

# TRADEMARK INFRINGEMENT AND PROFIT REMEDIES IN VIEW OF *ROMAG V. FOSSIL*

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## INTRODUCTION

The Lanham Act provides plaintiffs the possibility of recovering profit damages under certain conditions in instances of trademark infringement.<sup>1</sup> Profit damages can be an especially important consideration in trademark cases because, in such cases, actual damages may be difficult to prove.<sup>2</sup> Therefore, profit remedies often end up being a large part of damages awarded to trademark plaintiffs.<sup>3</sup> However, the language of the Lanham Act has historically caused a large split among circuit courts in determining whether plaintiffs are eligible to receive profit awards.<sup>4</sup>

The split stemmed from differing interpretations of the original language of the Lanham Act, which entitled a plaintiff to a defendant's profits when a violation under § 43(a) (false or misleading use of a mark, codified as 15 U.S.C. § 1125(a)) could be established.<sup>5</sup> Notably, the language also stated that the plaintiff's profit remedies were subject to the principles of equity, specifically stating that "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, (2) any damages sustained by the plaintiff, and (3) the costs of the action."<sup>6</sup>

Some circuits reasoned that, based on the common law history, the phrase referencing the principles of equity indicates that a plaintiff must be able to show that the infringement by the defendant was *willful* before plaintiffs are eligible to

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1. 15 U.S.C. § 1117(a).

2. Howard Hogan et al., *Navigating TM Profits Remedy After High Court Decision*, LAW360 (May 27, 2020, 6:54 PM EDT), <https://www-law360-com.proxy.mckinneylaw.iu.edu/articles/1276928/navigating-tm-profits-remedy-after-high-court-decision> [<https://perma.cc/4Q7J-W5GX>]; *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1539 (2d Cir. 1992).

3. Hogan et al., *supra* note 2.

4. *Id.*; e.g., *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174 (3d Cir. 2005); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998); *Synergistic Int'l, LLC v. Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010); *4 Pillar Dynasty LLC v. New York & Co., Inc.*, 933 F.3d 202, 212 (2d Cir. 2019); *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782 (Fed. Cir. 2016) *vacated*, 140 S. Ct. 1492 (2020); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 440-41 (9th Cir. 2017), *overruled by* *Monster Energy Co. v. Integrated Supply Network, LLC*, 821 F. App'x 730 (9th Cir. 2020).

5. Trademark Amendment Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218 (1999).

6. *Stone Creek, Inc.*, 875 F.3d at 440-41 (9th Cir. 2017).

receive profit damages.<sup>7</sup> On the other side of the split, certain circuit courts held that willfulness is merely one of many factors to be considered in the determination of profit damages.<sup>8</sup> These courts held that willfulness is *not* a necessary prerequisite for obtaining profit damages, as no such mental state is explicitly specified in the statute's language.<sup>9</sup>

Further adding to the confusion, in 1999 Congress amended the language of the Lanham Act and further specified that in order to obtain profit remedies, a violation under § 43(a) (15 U.S.C. § 1125(a)), or a *willful* violation under § 43(c) (15 U.S.C. § 1125(c)) of the Lanham Act must be established.<sup>10</sup> However, notably, the amendment did not alter the original language that allowed for profit remedies in the case of a violation under § 43(a), and it also did not touch the following clause stating that such remedies were subject to "the principles of equity."<sup>11</sup> As a result, circuit courts continued to be fiercely divided over whether or not a showing of willfulness was required for violations under § 43(a) (15 U.S.C. § 1125(a)).<sup>12</sup> Some circuit courts continued to require a finding that a defendant willfully infringed a mark before profit remedies would be available to the plaintiff, while other courts still merely considered the existence of willfulness as one factor in a multi-factor analysis.<sup>13</sup>

In April 2020, the United States Supreme Court finally weighed in on the circuit split as it stood post-1999 amendment, providing some guidance with their ruling in *Romag v. Fossil*.<sup>14</sup> Upon a close reading of the language of the statute, relying on textual analysis of both the section at issue as well as the Lanham Act in its entirety, the Court held that a showing of willfulness was not required.<sup>15</sup> The court reasoned that, while the mental state of the defendant was indeed an important factor in determining if profit damages were appropriate under § 43(a), a showing of willfulness was *not* a threshold precondition that must be met in order for profit remedies to be available.<sup>16</sup> However, the Supreme Court did not articulate a clear test to be used, leaving a large amount of room for interpretation

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7. *Id.* at 441; *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir. 1993).

8. *Stone Creek, Inc.*, 875 F.3d at 441; *Pebble Beach Co.*, 155 F.3d at 554-55; *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989).

9. *Pebble Beach Co.*, 155 F.3d at 554-55; *Roulo*, 886 F.2d at 941; *Banjo Buddies, Inc.*, 399 F.3d at 175, 178; see Bill Donahue, *Will High Court's Trademark Ruling Spark Litigation Wave?*, LAW360 (Apr. 24, 2020, 4:45 PM EDT), <https://www-law360-com.proxy.mckinneylaw.uits.iu.edu/articles/1267186> [<https://perma.cc/L8C7-5ZBM>].

10. 15 U.S.C. § 1117(a).

11. H.R. REP. NO. 106-250, at 2 (1999); 15 U.S.C. § 1117(a).

12. *E.g.*, *Stone Creek, Inc.*, 875 F.3d at 44; *Pebble Beach Co.*, 155 F.3d at 554-55; *Roulo*, 886 F.2d at 941; *Banjo Buddies, Inc.*, 399 F.3d at 175, 178; 4 Pillar Dynasty LLC v. New York & Co., Inc., 933 F.3d 202, 212 (2d Cir. 2019).

13. See, *e.g.*, *Stone Creek, Inc.*, 875 F.3d at 441; *Pebble Beach Co.*, 155 F.3d at 554.

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

15. *Id.*

16. *Id.*

by the lower courts.<sup>17</sup> For example, the Court's holding did not address how the important factor of a defendant's mental state should be incorporated into the test for profit damages.<sup>18</sup> Additionally, the Court did not address how much weight a defendant's mental culpability or intent should be given in a multifactor analysis.<sup>19</sup> Furthermore, under the Court's holding it is not clear if a defendant who was merely found to have acted recklessly or negligently could be subject to profit disgorgement in a trademark infringement case.<sup>20</sup>

This Note argues that, after an analysis of the Congressional Record leading up to the Trademark Act of 1999, and in view of the *Romag v. Fossil* decision by the Supreme Court, willfulness should not be a threshold requirement in determining whether plaintiffs should be eligible to receive profit damages. Furthermore, this Note argues that the test for profit damages under 15 U.S.C. § 1125(a) should consider the mental culpability of the defendant, and that this proposed test would subject infringing defendants who are found to be reckless or negligent to possible profit disgorgement, while not subjecting good-faith or innocent infringers to the punishment of profit damages. Such a test would follow the explicit text of the statute, be consistent with the holding in *Romag v. Fossil* and the congressional intent expressed in the Trademark Act records, and support the policy of consumer protection.

Part I looks at the background of the Lanham Act, the subsequent amendment of the Act, and the specific sections dealing with profit remedies. Furthermore, Part I also looks at the Congressional Record regarding the 1999 amendment to analyze congressional intent. Part II examines the circuit split and the differing tests and interpretations used by the respective circuit courts as a result of differing interpretations of the language of the Lanham Act. Part III looks at the recent holding by the Supreme Court and how the previously analyzed, varying circuit court tests hold up in light of the Supreme Court's ruling. Lastly, Part IV looks to determine and suggest a possible test for trademark infringement under 15 U.S.C. § 1125(a) that is consistent with both the Supreme Court's holding in *Romag v. Fossil* and the intent of Congress, as well as the purpose of trademark law in general. Part IV also speculates how such a test may affect various aspects of future litigation and subsequent cases.

