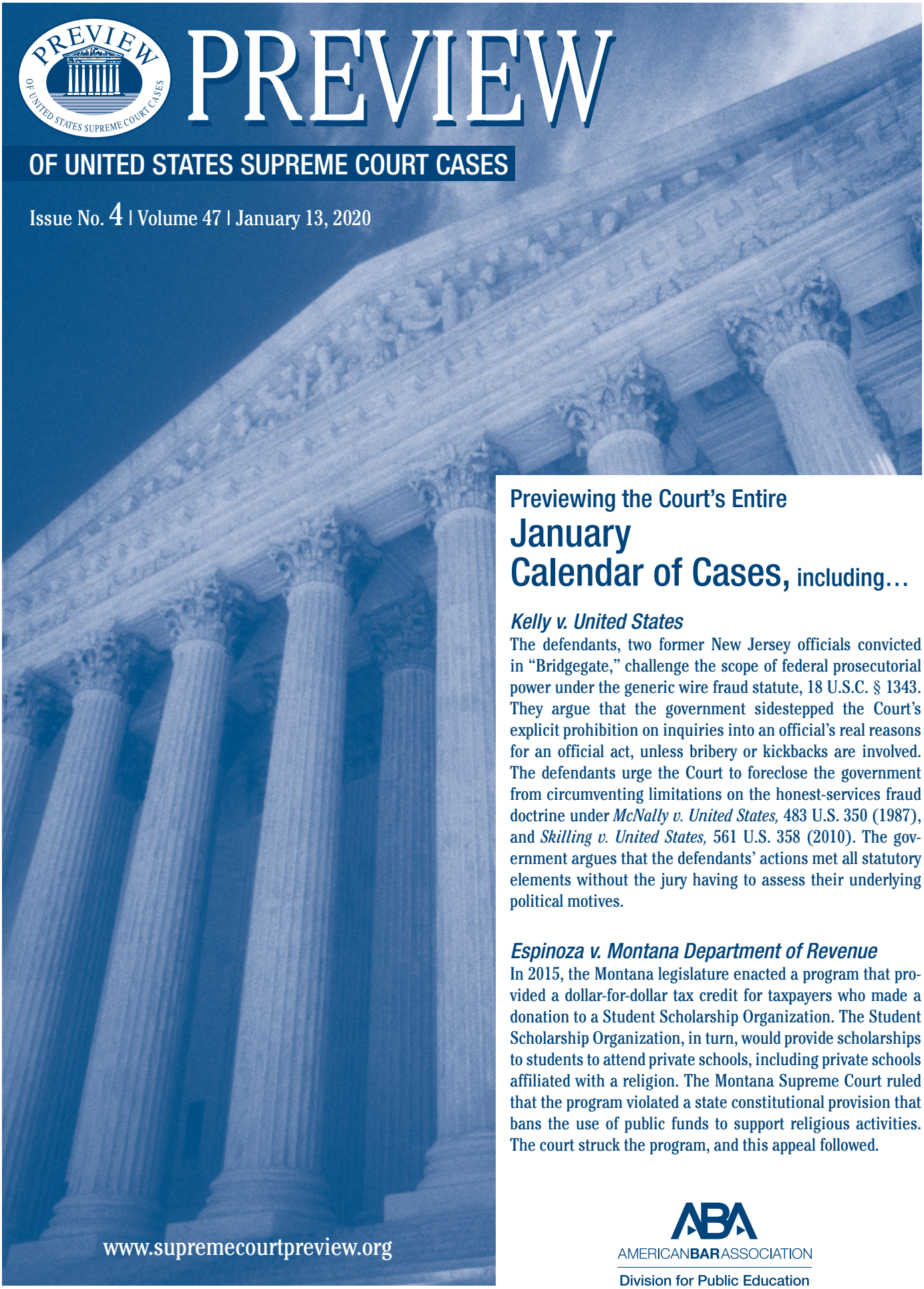
Issue No. 4 | Volume 47 | January 13, 2020



Previewing the Court's Entire January Calendar of Cases, including…

Kelly v. United States

The defendants, two former New Jersey officials convicted in "Bridgegate," challenge the scope of federal prosecutorial power under the generic wire fraud statute, 18 U.S.C. § 1343. They argue that the government sidestepped the Court's explicit prohibition on inquiries into an official's real reasons for an official act, unless bribery or kickbacks are involved. The defendants urge the Court to foreclose the government from circumventing limitations on the honest-services fraud doctrine under *McNally v. United States,* 483 U.S. 350 (1987), and *Skilling v. United States,* 561 U.S. 358 (2010). The government argues that the defendants' actions met all statutory elements without the jury having to assess their underlying political motives.

Espinoza v. Montana Department of Revenue

In 2015, the Montana legislature enacted a program that provided a dollar-for-dollar tax credit for taxpayers who made a donation to a Student Scholarship Organization. The Student Scholarship Organization, in turn, would provide scholarships to students to attend private schools, including private schools affiliated with a religion. The Montana Supreme Court ruled that the program violated a state constitutional provision that bans the use of public funds to support religious activities. The court struck the program, and this appeal followed.

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U.S. SUPREME COURT JANUARY 2020 CALENDAR

MONDAY

JANUARY 13

Lucky Brand Dungarees, Inc. v. Marcel Fashion Group, Inc.

Thole v. U.S. Bank, N.A.

