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Not So Fast: Why Willfulness Should Remain a Requirement Prior to Disgorging Profits in a Trademark Infringement Case

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Not So Fast: Why Willfulness Should Remain a Requirement Prior to Disgorging Profits in a Trademark Infringement Case

Amir Joe Kallas*

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I. INTRODUCTION

Consider the following: while shopping online, you encounter two t-shirts that are somewhat similar.¹ Both are light in color and made from 100% cotton.² Both are even adorned with your absolute favorite cartoon character—the one and only Mickey Mouse.³ Notwithstanding that both are available in your size, the enormous price discrepancy between the two t-shirts catches you off guard: one costs \$14.90⁴ and the other costs \$650.00.⁵ What makes the \$650.00 t-shirt so much more special than the seemingly similar \$14.90 t-shirt?⁶ Upon closer inspection, though, you realize the difference: the more expensive t-shirt is from a prominent high-end brand.⁷ Yes, the main difference causing the disparity in cost between the two t-shirts stems from the high-end brand’s name and trademark.⁸

A trademark is truly a company’s “single largest source of intangible value.”⁹ In fact, a trademark “accounts for a significant chunk of its owner’s overall worth.”¹⁰ For example, at one time, Forbes magazine estimated Microsoft’s trademark to be worth \$42.8 billion, while the corporation’s market cap was \$204 billion.¹¹ Similarly, the magazine estimated Bank of America’s trademark to be worth \$30.6 billion, while its market cap was \$109 billion.¹² Clearly, trademarks represent an extremely valuable asset to companies of all sizes, and companies

1. Compare *Mickey Manga Art Ut Fujio Productions*, UNIQLO, <https://www.uniqlo.com/us/en/> (search in search bar for “Mickey Manga Art Ut Fujio Productions”; then click on t-shirt named “Mickey Manga Art Ut Fujio Productions”) (last visited Feb. 29, 2020) (on file with the *University of the Pacific Law Review*) (showing a cotton Mickey Mouse t-shirt for sale), with *Disney x Gucci Oversize T-shirt*, GUCCI, <https://www.gucci.com/us/en/pr/men/ready-to-wear-for-men/t-shirts-polo-shirts-for-men/t-shirts-for-men/disney-x-gucci-oversize-t-shirt-p-565806XJB669756> (last visited Feb. 29, 2020) (on file with the *University of the Pacific Law Review*) (showing a cotton Mickey Mouse t-shirt for sale).

2. Compare *Mickey Manga*, *supra* note 1, with *Disney x Gucci*, *supra* note 1.

3. Compare *Mickey Manga*, *supra* note 1, with *Disney x Gucci*, *supra* note 1.

4. *Mickey Manga*, *supra* note 1.

5. *Disney x Gucci*, *supra* note 1.

6. Compare *Mickey Manga*, *supra* note 1, with *Disney x Gucci*, *supra* note 1.

7. *Disney x Gucci*, *supra* note 1.

8. See *7 Reasons Why Brands Matter to Your Consumers*, MICROARTS CREATIVE AGENCY (Mar. 17, 2015), <https://microarts.com/insights/7-reasons-why-brands-matter-to-your-consumers/> (on file with the *University of the Pacific Law Review*) (reasoning that “[s]uccessfully branded products make more money for their companies by commanding premium prices”).

9. Sean Stonefield, *The 10 Most Valuable Trademarks*, FORBES (June 15, 2011), <https://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/#5bad5df736b8> (on file with the *University of the Pacific Law Review*).

10. *Id.*

11. *Id.*

12. *Id.*

go to great lengths to ensure those trademarks have protection.¹³

In the United States, the Lanham Act establishes a regulated national system of trademark registration and provides a registrant of a mark a means to keep others from using similar marks.¹⁴ The two main causes of action available to a trademark owner are infringement (i.e., likelihood of confusion) and dilution (i.e., a loss of distinction by a famous mark).¹⁵ The law entitles plaintiffs that succeed in showing infringement or dilution to a wide range of remedies, including an injunction, the most common remedy courts award,¹⁶ as well as monetary damages.¹⁷ Under section 1117(a) of the Lanham Act, the monetary damages available include disgorgement of a defendant's profits, damages sustained by the plaintiff, costs of the suit, and reasonable attorney fees in exceptional cases.¹⁸

However, with regard to monetary damages—and specifically disgorgement of a defendant's profits—courts have not agreed as to the interpretation of section 1117(a).¹⁹ Due to haphazard amendments to the Lanham Act in 1999, the phrasing of section 1117(a) is professedly ambiguous regarding whether courts should continue to require a plaintiff to establish the defendant's willfulness before obtaining an award for the disgorgement of profits.²⁰ This ambiguity caused conflict among the circuits, creating an almost equal split among those courts.²¹ Seven circuits required that a plaintiff show the defendant was willful in its infringement prior to recovering a defendant's profits.²² Alternatively, six circuits held that willfulness is only one factor to consider for such an award and

13. *Id.*

14. *Lanham Act*, CORNELL L. SCH. LEGAL INFO. INST., https://www.law.cornell.edu/wex/lanham_act (last visited Oct. 22, 2019) [hereinafter *Lanham Act Overview*] (on file with the *University of the Pacific Law Review*).

15. *Overview of Trademark Law*, BERKMAN KLEIN CTR. FOR INTERNET AND SOC'Y AT HARV. UNIV., <https://cyber.harvard.edu/metaschool/fisher/domain/tm.htm> (last visited Dec. 24, 2019) (on file with the *University of the Pacific Law Review*).

16. *Id.*; see also *Federal Rights & Remedies for Unauthorized Use of Trademarks*, LOMBARD & GELIEBTER, http://www.lgtrademark.com/wp-content/themes/nextclient/media/Federal_Rights_and_Remedies_for_Unauthorized_Use_of_Trademarks.pdf (last visited Dec. 27, 2019) (on file with the *University of the Pacific Law Review*) (explaining “the most frequent remedy awarded to a successful complainant is an injunction”).

17. 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91).

18. *Id.*

19. Jonathan A. Menkes, *Willfulness and the Current State of Trademark Damages Law*, ABA (Apr. 18, 2012), <https://www.americanbar.org/groups/litigation/committees/intellectual-property/articles/2012/willfulness-and-current-state-trademark-damages-law/> (on file with the *University of the Pacific Law Review*).

20. See Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (adding in the reference to monetary damages for a dilution claim that created the confusion); see also *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017) (articulating the division in the courts because of the amendments to the Lanham Act in 1999).

21. See *Stone Creek* 875 F.3d at 441 (“The contrast in language between clause [1], which does not reference willfulness, and newly inserted clause [2], which does, has caused ripples through the circuit courts, which remain divided on the role of willfulness in awarding profits.”).

22. Menkes, *supra* note 19.

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is not necessarily a requirement.²³

A recent Federal Circuit case, *Romag Fasteners Inc. v. Fossil Inc.*, reignited the debate of whether section 1117(a) of the Lanham Act requires a threshold showing of willfulness.²⁴ In *Romag*, because the jury found the defendant did not infringe willfully, the court held the plaintiff was not entitled to an award disgorging the defendant's profits, which amounted to just over \$6.7 million.²⁵ Instead, the only monetary damages the plaintiff could obtain were reasonable royalties from the infringement of its patent, equal to a mere \$51,000.²⁶

However, the Supreme Court vacated this ruling and held that willfulness is not a prerequisite to the recovery of profits.²⁷ The Court found the Lanham Act's language, structure, and history all leave "little to work with."²⁸ Although a "defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," the Court ultimately held that willfulness is an "inflexible precondition."²⁹

Nevertheless, this Comment argues the Supreme Court erred in its decision and that a plaintiff in a trademark infringement lawsuit should have the burden of showing the defendant infringed willfully before obtaining a judgment disgorging profits.³⁰ This requirement is consistent with the 1999 amendments to section 1117(a), and public policy further justifies the interpretation.³¹ Part II provides the basic framework of the Lanham Act.³² Part III considers the requirement of willfulness, how it survived the 1999 amendment to the Lanham Act, and the split amongst the circuits.³³ Part IV explores the issue of willful infringement in *Romag Fasteners Inc. v. Fossil Inc.* and the impact the willful infringement requirement had in that case as well as the impact it has on monetary damages generally.³⁴

Part V argues that willfulness should remain a threshold requirement based on principles of statutory interpretation, the legislative history of section 1117(a), and the principles of equity.³⁵ Part VI articulates that willfulness should remain a threshold requirement based on policy justifications, namely serving as a last

23. *Id.*

24. *Romag Fasteners Inc. v. Fossil Inc.*, 817 F.3d 782 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020).