## I. A BACKGROUND TO PROFIT REMEDIES IN TRADEMARK INFRINGEMENT CASES

### *A. Language and Analysis of the Lanham Act*

Starting with relevant background, the Lanham Act (also known as the Trademark Act of 1946) provides protection for owners of federally registered marks.<sup>21</sup> The Lanham Act provides owners of marks remedies in instances where

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17. *See id.*

18. *Id.*

19. *See id.*

20. *See generally id.*

21. *Lanham Act*, CORNELL L. SCH.: LEGAL INFO. INST., <https://www.law.cornell.edu/wex/>

their marks are used by others—especially when the use may result in confusion on the part of consumers, or in instances where the use may result in dilution of a famous mark.<sup>22</sup> 15 U.S.C. § 1117 is the codified section of the Lanham Act that deals with recovery for violation of rights. 15 U.S.C. § 1117(a) states that

[w]hen 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, (2) any damages sustained by the plaintiff, and (3) the costs of the action.<sup>23</sup>

To elaborate, § 43(c) of the Lanham Act (15 U.S.C. § 1125(c)) specifically addresses dilution of a trademark by blurring or tarnishment, while § 43(a) (15 U.S.C. § 1125(a)) deals with false or misleading use of a mark.<sup>24</sup> For reference, 15 U.S.C. § 1125(c)(2)(B) defines dilution by blurring as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark,” whereas 15 U.S.C. § 1125(c)(2)(C) defines dilution by tarnishment as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”<sup>25</sup> In other words, § 1125(c) deals with instances where a mark is sufficiently similar to an existing famous mark—so much so that consumers associate the mark with the famous mark, and consequently, the distinctiveness of the famous mark is impaired (blurred), or its reputation is harmed (tarnished) due to the association.<sup>26</sup>

At issue in this Note is the differing interpretations of the statute with respect to § 43(a) (15 U.S.C. § 1125(a)) of the Lanham Act. In contrast to 15 U.S.C. § 1125(c), 15 U.S.C. § 1125(a) addresses use of “any word, term, name, symbol, or device” which is likely to mislead or cause confusion as to the origin or association of a good or service.<sup>27</sup> As mentioned in the introduction of this Note, 15 U.S.C. § 1125(a) is specifically at issue because it is the section that lacks an explicit willfulness requirement stated by the statute, unlike 15 U.S.C. § 1125(c), which was given an explicit requirement after the previously noted 1999

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lanham\_act, [https://perma.cc/6N4F-47J9] (last visited Oct. 16, 2020).

22. *Id.*

23. 15 U.S.C. § 1117(a).

24. *Id.* § 1125(a), (c).

25. *Id.* §§ 1125(c)(2)(B), (C).

26. *Dilution (Trademark)*, CORNELL L. SCH.: LEGAL INFO. INST., [https://www.law.cornell.edu/wex/dilution\\_\(trademark\)#:~:text=Dilution%20by%20blurring%20occurs%20when,similar%20mark%20or%20trade%20name.&text=Dilution%20by%20tarnishment%20occurs%20when,similar%20mark%20or%20trade%20name](https://www.law.cornell.edu/wex/dilution_(trademark)#:~:text=Dilution%20by%20blurring%20occurs%20when,similar%20mark%20or%20trade%20name.&text=Dilution%20by%20tarnishment%20occurs%20when,similar%20mark%20or%20trade%20name) [https://perma.cc/KXP3-XSLK] (last visited Feb. 2, 2021).

27. 15 U.S.C. § 1125(a)(1).

amendment to the Lanham Act.<sup>28</sup>

*B. Congressional Intent Behind the Lanham Act and Profit Awards*

Regarding the amendment in question, Congress amended the Lanham Act in 1999 through the Trademark Amendment Act of 1999.<sup>29</sup> As previously alluded to, the amendment changed the original language of the Lanham Act from “or a violation under section 43(a)” to “a violation under section 43(a), or a willful violation under section 43(c),” specifically adding the term “willful” to the section of the amendment addressing § 43(c).<sup>30</sup> Looking at statements made during the hearing before the subcommittee on courts and intellectual property for the Trademark Amendment Act of 1999, the Act aimed at correcting the original language of the Lanham Act in order to clarify that remedies are to be available in cases brought under the Trademark Dilution Act where instances of willful dilution occurred.<sup>31</sup>

Looking at another source, a Congressional Report on the Trademark Amendments Act of 1999, the intent of the Trademark Dilution Act was to provide injunctive relief and damages to a trademark owner when defendants were found to have willfully engaged, or intended to engage, in activities that would dilute a famous mark.<sup>32</sup> The report noted that the amendment was to correct ambiguities within the Lanham Act that were the result of drafting oversights that happened due to numerous debates over whether certain factors could be used in determining if a certain mark is “famous.”<sup>33</sup>

These reports from these subcommittee discussions state that the intent of the amendment to the Lanham Act was to make it so that awards of damages in instances of dilution were only available when a defendant “willfully intended to trade on the trademark owner’s reputation or to cause dilution of [a] famous mark.”<sup>34</sup> The subcommittee hearing further states that the Dilution Act specifies that

the owner of a famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner’s reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of a famous mark shall also be entitled to the remedies set forth in sections 35(a) and

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28. *Id.* § 1117(a).

29. H.R. REP. NO. 106-250, at 1 (1999).

30. *Id.* at 2.

31. *Trademark Amendments Act of 1999: Hearing on H.R. 1565 Before the Subcomm. on Courts and Intell. Prop. of the Comm. on the Judiciary H. R.*, 106th Cong. 13 (1999) [hereinafter *Hearing*] (statement of Michael K. Kirk, Executive Director, American Intell. Prop. L. Assoc.).

32. H.R. REP. NO. 106-250, at 4.

33. *Id.* at 5.

34. *Hearing, supra* note 31, at 20 (statement of Kimbley L. Muller, Vice President, Int’l Trademark Ass’n).

36, subject to the discretion of the court and the principles of equity.<sup>35</sup>

It is clear from these records that in adding the “willful” requirement, the intent was only to effect § 43(c), the section of the Lanham Act dealing with *dilution*, and not § 43(a) (dealing with false or misleading use of a mark), which is not discussed at all with respect to such a requirement.<sup>36</sup>

Also of note are the numerous witness statements elsewhere in the subcommittee hearing for the 1999 amendment.<sup>37</sup> The witnesses were brought to the hearing by the chairman for the subcommittee to discuss the concerns of smaller trademark owners (who do not have the money for endless litigation), and the importance of small owners to have the confidence to hire attorneys and seek relief and damages in instances of infringement on their marks.<sup>38</sup> The ensuing discussion between the witnesses and the chairman sheds light on the reasons why potential damages should pose more of a threat to would-be infringers and be available as recourse for those whose marks have been infringed.<sup>39</sup>

Emphasis is placed on the fact that smaller plaintiffs do not have the means of hiring attorneys to track down and litigate every instance of infringement, including those that rise to the level of consumer fraud and false advertising.<sup>40</sup> Therefore, a proactive means of *stopping* would-be infringers would be much more efficient at preventing consumer fraud than retroactive litigation, which may not be feasible for small plaintiffs.<sup>41</sup> Arguably, the requirement of a showing of willfulness, which increases the burden that must be proven by the plaintiff, does more to protect a possibly guilty defendant than it does the consumers who are supposed to be protected by trademark laws. This is further supported by the Supreme Court’s ultimate ruling in *Romag v. Fossil*, where the Court focused on the fact that Congress did not add an explicit “willfulness” requirement to § 43(a).<sup>42</sup>

## II. CIRCUIT COURTS’ INTERPRETATION OF THE LANHAM ACT

### A. Profit Award Justifications in Trademark Cases Before *Romag v. Fossil*

As noted above, prior to the recent Supreme Court ruling in *Romag v. Fossil* (which will be discussed *infra* Section III), circuit courts had been left free to disagree over whether or not willfulness is a threshold requirement for profit awards in trademark infringement cases brought under § 43(a).<sup>43</sup> Certain courts have reasoned that the 1999 Amendment was intended to codify common law and

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35. H.R. REP. NO. 106-250, at 6.

