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THE IMPACT OF FOSSIL ON BUSINESSES AND BRANDS

April 27, 2020

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In a case that will have a significant impact on brand selection and usage across the United States, the Supreme Court, in Romag Fasteners, Inc. v Fossil Group, Inc., ruled on April 23, 2020, that a plaintiff does not have to show willful infringement by the defendant to be entitled to an award of profits under the Lanham Act. The Supreme Court vacated a district court's ruling in favor of the well-known watch manufacturer Fossil in a trademark infringement dispute under §1125(a) of the Lanham Act, rejecting the district court's reliance on Second Circuit precedent that had required a finding of willfulness to award profits to a victorious plaintiff.

The Eleventh Circuit, which includes the state of Florida, has not required a plaintiff to prove the infringer acted willfully to recover the infringer's profits. However, other circuits, such as the Second, which includes New York, and the Ninth, which includes California, had long mandated that finding of willfulness was prerequisite to recovering the infringer's profits. The Supreme Court's ruling in Fossil now puts all circuits on the same page.

Section 1117(a) of the Lanham Act, the law that controls federal trademark registration, usage, and infringement, does not expressly require a showing of willfulness to recover the infringer's profits for ordinary trademark infringement. However, the Second and Ninth Circuits, including in the lower-court Fossil proceedings, had previously interpreted the statute to require such a showing. In Fossil, the Supreme Court found that nothing in the relevant statutory language mandated this willfulness requirement.

In vacating the ruling by the district court, the Supreme Court found that the "the [Lanham] Act speaks often, expressly, and with considerable care about mental states" and that Section 1117 (a) had no intent or willfulness damages prerequisite as it pertains to ordinary trademark infringement claims brought under Section 1125(a). While the Lanham Act makes certain innocent infringers subject only to injunctions, and requires knowing infringement before damages can be trebled or attorneys' fees awarded, the absence of a requirement of a specific mental state for the award of profits caused the Supreme Court to find that willfulness is not required to award a plaintiff profits.

For business owners, the key takeaway from this ruling is that before adopting and using a trademark – including design marks, trade dress, colors and even sounds – you must make sure that the mark you choose does not infringe on another's rights. Now that a party filing suit in any United States' jurisdiction can be entitled to an infringer's profits without proving that he or she acted willfully, the costs associated with poor branding choices and inadvertent trademark infringement are likely to rise considerably.

Of course, no reasonable business wants to infringe on another's trademarks and brands; the best way to build a good business reputation is to create your marks, styles, trade dress and branding. However, non-willful infringement can and does happen when a business merely relies on Google or checks for exact names with a state corporate registration, before adopting a new mark, brand or logo. Instead, before choosing the name of a new building or community, the brand design for a new mark, or a tagline for a business, it is important to discuss those plans with an attorney, who can analyze the mark's availability for use and registration through a comprehensive trademark search to evaluate marks that look or sound similar, or that have similar meanings, to the marks they would like to use.

Now that a non-willful infringer can be ordered to pay their profits should they lose a trademark infringement suit, it is the responsibility of every business to make sure that the trademarks they seek to utilize, or have already adopted, do not infringe on a third party's rights.

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