25. *Id.* at 784 ("For trademark infringement, the jury made an advisory award of \$90,759.36 of Fossil's profits under an unjust enrichment theory, and \$6,704,046.00 of Fossil's profits under a deterrence theory.")

26. *Id.*

27. *Romag Fasteners Inc. v. Fossil Inc.*, 140 S. Ct. 1492, 1497 (2020).

28. *Id.*

29. *Id.*

30. *Infra* Parts II–VIII.

31. *Infra* Parts V–VI.

32. *Infra* Part II.

33. *Infra* Part III.

34. *Infra* Part IV.

35. *Infra* Part V.

barrier of protection to ensure fair damages.³⁶ Part VII considers what Congress can do to remedy the issue pertaining to the willful infringement requirement.³⁷ Lastly, Part VIII concludes by reiterating the premise that willfulness should be a requirement because it is the better approach to handling the disgorgement of a defendant's profits in a trademark infringement case.³⁸

II. BASIC FRAMEWORK OF THE LANHAM ACT

The Trademark Act of 1946—most commonly known as the Lanham Act—provides a regulated national system of trademark registration that protects a registrant from others using similar marks.³⁹ Before evaluating whether courts should require a showing of willfulness, it is essential to understand the basic framework of the Lanham Act.⁴⁰ Section A briefly discusses the basic purpose of the Lanham Act as well as the basic requirements to obtain trademark protection.⁴¹ Section B analyzes the causes of action available to an owner for infringement of their mark.⁴² Lastly, Section C discusses the remedies available under the Lanham Act following infringement and introduces how the willfulness requirement fits into the remedies analysis.⁴³

A. Basic Purpose and Requirements

A trademark includes any word, name, symbol, phrase, or device used to identify and distinguish one product from another.⁴⁴ In essence, trademarks allow consumers to quickly identify the source of a product without having to do any extra research or inquiry.⁴⁵ Therefore, the purpose underlying the Lanham Act, and really any trademark statute, is two-fold.⁴⁶ First, the Lanham Act protects the *public* so it has confidence the product being purchased is actually the product a consumer intended to purchase.⁴⁷ Second, the Lanham Act protects the trademark

36. *Infra* Part VI.

37. *Infra* Part VII.

38. *Infra* Part VIII.

39. *Lanham Act Overview*, *supra* note 14.

40. *Infra* Part II.

41. *Infra* Section II.A.

42. *Infra* Section II.B.

43. *Infra* Section II.C.

44. 15 U.S.C.A. § 1127 (Westlaw through Pub. L. No. 116-90); *see also Overview of Trademark Law*, *supra* note 15 (“A trademark is a word, symbol, or phrase, used to identify a particular manufacturer or seller’s products and distinguish them from the products of another.”).

45. *See Overview of Trademark Law*, *supra* note 15 (illustrating ways that trademarks allow consumers to quickly identify the source of products including not having to read the fine print on a can of cola to identify the maker and not having to ask a store employee who made a certain shoe).

46. *See* Edward S. Rogers, *The Lanham Act and the Social Function of Trade-marks*, 14 *LAW & CONTEMP. PROBS.* 173, 181 (1949) (suggesting that all trademark statutes, including the Lanham Act, have a twofold underlying purpose: protecting the consumer and protecting the trademark owner).

47. *See id.*

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owner from misappropriation of the trademark since trademarks are an investment that require time, energy, and money to develop and maintain.⁴⁸

The United States Patent and Trademark Office (“USPTO”) only allows registration of trademarks that distinguish the goods of the applicant from the goods of others.⁴⁹ Thus, only distinctive marks can obtain registration as a trademark.⁵⁰ Courts have developed four classifications of trademarks to determine whether a mark is distinctive: “(1) arbitrary or fanciful; (2) suggestive; (3) descriptive; or (4) generic.”⁵¹ The requirements and degree of legal protection the law affords to a particular trademark depends upon its categorization.⁵² For example, an arbitrary or fanciful mark is inherently distinctive because it bears no logical relationship to the underlying product (e.g., Apple, Exxon, Shell, Dove) and obtains the highest degree of protection.⁵³ However, descriptive marks describe only a characteristic or quality of the underlying product (e.g., American Airlines, Vision Center, All Bran, Holiday Inn) and are not inherently distinctive.⁵⁴ Nonetheless, descriptive marks can obtain trademark protection “if they have acquired ‘secondary meaning.’”⁵⁵

Further, the Lanham Act does not entitle generic marks trademark protection because they describe the general category to which the underlying product belongs, giving a manufacturer too great of a competitive advantage.⁵⁶ Allowing a manufacturer to register a generic mark would be dangerous because it would relinquish the exclusive right to use a term that identifies a class of products.⁵⁷ For example, a trademark for the word “computer” would preclude others from using that word.⁵⁸ This clearly gives the manufacturer an unearned competitive advantage and shows why trademark law does not protect generic terms.⁵⁹

If a mark qualifies for protection, the owner can acquire rights to the trademark by either: (1) “being first to use the mark in commerce;” or (2) “being the first to register the mark” with the USPTO.⁶⁰ The Lanham Act does not

48. *See id.*

49. 15 U.S.C.A. § 1052 (Westlaw through Pub. L. No. 116-90).

50. *Overview of Trademark Law, supra* note 15.

51. *Id.*

52. *Id.*

53. *Id.*

54. *Id.*

55. *Id.*

56. *See Overview of Trademark Law, supra* note 15 (“Giving a single manufacturer control over use of the term would give that manufacturer too great a competitive advantage.”).

57. *See id.* (“Generic terms are not protected by trademark law because they are simply too useful for identifying a particular product.”).

58. *See id.* (“[A] manufacturer selling ‘Computer’ brand computers . . . would have no exclusive right to use that term with respect to that product.”).

59. *See id.* (“Giving a single manufacturer control over use of the term would give that manufacturer too great a competitive advantage.”).

60. *Id.*

require registration with the USPTO to acquire trademark protection, but registration does provide some benefits.⁶¹ These benefits include: nationwide constructive notice to others that the trademark is owned by the party;⁶² bestowal of the right to use the mark nationwide;⁶³ and after five years of consecutive use, the ability for the mark to become incontestable—conclusively establishing the exclusive right of the trademark owner to use the mark.⁶⁴

B. Causes of Action

Pursuant to the Lanham Act, the two main causes of action available to a trademark owner are: (1) infringement; and (2) dilution.⁶⁵ When the owner of a trademark sues another party for infringement, courts consider whether the alleged use of the protected trademark causes a likelihood of confusion.⁶⁶ In short, infringement occurs when the use of a mark in connection with the sale of any goods or services is likely to cause confusion (or to cause mistake or deception) as to the source of the goods.⁶⁷ To determine whether the unauthorized use of a mark is likely to confuse consumers, courts balance a number of factors.⁶⁸

In addition to infringement, plaintiffs may also sue under the newer theory of dilution.⁶⁹ To establish a claim of dilution under the Lanham Act, the mark must be “famous.”⁷⁰ Courts use the factors proscribed in section 1125(c) of the Lanham Act to determine whether a mark is famous.⁷¹ Once the court determines that a mark is famous, the owner of the trademark can bring an action against any unauthorized use “that dilutes the distinctive quality” of the mark, namely by blurring or tarnishment of the mark.⁷² Blurring occurs when association with another similar mark or trade name impairs the distinctiveness of a famous mark.⁷³ For example, Rolex, a famous watch manufacturer, sued a delicatessen using the name “Rolex Deli” for dilution by blurring since the use of that name

61. *Id.*

62. 15 U.S.C.A. § 1072 (Westlaw through Pub. L. No. 116-90).