36. See *Hearing*, *supra* note 31, at 13, 20; H.R. REP. NO. 106-250, at 4-6.

37. See *Hearing*, *supra* note 31.

38. *Id.* at 24 (statement of Jon Bauman, aka “Bowzer,” Formerly of Sha Na Na).

39. *Id.* at 25.

40. *Id.*

41. *Id.*

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

43. Hogan et al., *supra* note 3.

that the intent was to prevent innocent actors from being punished with potential profit damages.<sup>44</sup> This is the view that had been held by the Second, Eighth, Ninth, Tenth, Eleventh, D.C., and Federal circuits. These circuits have ruled in the past that profit damages can only be awarded if a threshold showing of willfulness is established, forming one side of the circuit split.<sup>45</sup>

Specifically, the Ninth Circuit reasoned that, as mentioned in the statute, an award of damages is “subject to the principles of equity,” therefore supporting its holding of a requirement of willfulness based on the language in the Lanham Act.<sup>46</sup> Accordingly, the Ninth Circuit has held in the past that money damages are only appropriate when “the infringement is ‘willfully calculated to exploit the advantage of an established mark.’”<sup>47</sup> For example, in the Ninth Circuit case *Stone Creek v. Omnia*, the court reasoned that Congress specifically left the language directed to 43(a) untouched during the 1999 amendment because Congress knew courts were applying this “principles of equity” rationale.<sup>48</sup> The Ninth Circuit stated that courts have historically used the “principles of equity” approach—specifically, under 43(a), the Ninth Circuit itself has used such an approach to continuously rule that willfulness is required.<sup>49</sup> The court reasoned that it would be an error to conclude that this is no longer the correct approach merely because Congress altered unrelated language directed to § 43(c).<sup>50</sup>

Before *Romag v. Fossil* reached the Supreme Court and received the Court’s pivotal ruling, the case was first heard by the Federal Circuit, who held that willfulness was required, again pointing to the equity language.<sup>51</sup> The circuit court cited a U.S. Supreme Court case decided prior to the Lanham Act, where

44. See, e.g., *4 Pillar Dynasty LLC v. N.Y. & Co.*, 933 F.3d 202 (2d Cir. 2019); *Safeway Transit LLC v. Disc. Party Bus, Inc.*, 954 F.3d 1171 (8th Cir. 2020); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017), *overruled by* *Monster Energy Co. v. Integrated Supply Network, LLC*, 821 F. App’x 730 (9th Cir. 2020); *W. Diversified Servs. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269 (10th Cir. 2005); *Playnation Play Sys. v. Vexel Corp.*, 924 F.3d 1159 (11th Cir. 2019); *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990); Nicolle Zavadoff, *Trademark Infringement and the Lanham Act: The Time for “Willfulness” to be Uniformly Defined and Applied Under the Lanham Act is Now*, 52 CREIGHTON L. REV. 71, 72-73 (2018).

45. See, e.g., *4 Pillar Dynasty LLC*, 933 F.3d at 202; *Safeway Transit LLC*, 954 F.3d at 1171; *Stone Creek*, 875 F.3d at 426; *W. Diversified Servs.*, 427 F.3d at 1269; *Playnation Play Sys.*, F.3d at 1159; *Romag Fasteners, Inc.*, 817 F.3d at 782; *ALPO Petfoods, Inc.*, 913 F.2d at 958.

46. *Stone Creek*, 875 F.3d at 441 (quoting 15 U.S.C. § 1117(a)) (citing *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993)).

47. *Lindy Pen Co.*, 982 F.2d at 1405 (quoting *Playboy Enters. V. Baccarat Clothing Co.*, 692 F.2d 1272 (9th Cir. 1982)).

48. *Stone Creek*, 875 F.3d at 442.

49. *Id.*

50. *Id.*

51. *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 785-91 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020).

the Supreme Court held that a defendant appearing to have acted in good faith should not be subject to the penalty of profit damages.<sup>52</sup> Furthermore, in the same case, the Supreme Court gave an example of when profits should be awarded, stating that in instances where a defendant persisted in infringing a mark even after notice had been given that the defendant's mark was fraudulent, profit damages would be appropriate.<sup>53</sup> The Federal Circuit also cited the Second Circuit's previous holdings where it required that, in order to prove willfulness and recover profits, a plaintiff must first prove that the defendant acted in bad faith in order to avoid overcompensating for a plaintiff's actual experienced injury at the expense of the defendant.<sup>54</sup>

The Second Circuit takes the threshold willfulness requirement a step further by noting that even a showing of willful deceptiveness may not actually be sufficient for an award of profits.<sup>55</sup> The Second Circuit states other additional factors that need to be considered even once willfulness is shown:

(1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) plaintiff's laches; and (5) plaintiff's unclean hands. The district court's discretion lies in assessing the relative importance of these factors and determining whether, on the whole, the equities weigh in favor of an accounting. As the Lanham Act dictates, every award is "subject to equitable principles" and should be determined "according to the circumstances of the case."<sup>56</sup>

The Second Circuit's holding was reaffirmed even after the 1999 amendment.<sup>57</sup>

Similarly, the Eighth Circuit takes the willfulness requirement a step further; the Eighth Circuit, in addition to the threshold willfulness requirement, requires findings of additional rationale in order to be awarded profit damages.<sup>58</sup> The Eighth Circuit relies on a deterrence rationale, which focuses on the culpability of the infringer, stating "[e]ven when a plaintiff sustains its burden of proving willfulness [under the deterrence theory], courts should consider not only whether an enhanced profits award is appropriate, but also whether the disgorgement of *all* profits attributable to the infringing product is necessary to achieve the desired deterrent effect."<sup>59</sup>

The court elaborates, "[t]he rationale for awarding profits based on the

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52. *Id.* at 785.

53. *Id.*

54. *Id.* at 785-86.

55. *Id.* at 786 (quoting *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540-41 (2d Cir. 1992)).

56. *Id.* (quoting *Basch*, 968 F.2d at 1540-41).

57. *Id.* at 789.

58. *Safeway Transit LLC v. Disc. Party Bus, Inc.*, 954 F.3d 1171, 1181 (8th Cir. 2020) (quoting *4 Pillar Dynasty LLC v. N.Y. & Co.*, 933 F.3d 202, 214 (2d Cir. 2019)).

59. *Id.*



defendant's fraudulent use of the plaintiff's mark is 'to protect the public at large. By awarding the profits of a *bad faith* infringer to the rightful owner of a mark, we promote the secondary effect of deterring public fraud . . . .'"<sup>60</sup> This concept, interestingly enough, resembles some of the sentiments expressed by the witnesses in the aforementioned Congressional subcommittee hearings, yet, in this case, would arguably fail to be a proactive deterrent since the analysis only comes after a plaintiff has brought a defendant to court.<sup>61</sup>

The Eleventh Circuit, meanwhile, has a slight variation of the willfulness requirement; in various cases, the Eleventh Circuit has held that profit damages are appropriate "'where: (1) the defendant's conduct was willful and deliberate. . . (2) the defendant was unjustly enriched. . . ' or where '(3) [the remedy] is necessary to deter future conduct.'"<sup>62</sup> The court reasons that "[c]onduct is willful if the infringer was 'knowingly and deliberately cashing in upon the good will of [the infringed].'"<sup>63</sup> This illustrates the point that many courts use varying definitions of what exactly qualifies as a "willful" violation.