JANUARY 20

Legal Holiday

TUESDAY

JANUARY 14

Kelly v. United States

Romag Fasteners v. Fossil

JANUARY 21

Shular v. United States

GE Energy Power Conversion France SAS, Corp. v. Outokumpu Stainless USA, LLC

WEDNESDAY

JANUARY 15

Babb v. Wilkie

JANUARY 22

Espinoza v. Montana Department of Revenue

CONTENTS

Issue No. 4 | Volume 47

January 13, 2020

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A one-year subscription to *PREVIEW of United States Supreme Court Cases* consists of seven issues, published September through April, that concisely and clearly analyze all cases given plenary review by the Court during the present Term, as well as briefly summarize decisions as they are reached. A special eighth issue offers a perspective on the newly completed Term.

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Is Willfulness Required for a Profits Award in Lanham Act False Designation Cases?

CASE AT A GLANCE

A District of Connecticut jury found that Fossil 1) infringed Romag Fasteners' trademark; 2) infringed Romag Fasteners' patent; and 3) falsely represented its products as being from Romag Fasteners. The jury did not find that Fossil willfully infringed, but awarded Romag Fasteners Fossil's profits based upon a finding that Fossil acted with "callous disregard" for Romag Fasteners' trademark rights. The Federal Circuit reversed because the Second Circuit required a willfulness finding for a profits award. The issue highlighted a circuit split. Six circuits require a willfulness finding to award profits—the First, Second, Eighth, Ninth, Tenth, and D.C. Circuits. Six other circuits—the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits—do not require willfulness.

Romag Fasteners v. Fossil
Docket No. 18-1233

Argument Date: January 14, 2020
From: The Federal Circuit

by R. David Donoghue
Holland & Knight, LLP Chicago, IL

ISSUE

Is willful infringement a prerequisite for an award of a trademark infringer's profits?

FACTS

Romag Fasteners and Fossil entered an agreement in 2002 licensing Fossil's use of Romag's patented snap fasteners in Fossil handbags, as well as the use of Romag's ROMAG trademark. In 2010, Romag allegedly discovered Fossil was using counterfeit magnetic snaps. Romag sued Fossil for patent infringement, trademark infringement, and Lanham Act false designation of origin in the District of Connecticut. The case proceeded to trial. In April 2014, a jury verdict was entered finding that Fossil had infringed Romag Fasteners' trademark and patent and falsely represented the source of its products as coming from Romag. While none of Fossil's violations were found to be willful, the jury found that Fossil showed "callous disregard" for Romag's trademark rights, leading to a damages award of $6.7 million in profits. The district court reversed the profits award after the verdict because there was no willfulness finding. On appeal, the Federal Circuit affirmed the district court's reversal of the profits award based upon the Second Circuit's requirement that a show of willfulness must be present to award profits. The Federal Circuit also remanded for review of the damages award in light of the Supreme Court's ruling in *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods.*, 137 S. Ct. 954 (2017). In *SCA Hygiene,* the Supreme Court held that laches is not a defense to patent infringement because the six-year damages window set in 35 U.S.C. § 286 replaces the equitable doctrine of laches. After the district court entered an amended final judgment, the Federal Circuit refused to review its own prior determination regarding the profits award. Romag Fasteners then filed its petition of *certiorari* based upon the circuit split over whether willfulness is required for an award of profits.

CASE ANALYSIS

Monetary damages are not always awarded in Lanham Act cases. Typically, if monetary damages are awarded, it is in the form of a plaintiff's actual damages or a reasonable royalty to account for past trademark use. 15 U.S.C. § 1117. A court can also award disgorgement of a defendant's profits. But the circuit courts are evenly split as to whether an award of a defendant's profits requires a willfulness finding, or is available for any Lanham Act false designation of origin claim. Six circuits require a willfulness finding to award profits—the First, Second, Eighth, Ninth, Tenth, and D.C. Circuits. Six other circuits—the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits—do not require willfulness.

Romag Fasteners argues that the plain text of the statute requires only a violation of Section 1125(a) (false designation of origin) for an award of profits. Furthermore, Romag points to the fact that the statute requires a willful violation of Section 1125(c) (trademark dilution) for an award of a defendant's profits. Fossil counters that a profits award is an equitable remedy and that for a century a willfulness finding has been a check on the equitable remedy of profits. Fossil asserts that such a scheme assures that a plaintiff does not receive an improper windfall. According to Fossil, this has

been accomplished by incorporation of "principles of equity" into the Lanham Act, including a requirement that willfulness must be shown for an award of profits.

Romag Fasteners counters that the phrase "principles of equity" does not justify the willfulness requirement. Romag Fasteners further argues that willfulness was not historically required for a profits award.

SIGNIFICANCE

Whichever way the Supreme Court rules, the decision will change the law in half of the regional circuits. If the Supreme Court rules that a willfulness finding is not required for a profits award, it means a bigger threat and more settlement leverage for plaintiffs in Lanham Act false designation of origin cases. If the Supreme Court rules that willfulness is required for a profits award, there is less threat and correspondingly less settlement leverage for plaintiffs in false designation of origin cases.

R. David Donoghue is an established IP trial attorney with jury trial success and a strong track record across district courts, the Federal Circuit, and at the Patent Trial and Appeal Board. He serves as the leader of Holland & Knight's national Intellectual Property Group and is based in the firm's Chicago office. Mr. Donoghue advises clients from major corporations to midsize businesses on technology disputes, such as patent, trade secret, trademark, copyright, and Computer Fraud and Abuse Act (CFAA).

PREVIEW of United States Supreme Court Cases 47, no. 4 (January 13, 2020): 16–17.

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