63. 15 U.S.C.A. § 1057(b) (Westlaw through Pub. L. No. 116-90).

64. 15 U.S.C.A. § 1065 (Westlaw through Pub. L. No. 116-90).

65. *Overview of Trademark Law*, *supra* note 15.

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. 15 U.S.C.A. § 1125(c)(1) (Westlaw through Pub. L. No. 116-91).

71. 15 U.S.C.A. § 1125(c)(2)(a) (Westlaw through Pub. L. No. 116-91); *see also Dilution (Trademark)*, CORNELL L. SCH. LEGAL INFO. INST., [https://www.law.cornell.edu/wex/dilution_\(trademark\)](https://www.law.cornell.edu/wex/dilution_(trademark)) (last visited Dec. 26, 2019) (on file with the *University of the Pacific Law Review*) (outlining the factors for determining whether a mark is famous).

72. *Overview of Trademark Law*, *supra* note 15.

73. *Dilution (Trademark)*, *supra* note 71.

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would impair the distinctiveness of the Rolex mark.⁷⁴ Tarnishment “occurs when the reputation of a famous mark is harmed through association with another similar mark or trade name.”⁷⁵ For example, one court found marketing posters printed with the words “Enjoy Cocaine” featuring the same font and color scheme as Coca-Cola’s “Enjoy Coca-Cola” advertisements to tarnish Coca-Cola’s mark.⁷⁶

C. Remedies

If a plaintiff succeeds in showing infringement or dilution, the Lanham Act provides a wide range of remedies.⁷⁷ An injunction against further infringing or diluting use of the trademark is the most common remedy courts award.⁷⁸ Generally, an injunction is an order from the court that prohibits “the defendant from engaging in further infringement.”⁷⁹ Due to a drafting error prior to the Trademark Amendments Act of 1999, injunctions were the only available remedy to plaintiffs bringing a successful dilution claim.⁸⁰ However, Congress amended the Lanham Act and it now allows for the award of monetary damages for both infringement *and* dilution claims.⁸¹ To determine whether to grant an injunction, courts use a four-factor test first developed by the Supreme Court in *eBay Inc. v. MercExchange, L.L.C.*,⁸² which includes the requirement that the plaintiff show it will suffer a likelihood of irreparable injury without the injunction.⁸³ To obtain a permanent injunction, the plaintiff must show there is not an “adequate remedy at law” and “that it is in the public’s interest to issue the injunction.”⁸⁴

Pursuant to section 1117(a) of the Lanham Act, the monetary damages available include disgorgement of a defendant’s profits, any actual damages the plaintiff sustains, costs of the suit, and reasonable attorney fees in exceptional cases.⁸⁵ The statute explicitly says that when a plaintiff establishes “a violation under section 1125(a) [a trademark *infringement* claim] . . . or a willful violation under section 1125(c) [a *dilution* claim] . . . the plaintiff shall be entitled . . .

74. Rolex Watch U.S.A., Inc. v. Rolex Deli Corp., 2012 WL 5177517 (S.D.N.Y. Oct. 18, 2012).

75. *Dilution (Trademark)*, *supra* note 71.

76. Coca-Cola Co. v. Gemini Rising, Inc., 346 F. Supp. 1183 (E.D.N.Y. 1972).

77. *Overview of Trademark Law*, *supra* note 15.

78. *Id.*; *see also Federal Rights & Remedies*, *supra* note 16 (explaining “the most frequent remedy awarded to a successful complainant is an injunction.”).

79. *Federal Rights & Remedies*, *supra* note 16.

80. *See* Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) (showing that Congress amended section 1117(a) of the Lanham Act to add monetary damages for dilution claims in 1999).

81. 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91).

82. 547 U.S. 388, 391 (2006).

83. Herb Reed Enterprises, L.L.C. v. Fla. Entm’t Mgmt., Inc., 736 F.3d 1239, 1249 (9th Cir. 2013).

84. Audi AG v. D’Amato, 469 F.3d 534, 550 (6th Cir. 2006).

85. 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91).

subject to the principals of equity” to recover monetary damages, including defendant’s profits, damages the plaintiff may have sustained, and costs related to bringing the lawsuit.⁸⁶

Courts have distinguished the standard required to state a claim for injunctive relief from the standard to establish damages.⁸⁷ Again, to obtain an injunction, “plaintiffs must demonstrate a *likelihood* of deception or confusion” that an unauthorized use of the trademark causes.⁸⁸ However, to obtain an award for monetary damages relating to actual damages sustained, plaintiffs “must establish *actual* consumer confusion or deception resulting from the violation.”⁸⁹ Plaintiffs must demonstrate actual consumer confusion through direct testimonial evidence or through circumstantial evidence, including consumer surveys and consumer reaction tests.⁹⁰

Although courts uniformly apply the standards described above for injunctions and actual damages sustained by a plaintiff, courts did not agree on the proper standard and requirements that relate to disgorgement of a defendant’s profits.⁹¹ The conflict among the circuits was a result of the complicated phrasing of section 1117(a), namely whether a showing of a “willfulness” was necessary for both an infringement claim and a dilution claim.⁹² Some circuits required a showing of willfulness for both an infringement claim and a dilution claim.⁹³ Other circuits only required a showing of willfulness for a dilution claim and considered it to be only one factor of many when assessing whether monetary damages would be appropriate in an infringement claim.⁹⁴

III. THE REQUIREMENT OF WILLFUL INFRINGEMENT

Understanding the basis for requiring willful infringement and the evolution of willful infringement is essential to evaluating whether willfulness is a requisite or not.⁹⁵ Thus, Section A analyzes how section 1117(a) has evolved and how this evolution created confusion.⁹⁶ Section B evaluates the split amongst the circuits regarding the interpretation of the statute and compares the varying approaches to show why requiring the plaintiff to prove willfulness is the more

86. *Id.*

87. *PPX Enterprises, Inc. v. Audiofidelity Enterprises, Inc.*, 818 F.2d 266, 271 (2d Cir. 1987).

88. *Id.* (emphasis added).

89. *Id.* (emphasis added).

90. *Id.*

91. *See Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017) (articulating the division in the courts because of the amendments to the Lanham Act in 1999).

92. *See id.* (“The contrast in language between clause [1], which does not reference willfulness, and newly inserted clause [2], which does, has caused ripples through the circuit courts, which remain divided on the role of willfulness in awarding profits.”).

93. Menkes, *supra* note 19.

94. *Id.*

95. *Infra* Part III.

96. *Infra* Section III.A.