In contrast to the above circuit courts, and on the opposite side of the split, other circuit courts have interpreted the Lanham Act differently and have chosen not to impose such a strict willfulness standard. The Third Circuit, Fourth Circuit, Fifth Circuit, and the Sixth Circuit have all held that while willfulness is a factor, it is not necessarily required or dispositive in determining whether profit damages may be awarded to a plaintiff.<sup>64</sup> The Third Circuit specifically switched positions and declined to continue to adopt the bright line requirement after the 1999 Lanham Act amendment when they previously had held that willfulness was a prerequisite.<sup>65</sup> In sharp contrast to the Ninth Circuit, the Third Circuit reasoned that Congress knew that courts had been requiring a showing of willfulness, and therefore included the specific willfulness language in one section, but explicitly left the willfulness language out of another (namely, § 43(a)).<sup>66</sup>

The Fifth Circuit uses a robust multi-factor test in order to determine if profit awards are appropriate or not—acknowledging that an award of profits is not automatic, but that the district court does have discretion to weigh the factors—wherein the factors:

60. *Id.* at 1180-81 (quoting *Basch*, 968 F.2d at 1539).

61. *See Hearing*, *supra* note 31, at 20, 24-25.

62. *PlayNation Play Sys., Inc. v. Velez Corp.*, 924 F.3d 1159, 1170 (11th Cir. 2019)); *see also* *Optimum Techs., Inc. v. Home Depot U.S.A., Inc.* 217 F. App'x 899, 902 (11th Cir. 2007).

63. *PlayNation Play Sys., Inc.*, 924 F.3d at 1170 (quoting *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. 1988)).

64. *Zavadoff*, *supra* note 44, at 73 n.24 (2019); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 176 (4th Cir. 2006); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998); *Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010).

65. *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 788 (Fed. Cir. 2016), *vacated*, 140 S. Ct. 1492 (2020); *Banjo Buddies, Inc.*, 399 F.3d at 174.

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

include, but are not limited to, (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.<sup>67</sup>

The Third, Fourth, and Sixth Circuits have all adopted similar tests, which mirror the multi-factor test used by the Fifth Circuit.<sup>68</sup> Meanwhile, the Seventh Circuit has an even more open-ended standard.<sup>69</sup> The Seventh Circuit has held that profit remedies are awarded at the discretion of the district court under rationales including “unjust enrichment, deterrence, and compensation” and “subject only to principles of equity.”<sup>70</sup> The Seventh Circuit even stated “[t]he trial court’s primary function is to make violations of the Lanham Act unprofitable to the infringing party.”<sup>71</sup> This reasoning, again, arguably supports the witnesses’ position in the Congressional hearings.<sup>72</sup> A profit remedy test that gives would-be infringers more reason to pause would prevent infringement in the first place and preserve court resources—meaning less infringement cases would be litigated before the circuit courts. This would prevent clogging up docket and would avoid making the court the backstop for profitable infringement.<sup>73</sup>

Meanwhile, in between the above described contrasting sides of the willfulness split, the First Circuit has looked at whether the opposing parties are competitors, finding that if the plaintiff can show there is direct competition or a “substantial degree of equivalence and substitutability,” willfulness is not required.<sup>74</sup> The First Circuit states, “(‘[A] plaintiff seeking an accounting of defendant’s profits must show that the products directly compete, such that defendant’s profits would have gone to plaintiff if there was no violation . . . .’), but not otherwise.”<sup>75</sup> Therefore, if the plaintiff and defendant are not competitors, a showing of willfulness is required.<sup>76</sup>

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67. *Pebble Beach Co.*, 155 F.3d at 554.

68. *Banjo Buddies, Inc.*, 399 F.3d at 175; *Synergistic Int’l, LLC*, 470 F.3d at 176; *Laukus*, 391 F. App’x at 424.

69. *Roulo, v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989)

70. *Id.*

71. *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.*, 754 F.2d 738, 744 (7th Cir. 1985).

72. *See Hearing, supra* note 31, at 20, 24-25.

73. *Id.*

74. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 196 (1st Cir. 2012).

75. *Id.* (quoting *Valmor Prods. Co. v. Standard Prods. Corp.*, 464 F.2d 200, 204 (1st Cir. 1972)).

76. *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 36 n.11 (1st Cir. 2002).

III. THE *ROMAG V. FOSSIL* CASE AND SUBSEQUENT EFFECTA. *Supreme Court Ruling in Romag v. Fossil*

The issue addressed by the court in *Romag v. Fossil* deals with the very “willfulness” amendment of the Lanham Act discussed in the above sections that continued to foster the heavily divided circuit court split. Regarding the facts of the case, two companies, Romag Fasteners and Fossil, had an agreement permitting Fossil to use Romag’s magnetic snap fasteners in Fossil’s bags and fashion products.<sup>77</sup> However, Romag learned that the factory in China that Fossil was using to manufacture Fossil products was in fact using counterfeit Romag fasteners.<sup>78</sup> Furthermore, Fossil was not doing much to prevent or discourage these acts.<sup>79</sup> At the trial court, while the jury agreed that Fossil had not done much to prevent or prohibit the use of the counterfeit fasteners, the jury did not rule that Fossil’s action qualified as having “willfully” infringed.<sup>80</sup> Relying on controlling Second Circuit precedent, the court ruled that a plaintiff seeking damages had to first prove that an infringer acted willfully, and therefore Romag was not entitled to profit remedies.<sup>81</sup>

However, the Supreme Court overruled this holding.<sup>82</sup> The Supreme Court agreed that the Lanham Act does explicitly state that willfulness is required when proceeding under 15 U.S.C. § 1125(c), which, as earlier mentioned, deals with dilution by blurring or tarnishment.<sup>83</sup> However, the Court pointed out that Romag was actually proceeding under 15 U.S.C. § 1125(a) and not 15 U.S.C. § 1125(c).<sup>84</sup> As noted above, 15 U.S.C. § 1125(a) addresses the false or misleading use of a mark, and 15 U.S.C. § 1117(a) merely states that “a violation under section 1125(a)” must be shown, not a “willful violation” as needed for violations of 15 U.S.C. § 1125(c).<sup>85</sup>

The Court looked carefully at the statute’s structure and noted that the Lanham Act in its entirety actually touches on a variety of required mental states in many different sections of the Act.<sup>86</sup> Because it appears that explicit mental states were carefully considered and included in the statute when needed, the court declined to specifically read a willfulness requirement into proceedings under 15 U.S.C. § 1125(a) when there is no such language in the statute—especially since Congress had explicitly included the “willfulness” language

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77. *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1494 (2020).

78. *Id.*

79. *Id.*

80. *Id.*

81. *Id.*

82. *Id.* at 1492.

83. *Id.* at 1495.

84. *Id.*

85. 15 U.S.C. § 1117(a).

