



PROGRAM MATERIALS

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Hot Topics in Trademark Law: the 2018-20 Supreme Court Term

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Hot Topics in Trademark Law: the 2018-20 Supreme Court Term

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Romag Fasteners, Inc. v. Fossil, Inc.,

- The Court will seek to resolve a circuit split over the criteria for a disgorgement of profits in trademark case, and in particular whether a finding of willfulness is required.

Romag Fasteners, Inc. v. Fossil, Inc.,- question presented

- Question presented to the Court
 - Whether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer's profits for a violation of section 43(a), id. § 1125(a).

Romag Fasteners, Inc. v. Fossil, Inc., - the statute

- “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 section 1125(c) of this title, shall have been established in any civil action arising under this chapter, **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 . . .**

Romag Fasteners, Inc. v. Fossil, Inc., - the statute

- “In assessing profits the plaintiff shall be required to prove defendant’s sales only . . .” Id.

Romag Fasteners, Inc. v. Fossil, Inc., - the statute

- “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 . . . shall constitute compensation and not a penalty.” *Id.*

Romag Fasteners, Inc. v. Fossil, Inc., - the cases

- A successful plaintiff is ***not automatically*** entitled to the infringer's profits
 - *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947) (“[I]t does not stand . . . that an accounting will be ordered merely because there has been an infringement.”)

Romag Fasteners, Inc. v. Fossil, Inc., - the cases (pre 1999)

- In *George Basch Co., Inc. v. Blue Coral Inc.*, 968 F.2d 1537 (2d Cir. 1992), the Second Circuit held that “a finding of defendant’s willful deceptiveness is a prerequisite for awarding profits.”

Romag Fasteners, Inc. v. Fossil, Inc., - the statute revisited

- “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 section 1125(c) of this title**, shall have been established in any civil action arising under this chapter, **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 . . .**

Romag Fasteners, Inc. v. Fossil, Inc., - the cases (post 1999)

- The plain language of the amendment indicates that Congress intended to condition monetary awards for § 43(c) violations, but not § 43(a) violations, on a showing of willfulness. . . . By adding this word to the statute in 1999, but limiting it to § 43(c) violations, Congress effectively superseded the willfulness requirement as applied to § 43(a). *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174–75 (3d Cir. 2005) (citation omitted).

Romag Fasteners, Inc. v. Fossil, Inc., - the cases

- The First, Second, Ninth, and Tenth Circuits have found that willfulness is a prerequisite for an award of profits despite the 1999 amendment. See *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439 (9th Cir. 2017), cert. denied, 138 S. Ct. 1984 (2018) *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014); *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1270 (10th Cir. 2005)

Romag Fasteners, Inc. v. Fossil, Inc

- In *Romag*, the Federal Circuit concluded that the 1999 amendment did not disturb the “Second Circuit precedent requiring willfulness for the recovery of profits in infringement cases.” *Romag*, 817 F.3d at 791

Romag Fasteners, Inc. v. Fossil, Inc., - the cases

- A lack of willfulness should weigh against an accounting, and it does under the tests for an accounting articulated by the Third, Fourth, and Fifth Circuits. See *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005); *Quick Techs., Inc. v. Sage Grp.*, 313 F.3d 338, 349 (5th Cir. 2002).

Romag Fasteners, Inc. v. Fossil, Inc. - resolution

- Rationale for disgorgement
 - Proxy for damages
 - Deter infringement

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

- The Court will decide whether preclusion prevents a party from raising in defense to a new trademark claim issues that could have raised in prior litigation between the parties

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

- Issue presented:
 - Whether, when a plaintiff asserts new claims, federal preclusion principles can bar a defendant from raising defenses that were not actually litigated and resolved in any prior case between the parties.

Lucky Brands-background

- Marcel Fashion Group registered in 1986 the mark GET LUCKY for jeans and other apparel. In 1990, Lucky Brand began selling men's jeans and shirts under the trademarks LUCKY BRAND DUNGAREES, LUCKY BRAND and LUCKY. In 2001, Marcel sued for trademark infringement and unfair competition ("the 2001 Action").

Lucky Brands-background

- In May 2003, the parties agreed to end the 2001 Action by entering into the Settlement Agreement. Lucky agreed to “desist henceforth from use of ‘Get Lucky’ as a trademark” and to pay Marcel \$650,000. In exchange, Marcel agreed to dismiss its claims in the 2001 Action, and to release any claims it had or might have arising out of or relating to Lucky’s right to “use, license and/or register” the trademark LUCKY BRAND or any other marks that it “owned, registered, and/or used” at the time.