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sound approach.⁹⁷

A. How 15 U.S.C. § 1117(a) Has Evolved to Create Confusion

In 1996, Congress added section 1125(c) to the Lanham Act, expressly creating a federal cause of action for trademark dilution.⁹⁸ The goal of this new cause of action was to “bring uniformity and consistency to the protection of famous marks” and to ensure the law of the United States complied with “international obligations.”⁹⁹ Again, this new cause of action “allowed holders of famous trademarks to enjoin uses that diluted the distinctive qualities of their marks.”¹⁰⁰ Further, this new cause of action expressly limited available remedies to injunctions unless the infringer “willfully intended” to dilute the trademark.¹⁰¹ In the case of willful dilution, a monetary remedy of the defendant’s profits under section 1117(a) of the Trademark Act was available.¹⁰² However, with this express language in section 1125(c), Congress failed to make the necessary connection in section 1117(a) of the Lanham Act leading to a disparity between the sections of the statute.¹⁰³ The disparity was that the newly enacted section 1125(c) purported to provide monetary relief as stated in section 1117(a), but Congress did not update section 1117(a) to include this new cause of action.¹⁰⁴ This prompted Congress to attempt to remedy section 1117(a).¹⁰⁵

In the Trademark Amendments Act of 1999, Congress reformed the language of section 1117(a).¹⁰⁶ Among other refinements, Congress revised this section to include reference to a “willful violation under section 1125(c),” resolving the disparity that initially occurred after the addition of section 1125(c) and confirming a plaintiff must show the defendant willfully infringed to recover

97. *Infra* Section III.B.

98. *See* Federal Trademark Dilution Act of 1995, H.R. REP. NO. 104-374, at 3 (highlighting that prior to the creation of a federal cause of action for dilution, remedies against trademark dilution varied from state to state and brought about unpredictable results for a trademark owner).

99. *Id.*

100. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 440 (9th Cir. 2017).

101. Federal Trademark Dilution Act at 5.

102. Federal Trademark Dilution Act at 5; *see also* *Stone Creek*, 875 F.3d at 440 (stating that “Section 1125(c) also purported to provide monetary relief under the remedies provision, § 1117(a), when dilution was ‘willfully intended’”).

103. *See* Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (adding in the connection to the damages section of the Lanham Act).

104. *See* *Stone Creek*, 875 F.3d at 440 (“But Congress failed to make the requisite cross-reference in § 1117(a) to harmonize that section with the amendment and soon discovered the missing link between the two statutory provisions.”).

105. *See* Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (adding in the connection to the damages section of the Lanham Act); *see also* *Stone Creek*, 875 F.3d at 440 (“[t]hat statutory mismatch spurred the 1999 amendment.”).

106. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218.

monetary damages under this new cause of action.¹⁰⁷ However, the 1999 amendment did not include any changes to the portion of section 1117(a) that discusses violations of sections 1125(a) and 1125(d) of the Lanham Act, which govern traditional trademark and trade dress infringement claims as well as false advertising claims.¹⁰⁸ The decision to leave the language unchanged led some courts to conclude the 1999 amendment changed the established precedent requiring a showing of willfulness before disgorgement of a defendant's profits in a traditional trademark infringement case.¹⁰⁹ Other courts concluded the amendment did not change the established precedent and confirmed that willfulness was still required.¹¹⁰ Therefore, the circuits split on what the law actually requires and what Congress actually meant.¹¹¹

B. Circuits Split on Interpretation

Some circuits required that a plaintiff show at least some sort of willfulness to recover a defendant's profits, while other circuits held that willfulness is only one factor to consider for such an award.¹¹² Before determining that requiring a showing of at least some sort of willfulness to recover a defendant's profits is the more appropriate interpretation, it is helpful to have a general understanding of both approaches.¹¹³ Subsection 1 discusses the approach of not requiring a showing of willfulness but utilizing it as merely a factor to consider.¹¹⁴ Subsection 2 analyzes the approach that requires a showing of willfulness to disgorge the defendant's profits.¹¹⁵

1. Approach 1: Willful Infringement is Not a Requirement, But Merely a Factor to Consider

In the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits, disgorgement of profits was available as a remedy without a showing of

107. Federal Trademark Dilution Act of 1995, H.R. REP. NO. 104-374, at 5; Stone Creek, 875 F.3d at 441.

108. See Menkes, *supra* note 19 (“While the 1999 amendment included the word ‘willful’ in reference to a violation under section 1125(c), which defines a claim for relief for the dilution of a famous mark, it did not alter the wording that refers to violations of section 1125(a), which governs false advertising and trademark and trade dress infringement claims.”).

109. *Id.*; see also Stone Creek, 875 F.3d at 441 (“The contrast in language between clause [1], which does not reference willfulness, and newly inserted clause [2], which does, has caused ripples through the circuit courts, which remain divided on the role of willfulness in awarding profits.”).

110. Menkes, *supra* note 19.

111. See Stone Creek, 875 F.3d at 441 (identifying how various circuits interpret section 1117(a) after the 1999 amendments, namely whether willfulness is a requirement).

112. Menkes, *supra* note 19.

113. *Infra* Section III.C.

114. *Infra* Section III.C.1.

115. *Infra* Section III.C.2.

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willfulness.¹¹⁶ These circuits considered the defendant’s willfulness as only one factor in evaluating whether the “principles of equity” prescribed in section 1117(a) support disgorging the defendant’s profits.¹¹⁷ In addition to determining whether the defendant intended to deceive or confuse, these circuits considered the totality of the circumstances, looking to whether sales were diverted, whether other remedies were more adequate, whether the plaintiff unreasonably delayed in bringing the claim, whether there was a “public interest in making the misconduct unprofitable,” and whether the case involved palming off,¹¹⁸ or “[p]assing off goods as if they were made by one who did not make them.”¹¹⁹ The circuits that utilized this approach did not require that any of the specific factors be present and did not limit the inquiry to a set of enumerated factors.¹²⁰ Rather, a court was free to consider other factors on a case-by-case basis, so long as those factors were relevant to whether an award of profits was appropriate.¹²¹

The circuits that used this approach reason that the 1999 amendments made to section 1117(a) supersede a bright-line willfulness requirement.¹²² Some argue that the plain language of the amendment—replacing “or a violation under section 43(a) [section 1125(a)]” with “a violation under section 43(a) [section 1125(a)], or a *willful* violation under section 43(c) [section 1125(c)]”—indicates that Congress “intended to condition monetary awards” on a threshold showing of willfulness for section 1125(c) violations but not for section 1125(a) violations.¹²³

Further, although the word “willful” was absent in section 1117(a) prior to 1999, some argue that Congress was probably aware that most courts required a showing of willfulness before disgorgement of a defendant’s profits.¹²⁴ Thus, the

116. Norman C. Simon & Patrick J. Campbell, *Does Lanham Act Require Willful Infringement for Profit Disgorgement?*, N.Y. L.J. (Aug. 6, 2019), <https://www.kramerlevin.com/images/content/5/3/v2/53373/SCOTUS-to-Address-Whether-Lanham-Act-Requires-Willful-Infringeme.pdf> (on file with the *University of the Pacific Law Review*); see also Menkes, *supra* note 19 (surveying the various circuits and confirming that the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits do not require a threshold showing of willfulness).

117. Simon & Campbell, *supra* note 116; see also 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-65) (making recovery of profits “subject to the principles of equity”); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005) (identifying the factors used in circuits that consider willfulness as merely one factor in an inquiry as to whether disgorgement of profits would be subject to the principles of equity).

118. See *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) (identifying the factors to be used); see also *Banjo Buddies*, 399 F.3d at 175 (confirming that the factors used in other circuits are to be used in the Third Circuit).

119. *Palming Off (Reverse Palming Off)*, BOUVIER LAW DICTIONARY DESK EDITION (2012).

120. See *Pebble Beach Co.*, 155 F.3d at 554 (“[T]his court has not required a particular factor to be present.”).

121. See *id.* (reflecting that the factors listed are relevant to a “court’s determination of whether an award of profits is appropriate,” but a court is not limited to just these factors).

122. *Banjo Buddies*, 399 F.3d at 174.