86. *Romag*, 140 S. Ct. at 1495.

elsewhere.<sup>87</sup> The court instead stated that, while the mental state is “highly important” in considering whether a profit award is appropriate, it is not a hard line precondition that must be shown before an award of profit remedies may be considered.<sup>88</sup>

*B. Effects of Romag v. Fossil on Circuit Courts’ Tests*

While the Supreme Court overturned the strict willfulness prerequisite for profit damages, the Court did indeed acknowledge that the mental state of the defendant is still an important factor in determining if profit damages are appropriate.<sup>89</sup> Therefore, while this holding eliminates the bright line test of a willfulness requirement before profit remedies can be considered, the holding leaves open the door for varying interpretation by courts in the future.<sup>90</sup> For example, the holding seemingly leaves it to lower courts to decide how else willfulness can be factored into a profit damages test—such as consideration as one factor in a multi-factor test—and just how much weight should be given to the mental state of the defendant.<sup>91</sup> Furthermore, the Supreme Court did not provide any guidance on how much weight should be given to a defendant’s mental culpability or intent, leaving this, too, up for interpretation and determination by the lower courts.<sup>92</sup>

Interestingly, the *Romag v. Fossil* holding appears to be just one decision in a string of cases where the Supreme Court has recently overturned strict, fixed rules used by circuit courts, instead favoring a seemingly flexible, robust framework that leaves room for district courts to consider the fact-specific circumstances of each individual case.<sup>93</sup> For example, in a 2014 decision related to patents, *Octane Fitness, LLC v. ICON Health and Fitness, Inc.*, the Supreme Court struck down an “overly rigid” test applied by the Federal Circuit.<sup>94</sup> The Court addressed how to interpret the language of 35 U.S.C. § 285, which states, “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”<sup>95</sup> The Federal Circuit had seemingly held that “a case is ‘exceptional’ only if a district court either finds litigation-related misconduct of an independently sanctionable magnitude or determines that the litigation was both ‘brought in subjective bad faith’ and ‘objectively baseless.’”<sup>96</sup> The Supreme Court rejected this test, stating the “formulation superimposes an inflexible framework onto statutory text that is inherently flexible,” and instead saying

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87. *Id.* at 1495-96.

88. *Id.* at 1497.

89. *Id.*

90. *See id.*

91. *See id.*

92. *Id.*

93. Donahue, *supra* note 9.

94. 572 U.S. 545, 554 (2014).

95. *Id.*

96. *Id.*

judges should apply a more open-ended test.<sup>97</sup>

Similarly, in a 2016 Supreme Court ruling regarding a copyright case, the Court rejected another strict requirement, this time from the Second Circuit.<sup>98</sup> The case dealt with the awarding of attorney’s fees under § 505 of the Copyright Act and whether or not a court should give “substantial weight to the objective reasonableness of the losing party’s position.”<sup>99</sup> In relying on Second Circuit precedent, the district court (affirmed by the appellate court) “gave ‘substantial weight’ to the ‘objective reasonableness’” of the infringement claim.<sup>100</sup> In explaining the reasoning, the district court stated, “‘the imposition of a fee award against a copyright holder with an objectively reasonable’—although unsuccessful—‘litigation position will generally not promote the purposes of the Copyright Act.’”<sup>101</sup> The Court of Appeals affirmed, stating that the district court “‘committed no abuse of discretion in deciding that other ‘factors did not outweigh’ the reasonableness finding.”<sup>102</sup> However, the Supreme Court held that “‘objective reasonableness can be only an important factor in assessing fee applications—not the controlling one.’”<sup>103</sup> Although different areas of intellectual property law, this history illustrates that the Supreme Court is seemingly in favor of more flexible tests, at least in the area of intellectual property law.<sup>104</sup>

Furthermore, the *Romag v. Fossil* holding leaves room for circuit courts to have different interpretations of flexible infringement tests, since the Supreme Court declined to articulate a single, overriding test to be used.<sup>105</sup> For example, although this holding overturns the previously mentioned strict prerequisite test used by the Second, Eighth, Ninth, Tenth, Eleventh, and D.C. and Federal circuit courts, circuit courts on the other side of the split already have varying factor tests that appear to be consistent with the Supreme Court’s ruling in *Romag v. Fossil* (such as the six-factor test used by the Fifth Circuit).<sup>106</sup> The circuit courts whose

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97. *Id.* at 555.

98. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1983 (2016).

99. *Id.*

100. *Id.* at 1984.

101. *Id.*

102. *Id.*

103. *Id.* at 1988.

104. *E.g.*, *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014) (striking down a rigid test used by a lower court regarding awarding attorneys fees in patent infringement cases); *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1983 (2016) (rejecting a lower court’s analysis that a factor was controlling, instead holding it was only “important”).

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

106. *E.g.*, *4 Pillar Dynasty LLC v. New York & Co., Inc.*, 933 F.3d 202, 212 (2d Cir. 2019); *Safeway Transit LLC v. Disc. Party Bus, Inc.*, 954 F.3d 1171 (8th Cir. 2020); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 440-41 (9th Cir. 2017), *overruled by* *Monster Energy Co. v. Integrated Supply Network, LLC*, 821 F. App’x 730 (9th Cir. 2020); *W. Diversified Servs. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269 (10th Cir. 2005); *Playnation Play Sys. v. Velez Corp.*, 924 F.3d 1159 (11th Cir. 2019); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174 (3d Cir. 2005); *Pebble Beach Co.*

tests have been overturned, therefore, may choose to adopt one of the existing, remaining tests from another circuit (such as the popular multi-factor Fifth Circuit test), or they may instead interpret the Supreme Court ruling and determine a new test, since the Court did not explicitly support a single, pre-existing circuit court test.<sup>107</sup> Additionally, lower courts may have different interpretations of how willfulness should be defined when incorporating the term into their tests, leaving even more room for variation.

### C. Other Related Tests and Mental Culpability Standards

Lower courts may look elsewhere for help in determining possible profit remedy tests that are consistent with the Supreme Court's ruling. For example, in Justice Sotomayor's concurrence in *Romag v. Fossil*, she reviewed a history of trademark law, noting that in the past courts have often awarded profits based on recklessness—which is similar to the “callous disregard” mental state that Fossil was found guilty of in *Romag v. Fossil*—but have still not gone as far as awarding profits to innocent infringers.<sup>108</sup> Justice Sotomayor's concurrence noted that she did, in fact, believe that profit remedies would be inappropriate for either innocent or good faith infringers.<sup>109</sup> This may influence courts to therefore still place a large weight on willfulness without holding it as the only deciding factor.

Furthermore, because the Supreme Court struck down the “willfulness” requirement but held that mental state was still important, courts may choose to incorporate a variety of mental culpability standards into their profit remedy tests.<sup>110</sup> For example, since the Court did not give an indication of a uniform level of intent that would be appropriate to warrant profit damage, according to at least one commentator, possible mental states (besides those mentioned by the Court in *Romag v. Fossil*) that could be found and included in lower court tests include gross negligence, subjective recklessness, and knowledge.<sup>111</sup> Previously in a trademark infringement and false advertising case that discussed disgorgement of profits, the First Circuit held that in order for a defendant's action to be held as a willful one, the defendant must have either (1) been consciously aware of their wrongdoing or (2) their conduct is “objectively reckless” when compared to reasonable behavior.<sup>112</sup>

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v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 176 (4th Cir. 2006); *Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010).

107. See also *Stare decisis*, CORNELL L. SCH.: LEGAL INFO. INST., [https://www.law.cornell.edu/wex/stare\\_decisis#:~:text=Stare%20decisis%20means%20%E2%80%9Cto%20stand,with%20the%20previous%20court's%20decision](https://www.law.cornell.edu/wex/stare_decisis#:~:text=Stare%20decisis%20means%20%E2%80%9Cto%20stand,with%20the%20previous%20court's%20decision) [https://perma.cc/9DY3-AV7G] (last visited Mar. 21, 2022); see also Elise Borochoff, *Lower Court Compliance with Supreme Court Remands*, 24 TOURO L. REV. 850, 868-69 (2008).

108. *Romag*, 140 S. Ct. at 1498 (2020) (Sotomayor, J., concurring).