Lucky Brands-background

- A year later, two companies “launched a ‘Get Lucky’ line of jeanswear and sportswear” under license from Marcel.
- Lucky responded by suing the licensees, Marcel, in 2005 (the “2005 Action”).

Lucky Brands-background

- Marcel counterclaimed in the 2005 Action, alleging that Lucky infringed Marcel's GET LUCKY mark.
- Marcel also asserted counterclaims based on the Settlement Agreement's release of "any and all claims arising out of or in any way relating to [Lucky's] rights to use, license and/or register the trademark LUCKY BRAND and/or any other trademarks, trade names, brands, advertising slogans or tag lines owned, registered and/or used by [Lucky] ... as of the date of this Agreement," i.e., May 2003.

Lucky Brands-background

- On the face of Marcel's counterclaims, it appeared that some of Lucky's allegedly-infringing marks were not registered until after the Settlement Agreement. The district court accordingly denied Lucky's motion to dismiss without prejudice.
- Lucky did not renew its release defense in the 2005 Action, and the case proceeded to trial.

Lucky Brands-background

- The 2005 Action resulted in a Final Order and Judgment, under which Lucky was permanently enjoined solely from using the GET LUCKY mark
- The Final Judgment did not address the question of whether the Settlement Agreement barred some or all of Marcel's counterclaims in the 2005 Action.

Lucky Brands-background

- In 2011, Marcel sued Lucky for trademark infringement again seeking a new injunction prohibiting Lucky from “using the LUCKY BRAND marks,” which Marcel claimed Lucky had continued to use after the Final Judgment (“the Current Action”).
- Lucky moved for summary judgment on the ground that the Final Judgment barred Marcel’s new claims. The district court agreed.

Lucky Brands-background

- The Second Circuit vacated and remanded (“Marcel I”) holding that Marcel’s counterclaims in the 2005 Action were “for earlier infringements” than Marcel’s claims in the Current Action.
- The court held that Marcel’s counterclaims in the 2005 Action were for “infringements that occurred ‘after May 2003’ but prior to” the Current Action, which means that they could not have been raised in the 2005 Action.

Lucky Brands-background

- That meant the Final Judgment that resolved the 2005 Action “did not bar [Marcel] from instituting a second suit seeking relief for alleged further infringements that occurred subsequent to [that] earlier judgment.” Marcel I accordingly vacated the district court’s decision.

Lucky Brands-background

- After entry of the mandate in Marcel I, Marcel moved for leave to amend its complaint.. The district court granted that motion and “directed [Marcel] to specifically identify the marks it accuses of infringement in its Amended Complaint.”

Lucky Brands-background

- Marcel then filed a second amended complaint, which clarified that Lucky had registered each of the marks Marcel now claims it used in ways that infringed Marcel's trademark rights "prior to the 2003 Settlement Agreement" (or were combinations "of the pre-2003 marks").
- Lucky moved to dismiss contending that all of the marks at issue in the Current Action were "registered and/or used by [Lucky] ... as of the date of th[e Settlement] Agreement," and thus covered by the Settlement Agreement's release.

Lucky Brands-background

- Marcel argued that “the res judicata or collateral estoppel effect of [the Final Judgment]” in the 2005 Action precluded Lucky from relying on the Settlement Agreement in the Current Action because the same defense could have been resolved in the 2005 Action with respect to different claims.
- The district court disagreed. “Issue preclusion does not apply, because the applicability of the Settlement Agreement’s release provision was not actually litigated and resolved in the 2005 Action.”

Lucky Brands-background

- The district court also held that claim preclusion did not apply either, because Marcel's claims in the Current Action are different from its claims in the 2005 Action.
- The fact that Lucky did not raise the settlement defense at trial in the 2005 Action thus "does not vitiate [the defense] here."
- The Second Circuit panel heard Marcel's second appeal and vacated and remanded.

Lucky Brands-Holding

- In sum, we conclude that defense preclusion bars a party from raising a defense where: (i) a previous action involved an adjudication on the merits; (ii) the previous action involved the same parties or those in privity with them; (iii) the defense was either asserted or could have been asserted, in the prior action; and (iv) the district court, in its discretion, concludes that preclusion of the defense is appropriate because efficiency concerns outweigh any unfairness to the party whose defense would be precluded.

Lucky Brands-Prior Supreme Court Cases

- Claim preclusion bars successive litigation of the same claim by the very same parties but “does not bar claims that are predicated on events that postdate the filing of the initial complaint.” *Whole Woman’s Health*, 136 S. Ct. at 2305 (quoting *Morgan v. Covington*, 648 F.3d 172, 178 (3d Cir. 2011)).
- Issue preclusion, bars re litigation of issues that were “actually litigated and resolved” in a prior case. *Taylor v. Sturgell*, 553 U.S. 880, 892