123. *Id.*

124. *Id.* at 173; see also, e.g., *SecuraComm Consulting Inc. v. Securacom, Inc.*, 166 F.3d 182, 187 (3d Cir. 1999) (showing that a pre-1999 amendments case held that the issue of willful infringement is central to an

theory is that by adding the word “willful” into the statute in 1999 but limiting it to section 1125(c) violations, Congress superseded the willfulness requirement courts applied to section 1125(a).¹²⁵ Therefore, the circuits that applied this interpretation held that willful infringement is not a prerequisite to awarding a defendant’s profits from an infringing use but is merely a factor for consideration.¹²⁶

2. Approach 2: Willful Infringement is a Requirement

To award a disgorgement of the defendant’s profits gained from the alleged infringing and unauthorized use, the First, Second, Eighth, Ninth, Tenth, District of Columbia, and Federal Circuits required plaintiffs to show the defendant engaged in willful misconduct.¹²⁷ Rather than engaging in a strict reading of the statutory language, the circuits that required a threshold showing of willfulness did so on a theory that this approach considers the “equitable principles underlying infringement claims.”¹²⁸

The theory underlying the willfulness requirement is that showing a defendant’s intentional deceptiveness has always been important in determining whether an accounting is an appropriate remedy.¹²⁹ Further, section 37 in the RESTATEMENT (THIRD) OF UNFAIR COMPETITION, dealing directly with the law of trademarks and the remedies available, persuades courts in these circuits to continue the tradition of requiring a showing of willfulness.¹³⁰ Section 37 makes it a requirement for plaintiffs to show an actor’s intent along with a comparative analysis of the factors that the other circuits analyze before the disgorgement of profits.¹³¹ The rationale is that the requirement is necessary to avoid the “draconian impact that a profits remedy might have in some cases,”¹³² namely overcompensating a plaintiff and heightening the risk for inequity.¹³³

awarding of profits); *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) (stating that “an award based on a defendant’s profits requires proof that the defendant acted willfully or in bad faith”).

125. *Banjo Buddies*, 399 F.3d at 174.

126. *Id.*; *see, e.g., Pebble Beach*, 155 F.3d at 554 (identifying the factors to be used).

127. *Simon & Campbell*, *supra* note 116; *see also Menkes*, *supra* note 19 (surveying the various circuits and confirming that the First, Second, Eighth, Ninth, Tenth, DC, and Federal Circuits do require a threshold showing of willfulness prior to allowing disgorgement).

128. *Simon & Campbell*, *supra* note 116.

129. *See George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1539 (2d Cir. 1992) (“Historically, an award of defendant’s profits has also served as a rough proxy measure of plaintiff’s damages.”).

130. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 (AM. LAW. INST. 1995) (on file with the *University of the Pacific Law Review*); *see also George Basch*, 968 F.2d at 1539–40 (agreeing with the drafters of the RESTATEMENT).

131. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 (AM. LAW. INST. 1995) (“One . . . is liable for the net profits earned on profitable transactions resulting from [the infringement], but only if: (a) the actor engaged in conduct with the intention of causing confusion or deception. . . .”).

132. *George Basch*, 968 F.2d at 1540.

133. *See* 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91) (“Such sum in either of the above circumstances shall constitute compensation and not a penalty.”); *see also Western Diversified Servs., Inc. v.*

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Similarly, these circuits argued that damages are meant to measure the loss a plaintiff sustained.¹³⁴ However, because section 1117(a) of the Lanham Act allows for the disgorgement of a defendant's profits, the remedy generally measures the defendant's gain to constructively measure a plaintiff's loss.¹³⁵ The concern with this approach is that an award of a defendant's profits may actually overcompensate a "plaintiff's actual injury and create a windfall judgment at the defendant's expense."¹³⁶ Therefore, to limit this undue windfall and prevent inequitable treatment to non-ill-willed infringers, courts have traditionally required the plaintiff to prove willfulness before allowing the disgorgement of a defendant's profits.¹³⁷

IV. THE ISSUE OF WILLFUL INFRINGEMENT IN *ROMAG FASTENERS INC. V. FOSSIL INC.*

Romag Fasteners Inc. v. Fossil Inc. reignited and refueled the debate of whether section 1117(a) of the Lanham Act requires a threshold showing of willfulness.¹³⁸ Understanding this case helps frame the reasons for why willfulness should be a requirement before disgorging a defendant's profits.¹³⁹ Section A briefly explains the facts and how the dispute proceeded through various courts, including the Supreme Court.¹⁴⁰ Section B then reiterates the impact the prerequisite of showing willfulness had on the case and why the approach taken by the Second Circuit is the better approach.¹⁴¹

A. Facts and Procedural History of Romag

Under a registered trademark, Romag sold magnetic snap fasteners to Fossil for use in its products.¹⁴² Under the agreement between the two entities, Fossil instructed one of its authorized manufacturers of handbags and other accessories

Hyundai Motor Am., Inc., 427 F.3d 1269, 1273 (10th Cir. 2005) (discussing that because of the "punitive nature" of the disgorgement of profits remedy, a showing that defendant's actions were willful is required "to support an award of profits" under section 1117(a) of the Lanham Act).

134. George Basch, 968 F.2d at 1540.

135. *Id.*

136. *Id.*; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. e (AM. LAW. INST. 1995) (discussing that an award of the defendant's profits creates a potential windfall to the plaintiff and a penalty to the defendant and that "application of the accounting remedy to uses undertaken in good faith can chill lawful behavior").

137. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. e (AM. LAW. INST. 1995) ("[C]ourts generally require proof of intentional misconduct as a prerequisite to an accounting of the defendant's profits.").

138. 817 F.3d 782 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020).

139. *Infra* Part IV.

140. *Infra* Section IV.A.

141. *Infra* Section IV.B.

142. Romag Fasteners, 817 F.3d at 783.

to purchase fasteners from one of Romag's authorized licensees and manufacturers located in China.¹⁴³ Between 2002 and 2008, Fossil's authorized manufacturer purchased thousands of fasteners from Romag's authorized manufacturer.¹⁴⁴ However, from August 2008 to November 2010, the number of fasteners purchased by Fossil's manufacturer decreased to only a few thousand.¹⁴⁵

Romag's founder and president discovered that some Fossil handbags being sold in the marketplace actually contained counterfeit fasteners.¹⁴⁶ Thus, in November 2010, Romag sued Fossil and, amongst many other causes of action, alleged that Fossil had infringed its trademark.¹⁴⁷ Also, Romag received a temporary restraining order and preliminary injunction against Fossil to ensure that Fossil could not sell the allegedly infringing handbags.¹⁴⁸

Following the seven-day trial in 2014, a jury unsurprisingly returned a verdict against Fossil, holding it liable for both patent infringement and trademark infringement.¹⁴⁹ For the patent infringement claim, the jury awarded Romag \$51,052.14.¹⁵⁰ For the trademark infringement claim, the jury gave an award of Fossil's profits totaling over \$6.7 million.¹⁵¹ However, despite finding that Fossil acted with callous disregard, the jury found the infringement was not willful.¹⁵² Thus, because the infringement was not willful, the district court held that Romag was not entitled to an award disgorging Fossil's profits.¹⁵³

Romag appealed, arguing that prior case law and pre-1999 authority were no longer applicable because the 1999 amendments to the Lanham Act allegedly abrogated this body of authority.¹⁵⁴ In essence, Romag argued that Congress made willful infringement a prerequisite to the recovery of damages for trademark dilution but did not intend willful infringement to be a prerequisite for other types of monetary damages.¹⁵⁵ Romag argued this on the basis that Congress did not insert the word "willful" before the trademark infringement provision in section 1117(a).¹⁵⁶ The circuit court concluded, in the same way the other circuits that require a showing of willfulness do, that the 1999 amendment

143. *Id.*

144. *Id.*

145. *Id.*

146. *Id.*

147. *Id.*

148. Romag Fasteners, 817 F.3d at 783.

149. *Id.* at 784.