109. *Id.*

110. See *id.* at 1497 (majority opinion).

111. Hogan et al., *supra* note 3.

112. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191-92 (1st Cir. 2012).

In this case, Fishman sued Stephen Paul after Paul advertised his line of “Esteban” guitars as including Fishman pickups (a piece of equipment installed on guitars to provide sound amplification).<sup>113</sup> The claim stems from Paul’s advertisement of his guitars on the Home Shopping Network (HSN) channel.<sup>114</sup> In his advertisements, he emphasized that the Fishman pickups were included in the guitars—and stated that the pickup alone was worth as much as the full guitar package.<sup>115</sup> Additionally, the guitars were advertised as including the Fishman pickups on the HSN website.<sup>116</sup> In reality, the guitars did not include Fishman pickups.<sup>117</sup>

However, because the court found that Fishman and Paul were not in “direct competition,” a showing of willfulness on the part of the defendant was required under the test used by the First Circuit.<sup>118</sup> Unfortunately for Fishman, because the specification sheet for the guitars stated that they contained Fishman pickups and Forced Limited, the maker of the guitars, represented to HSN that the guitars included a “Fishman-type” pickup, the court held that the evidence did not show that the defendants had knowledge of the infringement or acted recklessly in failing to discover it, instead, the First Circuit held that the evidence showed nothing more than negligence.<sup>119</sup> Thus, due to this finding, no disgorgement profits were awarded.<sup>120</sup>

The *Fishman* case serves as a prime example of how different mental culpability standards determine litigation outcomes.<sup>121</sup> Use of different mental culpabilities would possibly have quite an effect on how difficult it would be for plaintiffs to be awarded profit remedies. For example, negligence, or even gross negligence, would likely be easier to prove than recklessness; therefore, a plaintiff would have a lower burden of proof and a higher chance of recovery or a larger amount of damages awarded.<sup>122</sup> Hypothetically, if negligence had been the threshold in *Fishman*, Paul or HSN likely may have been subject to the possibility of disgorgement. Arguably, such a standard may be appropriate in many cases. For example, if a defendant whole-heartedly advertises a product as one thing without verifying that it is true, they would likely defraud a large amount of consumers who may purchase the product based on the seller’s assertions. Furthermore, if the product performs poorly, those consumers may end up forming a poor opinion of the company whose trademark was infringed, which would likely damage that company’s reputation.

Reflecting on another circuit test, the definition previously used by the Ninth

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113. *Id.* at 189.

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.*

118. *Id.* at 196.

119. *Id.* at 193-99.

120. *Id.* at 190.

121. *See id.*

122. *See Smith v. Wade*, 461 U.S. 30 (1983).

Circuit (“willfully calculated to exploit the advantage of an established mark”) appears to indicate a higher mental culpability state than either recklessness or gross negligence indicate.<sup>123</sup> However, the difference between recklessness and gross negligence is still significant and, as previously explained, would influence the likelihood of success of the plaintiff. Perhaps a uniform adjustment to the mental culpability standard used by courts could produce results to better align with the previously stated intentions of Congress.<sup>124</sup>

#### IV. PROPOSED SOLUTIONS AND EFFECTS

##### *A. Appropriateness of the Romag v. Fossil Decision and Consequently Suggested Profit Damages Test*

The Supreme Court’s ruling is correct regarding § 43(a) for a number of reasons, primarily because it logically follows that if Congress meant for willfulness to have been a requirement, the explicit language would have been stated in the statute.<sup>125</sup> However, the Court simultaneously created an ambiguity as to how much weight should be given to a defendant’s intent and what level of culpability is needed for profit damages.<sup>126</sup> To better guide the lower courts and more completely resolve the circuit split, the Court should have also provided a test that addressed these issues.

In accordance with this ruling and the intent of Congress, the multi-factor test of the Fifth Circuit is a highly appropriate tool in determining whether profit damages should be awarded in trademark infringement cases. To reiterate, in *Pebble Beach Co. v. Tour 18 I Ltd.* the Fifth Circuit employed a nonexclusive six-factor test that looked at:

- (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.<sup>127</sup>

Application of the Fifth Circuit’s test is illustrated in the Third Circuit case *Banjo Buddies, Inc. v. Renosky*, where the Third Circuit adopted and relied upon the Fifth Circuit’s *Pebble Beach* test.<sup>128</sup> In *Banjo Buddies*, Joseph Renosky was on the board of directors at Banjo Buddies, Inc. (“BBI”).<sup>129</sup> BBI produced a

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123. *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993).

124. *Hearing*, *supra* note 31, at 10 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

125. *Romag Fasteners, Inc. v. Fossil*, 140 S. Ct. 1492, 1493 (2020).

126. *Id.* at 1495-96.

127. *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998).

128. *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174-75 (3d Cir. 2005).

129. *Id.* at 171.



successful fishing lure named the Banjo Minnow, and granted exclusive rights to advertise and sell the lure to Tristar Product, Inc.<sup>130</sup> Renosky later developed and presented to the BBI board a new lure design called the Bionic Minnow; however, the board took no action and Renosky decided to independently develop and market the Bionic Minnow through his corporation Renosky Lures.<sup>131</sup> After Renosky did not comply with a cease and desist letter, BBI filed suit alleging that Renosky violated 15 U.S.C. § 1125(a).<sup>132</sup>

Renosky's argument relied on a 1999 ruling where the Third Circuit had previously held that a plaintiff "must prove that an infringer acted willfully before the infringer's profits are recoverable."<sup>133</sup> However, the Third Circuit pointed out that this hard line test previously used was superseded by statute when Congress enacted the 1999 Lanham Act amendments, which replaced "or a violation under section 43(a)" with "a violation under section 43(a), or a willful violation under section 43(c)."<sup>134</sup>

The Third Circuit then goes on to evaluate Renosky's actions in light of the Fifth Circuit's test, reviewing the district court's factual findings under a clearly erroneous standard and the district court's award of equitable remedies under an abuse of discretion standard.<sup>135</sup> Regarding the first factor, the Third Circuit counted the factor of intent as neutral due to irreconcilable findings at the district court level that Renosky lacked good faith and fair dealing, but that there was no evidence he deliberately intended to confuse consumers into thinking his product was a Banjo Buddies product.<sup>136</sup> For the second and sixth factors, the court stated that it was "likely that Renosky's conduct diverted sales from Banjo Buddies," as the marketing for the Bionic Minnow was found to be confusingly similar and had nearly identical packaging, which also "strongly support[ed] the conclusion that Renosky was 'palming off' the Bionic Minnow as a Banjo Buddies product."<sup>137</sup>

Accordingly, touching on the fifth factor, the Third Circuit reasoned that the public has an interest in preventing this type of behavior, as it is likely to impair the public's ability to make informed purchasing decisions.<sup>138</sup> Addressing the third factor, the court stated that there were no other adequate remedies, as the district court rejected BBI's damage estimations (based on state law claims and other Lanham Act claims) as speculative, leading the circuit court to note that BBI would otherwise go uncompensated.<sup>139</sup> Lastly, on the final factor, the Third

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130. *Id.*

131. *Id.* at 171-72.

132. *Id.* at 172.

133. *Id.* at 173 (quoting *SecuraComm Consulting, Inc. v. Securacom, Inc.*, 166 F.3d 182, 190 (3d Cir. 1999)).

134. *Id.* at 174.

135. *Id.* at 173.

136. *Id.* at 175, 174 n.5.

137. *Id.* at 175-76.

138. *Id.* at 176.