150. *Id.*

151. *See id.* ("For trademark infringement, the jury made an advisory award of \$90,759.36 of Fossil's profits under an unjust enrichment theory, and \$6,704,046.00 of Fossil's profits under a deterrence theory.")

152. *Id.*

153. *Id.*

154. Romag Fasteners, 817 F.3d at 786-87.

155. *Id.* at 787.

156. *Id.*

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“left the law” in the same place it had been before 1999.¹⁵⁷ The amendment, as the circuit court understood it, left a conflict as to whether the law required willfulness for the disgorgement of a defendant’s profits.¹⁵⁸

However, the Supreme Court, in a rather glib opinion, vacated this ruling and held that willfulness should not be a prerequisite to the recovery of profits.¹⁵⁹ The Court was not persuaded that willfulness should be a requirement because the language of the Lanham Act never explicitly required a showing of willfulness under a violation of section 1125(a) for an award disgorging defendant’s profits.¹⁶⁰ In fact, it found the Lanham Act’s language, structure, and history leave “little to work with.”¹⁶¹ Although the Court acknowledged a “defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate,” it ultimately held that willfulness is an “inflexible precondition.”¹⁶²

B. Impact of the Willful Infringement Requirement in Romag and Beyond

As portrayed in *Romag*, a threshold requirement of showing willfulness can have extreme consequences on the amount of damages awarded to a plaintiff.¹⁶³ Because the jury found that Fossil’s conduct was not willful, *Romag* was initially blocked from receiving the jury’s award of over \$6.7 million.¹⁶⁴ The only monetary damages that *Romag* obtained were in the form of reasonable royalties from the patent infringement claim, a mere \$51,000 (although the court further reduced this amount under the doctrine of laches).¹⁶⁵

In fact, because a court cannot easily measure other monetary damages, such as any damages actually sustained by the plaintiff, disgorging a defendant’s profits is usually the most “meaningful monetary relief for plaintiffs.”¹⁶⁶ This is often the case because, using plaintiff’s damages as an example, courts usually require a plaintiff to prove the defendant’s infringement caused actual confusion among consumers of the plaintiff’s product.¹⁶⁷ Furthermore, the plaintiff must

157. *Id.* at 791.

158. *Id.*

159. *Romag Fasteners Inc. v. Fossil Inc.*, 140 S. Ct. 1492, 1497 (2020).

160. *Id.* at 1495.

161. *Id.* at 1497.

162. *Id.*

163. *See Romag Fasteners*, 817 F.3d at 784 (explaining that because jury did not find infringement to be willful, plaintiff was not entitled to disgorgement of defendant’s profits).

164. *Id.*

165. *Id.*

166. Jessica L. Hannah, *Is Willful Infringement Required for Award of a Trademark Infringer’s Profits?*, FINNEGAN INCONTESTABLE BLOG (Jan. 7, 2020), <https://www.finnegan.com/en/insights/blogs/incontestable/is-willful-infringement-required-for-award-of-a-trademark-infringers-profits.html> (on file with *The University of the Pacific Law Review*).

167. *Web Printing Controls Co., Inc. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1204–05 (7th Cir. 1990).

prove that it suffered actual injury as a result of that actual confusion, such as “loss of sales, profits, or present value.”¹⁶⁸

Courts have recognized, though, that proving causation and the precise monetary amount is extremely difficult.¹⁶⁹ As a result, awarding damages to a plaintiff is rare in trademark cases.¹⁷⁰ On the other hand, in assessing a defendant’s profits from the infringement of a trademark, the plaintiff is required to prove only the defendant’s sales and the “defendant must prove all elements of cost or deduction claimed.”¹⁷¹ Thus, because the bar is so much lower for the plaintiff to disgorge a defendant’s profits, it usually is the most meaningful monetary relief for plaintiffs and typically provides the largest monetary recovery possible from the lawsuit.¹⁷²

V. WILLFULNESS SHOULD BE A THRESHOLD REQUIREMENT

Thus, based on this understanding, it is sensible to say the Supreme Court erred in its decision, and a threshold requirement of showing willfulness should be the correct interpretation of section 1117(a).¹⁷³ Section 1117(a) of the Lanham Act sets the bar so much lower for a plaintiff to disgorge a defendant’s profits from the infringement of a trademark versus the other available remedies, and the disgorgement of profits made by the defendant can potentially overcompensate a plaintiff.¹⁷⁴ In addition, the text of section 1117(a) and the amendments made to it provide support for this argument.¹⁷⁵ Section A explains how the basic principles of statutory interpretation and the principles of equity prescribed in section 1117(a) support the argument that willfulness should be a threshold requirement before the disgorgement of a defendant’s profits.¹⁷⁶ Section B discusses how the legislative history of the amendment in 1999 points to the belief that Congress did not intend to abrogate a willfulness requirement.¹⁷⁷

168. *Id.* at 1205.

169. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 194 (1st Cir. 2012).

170. *See id.* (“Single damages can be awarded without a finding of willfulness. But damages awards turn out to be comparatively rare in trademark cases primarily, it appears, because of the difficulty of proving them.”).

171. *See* 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91) (“In assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost or deduction claimed.”).

172. *Hannah*, *supra* note 166.

173. *Western Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) (discussing that because of the “punitive nature” of the disgorgement of profits remedy, a showing that defendant’s actions were willful is required to support an award of profits under section 1117(a) of the Lanham Act).

174. *See* § 1117(a) (“In assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost or deduction claimed.”).

175. *Infra* Part V.

176. *Infra* Section V.A.

177. *Infra* Section V.B.

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A. Principles of Statutory Interpretation and Equity Support the Argument that Willfulness Should be a Threshold Requirement

In *Romag*, the Supreme Court stated it was “far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy.”¹⁷⁸ Also, the Court appeared skeptical the “subject to the principles of equity” language in section 1117(a) has any relation to a mental state like willfulness.¹⁷⁹ The only statement it definitively made is willfulness is an important factor but not the only factor that should be weighed prior to disgorging profits.¹⁸⁰

However, prior to the passage of the Lanham Act, courts traditionally required the plaintiff to prove willfulness before allowing the disgorgement of a defendant’s profits from an infringing use.¹⁸¹ Thus, when Congress enacted the Lanham Act, it integrated those traditional requirements by articulating that the disgorgement of a defendant’s profits, any damages sustained by the plaintiff, and the costs of the action were all “subject to the principles of equity.”¹⁸² Further, this language remained unchanged after the amendment to the Lanham Act in 1999.¹⁸³ Therefore, since it retained that standard, “Congress could not have ratified a consistent judicial construction of [section] 1117(a) because there was a split in the courts of appeals, at the time of the 1999 amendment, as to the willfulness requirement.”¹⁸⁴

Thus, if Congress had intended to upend the long-standing tradition of requiring willfulness, it would not have retained the “subject to principles of equity” language.¹⁸⁵ Also, retaining this language made it clear that awarding profits involves a practical two-step process,¹⁸⁶ not a factors test that some courts apply.¹⁸⁷ First, “a finding of willfulness or bad faith” is required.¹⁸⁸ Second, after a finding of willfulness, the court could use its discretion to alter a profit award with the hopes “of fashioning an equitable remedy to meet the needs of each

178. *Romag Fasteners Inc. v. Fossil Inc.*, 140 S. Ct. 1492, 1496 (2020).

179. *Id.*

180. *Id.* at 1497.

181. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. e (AM. LAW. INST. 1995) (“[C]ourts generally require proof of intentional misconduct as a prerequisite to an accounting of the defendant’s profits.”).

182. 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91); see also *Romag Fasteners Inc. v. Fossil Inc.*, 817 F.3d 782, 790 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020).

183. *Romag Fasteners*, 817 F.3d at 790.

184. *Id.*

185. *Id.*

186. *Western Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005).

187. See *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005) (identifying the factors used in circuits that consider willfulness as merely one factor in an inquiry as to whether disgorgement of profits would be subject to the principles of equity).

188. *Western Diversified Servs.*, 427 F.3d at 1273.

case.”¹⁸⁹ This approach is the most fair and ensures that a plaintiff is not overcompensated.¹⁹⁰

B. Legislative History Points to the Belief that Congress Did Not Intend to Abrogate a Willfulness Requirement

In *Romag*, the Supreme Court argued the 1999 amendment to section 1117(a) of the Lanham Act made it clear that Congress intended to make willful infringement a prerequisite to recovery of monetary relief for only trademark dilution, but it did not intend it to be a prerequisite to recovery of monetary relief for the other types of infringement covered by section 1117(a).¹⁹¹ However, there is no indication that Congress intended to make a change in the law of trademark infringement when it amended section 1117(a) of the Lanham Act in 1999.¹⁹² It does not appear that Congress even acknowledged the pre-1999 split in the courts of appeals nor did it indicate any desire to change it.¹⁹³ As the Supreme Court itself once said, Congress does not “alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions,” and it does not aim to “hide elephants in mouseholes.”¹⁹⁴ There is an expectation that Congress would have, at the very least, acknowledged or discussed the split amongst the circuits if it had even the slightest of intent to resolve that split.¹⁹⁵ The gravity and significance of the change further exasperate this expectation.¹⁹⁶

However, there is no explanation, no discussion, and no acknowledgment from Congress regarding the split.¹⁹⁷ This makes sense, though, given the fact that the whole purpose of the 1999 amendment to section 1117(a) was to correct an error caused by the 1996 Dilution Act.¹⁹⁸ Therefore, because we do not know

189. *Id.*

190. *See id.* at 1272–73 (“Given the punitive nature of the remedy and the possible windfall to the plaintiff, the potential for inequity is necessarily heightened when a party seeks a profit award in the absence of actual damages. To that end, we require a showing that Defendant’s actions were willful to support an award of profits under 15 U.S.C. § 1117(a).”).

191. *See Romag Fasteners Inc. v. Fossil Inc.*, 140 S. Ct. 1492, 1494–95 (2020) (stating the language of section 1117(a) after the 1999 amendment “spells trouble” for the defendant and “the circuit precedent on which it relies”).

192. *Romag Fasteners Inc. v. Fossil Inc.*, 817 F.3d 782, 789–90 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020); *see also* Trademark Amendments Act of 1999, H.R. REP. NO. 106-250, at 4 (providing no indication that Congress intended to make substantial changes in trademark infringement law).

193. *Romag Fasteners*, 817 F.3d at 790.

194. *Whitman v. Am. Trucking Ass’ns*, 531 U.S. 457, 468 (2001).

195. *Romag Fasteners*, 817 F.3d at 790.

196. *Id.*

197. *See* Trademark Amendments Act of 1999, H.R. REP. NO. 106-250, at 4 (providing no discussion or acknowledgement from Congress regarding the split).

198. *See id.* at 6 (“The language of the Dilution Act presented to the President for signing did not include the necessary changes to sections 35(a) [1117(a)] . . . of the Trademark (Lanham) Act of 1946 as referred to in the Dilution Act. Therefore, in an attempt to clarify Congress’ intent and to avoid any confusion by courts trying to interpret the statute, section three makes the appropriate changes to sections 35(a) [1117(a)] . . . to allow for injunctive relief and damages.”).

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what Congress actually intended, it would be wrong to arbitrarily impute intent upon Congress.¹⁹⁹ We simply do not know if Congress actually intended to abrogate the willfulness requirement from traditional trademark infringement.²⁰⁰ If Congress did intend to abrogate the willfulness requirement, though, then it somehow aimed to “hide elephants in mouseholes” because there is no explanation or even an acknowledgment from Congress regarding the split.²⁰¹ Therefore, based on legislative history, the more reasonable argument is Congress did not intend to abrogate the willfulness requirement.²⁰²

VI. POLICY JUSTIFICATIONS DICTATE WILLFULNESS SHOULD BE A THRESHOLD REQUIREMENT

Additionally, willfulness should be a threshold requirement to disgorge a defendant’s profits from the infringing use of a trademark because it is consistent with policy justifications.²⁰³ One important policy justification to consider is that the willfulness requirement serves as a last barrier of protection to ensure fairness in a damages calculation.²⁰⁴ Section 1117(a) of the Lanham Act allows a court a great amount of discretion when “fashioning a remedy for trademark infringement.”²⁰⁵ For example, according to the circumstances of the case, a court may increase monetary damages up to three times the amount awarded to constitute adequate compensation and not a penalty.²⁰⁶

Ultimately, however, the “goal of section 1117 is to achieve equity between or among parties.”²⁰⁷ If a defendant has somehow monetarily profited from the unauthorized use of a trademark, it “may not retain the fruits” from that unauthorized use, nor may it continue to use the trademark for its own gain.²⁰⁸

199. See *Romag Fasteners*, 817 F.3d at 790 (“Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict.”).

200. See *id.* (“Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict.”).

201. *Whitman v. Am. Trucking Ass’ns*, 531 U.S. 457, 468 (2001).

202. See *Romag Fasteners*, 817 F.3d at 789–90 (“Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict.”).

203. *Infra* Part VI.

204. *Infra* Part VI.

205. See *Bandag, Inc. v. Al Bolster’s Tire Stores, Inc.*, 750 F.2d 903, 917 (Fed. Cir. 1984) (“Section 1117 confers a great deal of discretion on a district court in fashioning a remedy for trademark infringement.”).

206. See 15 U.S.C.A. § 1117(a) (Westlaw through Pub. L. No. 116-91) (“In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.”).

207. *Bandag*, 750 F.2d at 917.

208. *Id.* at 918.

Nevertheless, a plaintiff is not “entitled to a windfall judgment.”²⁰⁹ Again, section 1117(a) of the Lanham Act provides that any sum the court awards to a plaintiff must constitute compensation and should not be a penalty.²¹⁰ In essence, the damages directly measure the loss of a plaintiff.²¹¹ However, “defendant’s profits measure the defendant’s gain” and can consequently overcompensate for the plaintiff’s actual injury, creating what is known as a windfall judgment at the expense of the defendant.²¹²

Thus, because the disgorgement of profits made by the defendant can potentially overcompensate a plaintiff, requiring a threshold showing of willfulness before allowing a plaintiff to recover the defendant’s profits serves as the last barrier of protection to ensure the damages are actually fair.²¹³ Again, this threshold showing has the potential of limiting what could be a windfall to the plaintiff.²¹⁴ However, and more importantly, it also helps prevent the inequitable treatment of an inadvertent or “good faith” infringer.²¹⁵

It is prudent to remember that a court could potentially award a plaintiff a defendant’s profits even if the plaintiff has not actually sustained any damages.²¹⁶ The remedies available under section 1117 of the Lanham Act “are cumulative, meaning that a successful plaintiff may recover the defendant’s profits in addition to any damages, or other remedies awarded.”²¹⁷ Further, courts do not consider the existence of actual damages as a prerequisite to an award of the defendant’s profits and vice versa.²¹⁸ Therefore, “given the punitive nature of the remedy” and the possibility of a windfall to the plaintiff, the risk for inequity becomes heightened when a plaintiff seeks a judgment disgorging the profits of a defendant.²¹⁹ Thus, it follows that the law should require a threshold requirement of willfulness to ensure fairness when making such a judgment.²²⁰

209. *Id.*

210. *See* § 1117(a) (“Such sum in either of the above circumstances shall constitute compensation and not a penalty.”).