139. *Id.*

Circuit noted that BBI had no delays in bringing action against Renosky.<sup>140</sup>

Upon assessing and weighing the *Pebble Beach* factors, the Third Circuit held that the district court did not abuse its discretion in ordering disgorgement of Renosky's profits under 15 U.S.C. § 1117(a), which provides for profit remedies upon violation of 15 U.S.C. § 1125(a).<sup>141</sup>

This test clearly falls within the boundaries of the Supreme Court's decision.<sup>142</sup> The multi-factor test allows for courts to give weight to this highly important factor of the defendant's mental culpability without requiring the strict existence of "willfulness" that is not included in the language for § 43(a), thus avoiding a requirement not meant by Congress.<sup>143</sup> The mental culpability can be considered along with many other relevant factors in order to arrive at a holistic, well-rounded conclusion.<sup>144</sup> Although potentially creating an issue of less predictability in this area of law, giving the court the ability to consider multiple factors other than mental culpability creates a more robust test. If one condition is not met—for example, if the intent factor in *Banjo Buddies* was deemed a neutral factor—the plaintiff still has the ability to prevail and win damages if, as in *Banjo Buddies*, strong considerations are at play (no other remedies, the defendant was palming off the other product, etc.).<sup>145</sup>

Furthermore, not requiring a strict showing of willfulness appears to support the congressional intent of making would-be infringers pause and give a second thought to their possible actions, while simultaneously emboldening the infringed parties to pursue litigation in view of a heightened likelihood of success.<sup>146</sup> If Renosky had not believed he could rely on the bright line willfulness requirement, would he have gone ahead with producing the Bionic Minnow after being turned away from the board, or after receiving a cease-and-desist letter? Perhaps he would have thought twice before acting with such flagrant disregard of the Banjo Minnow and BBI's products and packaging.

Regarding a standard of willfulness, it would be inappropriate to hold good faith infringers liable for profit damages (as indicated in Justice Sotomayor's concurrence in *Romag v. Fossil*), but negligent or reckless infringers should be subject to possible profit damages in view of their actions.<sup>147</sup> This also would appear to align with the intent of Congress to discourage possible infringers.<sup>148</sup> The standard would place more responsibility on potential defendants to research their market to ensure that any actions on their part would not lead to consumer

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140. *Id.*

141. *Id.* at 172.

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

143. *See id.*; 15 U.S.C. § 1125(a).

144. *See Romag*, 140 S. Ct. at 1497.

145. *Banjo Buddies, Inc.*, 399 F.3d at 175.

146. *Hearing, supra* note 31, at 25 (statement of Jon Bauman, aka "Bowzer," Formerly of Sha Na Na).

147. *See Romag*, 140 S. Ct. 1492 (Sotomayor, J., concurring).

148. *Hearing, supra* note 31, at 25 (statement of Jon Bauman, aka "Bowzer," Formerly of Sha Na Na).

confusion, whether intentional or not. Large companies may have a tendency to skip researching what other marks are out there in their industry or may, like Fossil, likely be aware of possible infringement activities or morally objectionable practices but fail to take all possible steps to ensure that products are not falsely leading consumers to believe a specific brand is being used, when that is not true.<sup>149</sup>

Companies with the financial capability to handle potential lawsuits against smaller competitors may even choose to bypass any cost and time required to conduct such research or due diligence because they know they have the upper hand over smaller competitors. Therefore, a settlement down the road may be the more appealing choice to these large companies. However, such practices do not protect consumers or prevent consumer confusion—they are retroactive retribution for the infringer, not proactive protection for consumers. Therefore, having a lower mental culpability requirement for profit damages would better align with congressional intent as well as the priority of protecting consumers.<sup>150</sup> Thus, the proposed solution of a multi-factor test that holds reckless and negligent defendants liable would better advance the purpose of profit remedies.

Furthermore, the proposed test would help accomplish the purpose of trademark law in general.<sup>151</sup> At its core, trademark law is meant “to improve the quality of information in the marketplace and thereby reduce consumer search costs” because trademarks are the

means by which consumers organize information about products or services. By preserving the integrity of these symbols, trademark law benefits consumers in both a narrow sense (by protecting them from being deceived into buying products they do not want) and a broad sense (by allowing consumers to rely on source indicators generally and thereby reducing the costs of searching for products in the market).<sup>152</sup>

Defendants who recklessly or negligently use a plaintiff’s mark would introduce confusion into the market and make it more difficult for consumers to discern the quality of a product based on who manufactured it.<sup>153</sup> Therefore, a test that gives weight to the defendants’ intent would hold defendants liable in such cases and hopefully also make would-be infringers put more work into ensuring they do not infringe another’s mark.

Worth noting again, the Supreme Court’s decision echoes previous intellectual property law rules, in particular, that of a relatively recent patent law decision. In the 2016 case *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, the Supreme Court also overturned the rigid requirement of “objective recklessness”

149. See *Romag*, 140 S. Ct. at 1494.

150. *Hearing*, *supra* note 31, at 15 (statement of Kimbley L. Muller, Vice President, International Trademark Association).

151. Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844 (2007).

152. *Id.*

153. *Id.*

imposed by the Federal Circuit.<sup>154</sup> The requirement was used by the Federal Circuit in determining whether enhanced damages in patent cases could be awarded based on an interpretation of the Patent Act.<sup>155</sup> The two-part test used by the Federal Circuit required a finding of objective recklessness before courts could award enhanced damages.<sup>156</sup> However, similar to *Romag v. Fossil*, the Supreme Court removed this standard, saying that it does not exist in the statute and “unduly confines the ability of district courts to exercise the discretion conferred on them.”<sup>157</sup> The Court sternly rejected the requirement, stating

Such a threshold requirement excludes from discretionary punishment many of the most culpable offenders, such as the “wanton and malicious pirate” who intentionally infringes another’s patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee’s business.<sup>158</sup>

Reflecting on the Court’s decision to overturn an “objective recklessness” standard in the *Halo* patent law case, the suggested test seems even more appropriate.<sup>159</sup> In contrast to trademark law, the focus of patent law looks more towards balancing protection of the patent holder with a public interest in innovation.<sup>160</sup> The bargain of the exchange is to allow exclusive rights for the patent holder in exchange for the public sharing their new and novel knowledge in order to ultimately foster innovation for the betterment of society.<sup>161</sup> Specifically, the Constitution empowers Congress to create rights for patent holders to “promote the Progress of Science and useful Arts.”<sup>162</sup> While patent law aims to cultivate the sharing of knowledge to expedite innovation and technological advances for the good of the public, trademark law is meant to protect consumers from fraud or misleading information by ensuring that products are not confusingly marked.<sup>163</sup> Therefore, it is logical to have a stricter standard for trademark law.

If the Court has held that “recklessness” is too strict of a requirement for

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154. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016).

155. *Id.* at 1932, 1935.

156. *Id.* at 1932.

157. *Id.* at 1935.

158. *Id.* at 1932 (quoting *Seymour v. McCormick*, 57 U.S. 480, 488 (1853)).

159. *Id.* at 1935.

160. Stephan Kinsella, “*The Purpose of Patent Law*,” CENTER FOR THE STUDY OF INNOVATIVE FREEDOM (Dec. 6, 2010), <http://c4sif.org/2010/12/the-purpose-of-patent-law/> [<https://perma.cc/D679-GHUK>].

161. *See id.*

162. U.S. CONST. art. 1, § 8, cl. 8.

163. *See id.*; *General Information Concerning Patents*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/patents/basics/general-information-patents#:~:text=Functions%20of%20the%20United%20States%20Patent%20and%20Trademark%20Office&text=The%20role%20of%20the%20USPTO,corporate%20products%2C%20and%20service%20identifications> [<https://perma.cc/8FWD-MTZN>].

enhanced damages under patent law, it would not seem that “recklessness” would then be viewed as too lenient of a standard for profit damages under trademark law.<sup>164</sup> Low mental culpability standards, such as recklessness or negligence, for infringing defendants would most likely lead to more punitive damages, and subsequently, accomplish the goal of giving pause to would-be infringers who may potentially create products with markings that cause consumer confusion and render consumers unable to make smart, informed purchasing decisions.