211. *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992).

212. *Id.*

213. *See id.* (“[A] plaintiff must prove that an infringer acted with willful deception before the infringer’s profits are recoverable . . . [T]his requirement is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases . . . Thus, an accounting may overcompensate for a plaintiff’s actual injury and create a windfall judgment at the defendant’s expense.”).

214. *Id.*

215. *Id.*

216. *See Western Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1272 (10th Cir. 2005) (“[I]t is not required that the plaintiff demonstrate actual damages to sustain a profit award.”).

217. *Trademark Infringement*, CORNELL L. SCH. LEGAL INFO. INST., https://www.law.cornell.edu/wex/trademark_infringement (last visited Dec. 29, 2019) (on file with the *University of the Pacific Law Review*).

218. *Western Diversified*, 427 F.3d at 1272.

219. *Id.* at 1272–73.

220. *See id.* at 1273 (discussing that because of the “punitive nature” of the disgorgement of profits remedy, a showing that defendant’s actions were willful is required to support an award of profits under section 1117(a) of the Lanham Act).

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VII. WHAT CONGRESS SHOULD DO TO REMEDY THIS ISSUE

Because willfulness should be a threshold requirement to the disgorgement of a defendant's profits,²²¹ Congress should amend section 1117(a) of the Lanham Act to expressly codify this requirement into its text.²²² In fact, the Supreme Court in *Romag* stated that “reconciling competing and incommensurable policy goals” is the job of policymakers.²²³ Similar to how Congress has acted on numerous occasions and has made multiple amendments to the Lanham Act, Congress can and should act to amend the Lanham Act.²²⁴ In 1996, Congress amended the Lanham Act to create a cause of action for trademark dilution, now codified as section 1125(c).²²⁵ In 1999, Congress again amended the Lanham Act to correct its own error, adding the monetary remedy for trademark dilution in section 1117(a).²²⁶ In 2006, Congress again amended the Lanham Act to revise section 1125(c) pertaining to trademark dilution, essentially splitting the former single cause of action into the current two causes of action codified in section 1125(c).²²⁷

Furthermore, asking Congress to clarify section 1117(a) makes sense considering that other types of intellectual property statutes include either express or implied blanket willful infringement provisions.²²⁸ While the Supreme Court's interpretation of those other intellectual property statutes evolves at times, the progression of the interpretation usually just clarifies the specific test the Court wants to use rather than attempting to decode the intent of Congress as is the case with section 1117(a).²²⁹ For example, the Supreme Court transitioned the willful infringement test in the world of patent law to look at the “subjective willfulness of a patent infringer” prior to awarding enhanced damages.²³⁰ The Court

221. See *supra* Parts V–VI.

222. See *infra* Part VII.

223. *Romag Fasteners Inc. v. Fossil Inc.*, 140 S. Ct. 1492, 1497 (2020).

224. See *supra* Section III.A (explaining a few of the amendments made to the Lanham Act by Congress).

225. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985.

226. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218.

227. Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730.

228. See 35 U.S.C.A. § 284 (Westlaw through Pub. L. No. 116-135) (“... the court may increase the damages up to three times the amount found or assessed.”); see also 17 U.S.C.A. § 504(c)(2) (Westlaw through Pub. L. No. 116-135) (“In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages . . .”).

229. See Jacob A. Schroeder, Duane L. Carver Jr., & Laura P. Masurovsky, *The Evolving Landscape of Patent Enforcement: Willful Infringement*, FINNEGAN, <https://www.finnegan.com/en/insights/articles/the-evolving-landscape-of-patent-enforcement-willful-infringement.html> (last visited Apr. 7, 2020) (on file with the *University of the Pacific Law Review*) (“The question of whether the defendant has willfully infringed, however, has evolved, swinging from a strong mechanism for patent holders to obtain enhanced damages to, more recently, a weaker one.”).

230. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1933 (2016).

recognized that the language of the statute contained “no express limit or condition” and that it had discretion.²³¹ Nonetheless, the Court understood that discretion was to be exercised in light of the history of the Patent Act, making it clear based on 180 years of damage awards for willful infringement that the award is “designed as a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior.”²³²

Back in the world of trademarks, section 1117(a) fails in this respect because its history is marred by haphazard amendments that made the provision ambiguous resulting in confusion.²³³ It is unfortunate that Congress has yet to repair the inconsistencies it created after its last amendment of section 1117(a).²³⁴ Since Congress has acted before to clarify, to revise, or to completely upend a section of the Lanham Act, and it has acted cohesively in other realms of intellectual property law, there is truly no reason why it could or should not do so now.²³⁵ If Congress acts to make it explicitly clear that willfulness is a requirement to disgorging a defendant’s profits under all of the violations mentioned in section 1117(a), Congress could effectively resolve the debate over willfulness.²³⁶

VIII. CONCLUSION

The Supreme Court erred in its decision in *Romag* and a plaintiff in a trademark infringement lawsuit should have the burden of proving that the defendant willfully infringed before profits are awarded.²³⁷ This interpretation is consistent with the 1999 amendments made to section 1117(a) and justified from a policy standpoint, namely serving as a last barrier of protection to ensure fairness in a damages calculation.²³⁸

In addition, we do not know what Congress intended when it amended section 1117(a), and we cannot arbitrarily impute intent onto Congress.²³⁹ Also, based on the legislative history of section 1117(a), we do not know if Congress

231. *See id.* at 1931 (“That language contains no explicit limit or condition, and we have emphasized that the ‘word ‘may’ clearly connotes discretion.”).

232. *Id.* at 1932.

233. *See, e.g.*, Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218; *see also* Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 441 (9th Cir. 2017) (“The contrast in language between clause [1], which does not reference willfulness, and newly inserted clause [2], which does, has caused ripples through the circuit courts, which remain divided on the role of willfulness in awarding profits.”).

234. *See* Trademark Amendments Act (amending the first sentence of section 1117(a) and inserting the damages remedy in cases of dilution).

235. *See supra* Section III.A (explaining a few of the amendments made to the Lanham Act by Congress).

236. *See* Simon & Campbell, *supra* note 116 (discussing that Congress did not insert “willful” into § 1117(a) before the provision governing false advertising, trademark and trade dress infringement claims).

237. *Supra* Part I.

238. *Supra* Parts V–VI.

239. *Supra* Part V.

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affirmatively intended to abrogate the willfulness requirement from traditional trademark infringement.²⁴⁰ Therefore, Congress should make its intent known and should act to help create a more uniform practice when it comes to courts determining whether to disgorge a defendant's profits.²⁴¹ Congress has acted before to clarify, to revise, or to completely upend a section of the Lanham Act, so there truly is no reason why it could not clean up the issue it created.²⁴²

In fact, the pressure seems to be even more heightened in our current economic environment to have an impactful law pertaining to the disgorgement of a defendant's profits.²⁴³ Regardless of whether one pays \$14.90 for a t-shirt or \$650.00 for a t-shirt, the trademark associated with that t-shirt is the company's single largest source of intangible value.²⁴⁴ Allowing this level of confusion and inconsistency to exist in the law governing the protection of that trademark, something with such great value, is unacceptable and alarming.²⁴⁵ Thus, Congress should finally act to require a showing of willfulness before the disgorgement of profits in a trademark infringement case.²⁴⁶

240. *Supra* Part V.

241. *Supra* Part VII.

242. *Supra* Part VII.

243. *Supra* Part I.

244. *Supra* Part I.

245. *See supra* Part I.

246. *See supra* Part VII.