### *B. Effect on Profit Remedies*

As alluded to above, in trademark cases, actual damages can frequently be difficult to prove.<sup>165</sup> Therefore, profit remedies often make up a large part of the damages in trademark infringement cases.<sup>166</sup> Courts have generally agreed that profit damages serve three purposes: “to compensate mark holders for losses, prevent unjust enrichment, and deter future infringement” (the last of which was alluded to in the legislative history discussing the 1999 Lanham Act amendment).<sup>167</sup> This reasoning, again, supports the idea that the test should proactively prevent potential infringers. Now that the Supreme Court has held that actions short of willfulness can earn profit damages, the multifactor tests seem to be the prevailing standard and should ultimately align with the purposes of profit damages.<sup>168</sup>

### *C. Possible Defenses*

The discussion by the Court in *Romag v. Fossil* of the fundamental rules of principles of equity supports defendants’ use of defense strategies in relevant practice areas, such as laches, estoppel, unclean hands, and acquiescence.<sup>169</sup> In fact, some courts have included such defenses into tests for an infringer’s profits. For example, the Second Circuit states

whatever the rationale adopted, a district court must still balance equitable factors in assessing the propriety of a profits award. These include, but are not limited to: (1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) any delay by plaintiff; and (5) plaintiff’s clean (or unclean) hands. Thus, when relying on the deterrence rationale to support an award of an infringer’s profits in the absence of any evidence of actual confusion, district courts should attend closely to

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164. See *Halo Elecs., Inc.*, 136 S. Ct. at 1935.

165. Hogan et al., *supra* note 3.

166. *Id.*

167. Hogan et al., *supra* note 3; *Hearing, supra* note 31, at 25 (statement of Jon Bauman, aka “Bowzer,” Formerly of Sha Na Na).

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

169. See *id.* at 1496.

the need to fashion a remedy that may sufficiently deter willful misconduct without giving plaintiffs a lottery-level windfall.<sup>170</sup>

Furthermore, under the proposed test, of course defendants will try to show that they fall within the definition of a “good faith” infringer and fail to meet the standards of the reckless or negligent mental culpability requirements.

The Model Penal Code defines a variety of mental culpabilities.<sup>171</sup> A person acts “recklessly” when “he consciously disregards a substantial and unjustifiable risk that the material element exists or will result from his conduct.”<sup>172</sup> The actions by Fossil could arguable fall under this standard as the jury found that Fossil had acted in “in callous disregard.”<sup>173</sup> A person acts “negligently” when “he should be aware of a substantial and unjustifiable risk that the material element exists or will result from his conduct.”<sup>174</sup> For example, a company may act negligently by marketing a product in a crowded field without performing at least a cursory search of the competition’s branding.<sup>175</sup> However, a defendant may be able to successfully argue that they infringed in “good faith” if they can demonstrate that they had performed their due diligence and believed there were no issues.

#### *D. Effects on Litigation and Settlements*

Because willfulness is no longer a requirement, it would naturally follow that an increase in litigation would be expected.<sup>176</sup> This could perhaps be perceived as a downside if the result is flooded court room dockets and a greater number of flimsy infringement cases being brought forward by emboldened plaintiffs. However, because of the noted importance of the mental state of the infringer, only time will tell how district courts’ test will adapt, and possibly evolve to counteract any increase that may initially be seen.<sup>177</sup> Interestingly though, between 1996 and 2018, the states with the highest number of trademark filings (California and New York) belong to the Second and Ninth circuits—who previously had all ruled that profit damages can only be awarded if willfulness was first established.<sup>178</sup> Therefore, since circuits without such a requirement already were not trademark hotspots, the change may have minimal effect.

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170. 4 Pillar Dynasty LLC v. N.Y. & Co., 933 F.3d 202, 214 (2d Cir. 2019) (quoting *George Basch Co., v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992)) (internal citation omitted).

171. MODEL PENAL CODE § 2.02(2).

172. *Id.* § 2.02(2)(c).

173. *Romag*, 140 S. Ct. at 1494.

174. MODEL PENAL CODE § 2.02(2)(d).

175. *See id.*

176. *Romag*, 140 S. Ct. at 1497.

177. *Id.*

178. *Just the Facts: Intellectual Property Cases—Patent, Copyright, and Trademark*, UNITED STATES COURTS (Feb. 13, 2020), <https://www.uscourts.gov/news/2020/02/13/just-facts-intellectual-property-cases-patent-copyright-and-trademark>, [https://perma.cc/UTR7-27EV]; *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014); *Stone Creek*, 875 F.3d at 440.

Furthermore, even if litigation is more forthcoming at this point, the number of successful cases may not change dramatically. Until more cases are adjudicated under the new *Romag v. Fossil* holding, defendants may, at least for now, be more willing to settle infringement cases in the wake of the removed willfulness standard. However, as noted above, a number of circuits have already had tests consistent with *Romag v. Fossil*, and judges in at least one of those circuits have not tended to award profit damages in typical cases.<sup>179</sup> A more noticeable change may come in procedure practices—it is common for defendants to move for summary judgment based on the willfulness requirement, but as this is no longer a threshold test, it would reasonably follow that this tactic may now be used less often in view of *Romag v. Fossil*.<sup>180</sup>

Ideally, the proposed multi-factor test would benefit consumers, as without the precondition of willfulness, would-be infringers who could potentially harm an innocent brand or confuse consumers may think twice before marking a product with a potentially infringing mark.

#### CONCLUSION

Upon review of the legislative history of the Lanham Act and the subsequent 1999 amendment, the Supreme Court correctly refused to read a required mental culpability state into the language of the statute where there clearly is not one.<sup>181</sup> The ruling explicitly settles that willfulness is not a precondition requirement.<sup>182</sup>

However, due to the lack of the Court's holding regarding a specific test,<sup>183</sup> this Note examined the tests and willfulness standards used by circuit courts, as well as examined the legislative intent behind the Lanham Act. This note argued that, in view of the expressed intent of Congress to make remedies available to both large and small trademark owners and to incentivize large companies to pause and think about possible infringement consequences, recklessness or negligence is the appropriate mental culpability standard to use when weighing willfulness as a factor in determining whether profit remedies should be available.<sup>184</sup> Furthermore, the higher standard of bad faith or deliberate willful infringement should not be required.

The Supreme Court's ruling will likely increase litigation in the lower courts because their latest holding removed the precondition that was previously believed to exist in order for profit remedies to be considered, and defendants may now be more confident proceeding with lawsuits. However, as at least one circuit court that already uses balancing tests does not typically see profit awards,

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179. *E.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998).

180. *Romag*, 140 S. Ct. at 1497.

181. *Id.*

182. *Id.*

183. *See id.*

184. *Hearing, supra* note 31, at 19 (prepared statement of Kimbley L. Muller, Vice President, International Trademark Association).

the number of profit remedies is not likely to be substantially affected.<sup>185</sup> However, due to the lowered standard and the Supreme Court's holding, would-be infringers will likely think twice about their actions and take precautions so as to not land themselves in a position of having to defend themselves against this new ruling as circuit courts start to work out what, if any, changes they will make to their respective tests.<sup>186</sup> In the end, this should benefit consumers by reducing potential trademark confusion.

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185. *E.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998).

186. *See Romag*, 140 S. Ct. at 1497.