

# Client Alert

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## IP Reigns Supreme: Big Week for Intellectual Property at the Highest Court

After granting petitions for a writ of certiorari in two separate IP-related cases<sup>1</sup> and deciding a federal ban on the registration of “immoral” or “scandalous” trademarks violates the First Amendment on Monday last week, the US Supreme Court again granted cert on Friday in two additional IP cases. Both petitions arose out of trademark litigation: the first regarding a question whether a showing of willfulness is required to obtain a trademark infringer’s profits and the second whether the doctrine of *res judicata*, typically applied to affirmative claims, can be used to preclude defenses.

### Must a Trademark Plaintiff Prove Willfulness to Obtain an Infringer’s Profits?

The Supreme Court has decided to weigh in on whether willfulness is a requirement for an award of profits with respect to a finding of trademark infringement. This could resolve an apparent split among circuit courts:

- The First, Second, Eighth, Ninth, Tenth, and DC Circuits permit a disgorgement of profits only if infringement was willful.
- The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits do not require such a showing (though they do consider willfulness in ordering an accounting of an infringer’s profits).

In a case filed by Romag Fasteners against Fossil Inc., a jury found that Fossil infringed Romag’s trademarks. But because the case was filed in the Second Circuit and Romag did not prove that Fossil’s infringement was willful, Romag was not awarded profits.

Romag petitioned the Supreme Court, arguing that actual trademark damages are often difficult to measure, so profits may be “the only meaningful monetary relief that trademark owners can secure,” and a profits award may also serve a “deterrent purpose.” Fossil argued that all the lower courts already agree that willful infringement is an important factor in profits accountings and, here, Fossil was already found not to have acted with willful blindness.

The Court’s decision will likely have important implications for trademark owners, particularly if disgorgement of profits is made uniformly more accessible to plaintiffs.

### Does *Res Judicata* Apply to Defenses?

The Supreme Court will also hear a case that could determine whether the doctrine of *res judicata* may be applied to preclude the litigation of defenses that could have been asserted earlier.

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<sup>1</sup> See Hunton Andrews Kurth’s June 25, 2019, Client Alert, [Supreme Court \[in\] Brief: Two IP-Related Cases Will Be Heard by the Highest Court](#).

Lucky Brand Dungarees Inc., a large denim company, has been engaged in litigation for nearly two decades with Marcel Fashions Group, a smaller clothing company that operates under the name “Get Lucky.” Marcel has accused Lucky Brand of infringing its trademarks.

Lucky Brand argued in the latest round of litigation that certain of Marcel’s claims were barred by a 2003 settlement. The lower court agreed, but the Second Circuit reversed, applying *res judicata* and holding that Lucky Brand should have raised the defense in an earlier action. In its decision, the Second Circuit noted that its ruling was the first time it had used the doctrine of *res judicata* to preclude a defense.

Lucky Brand petitioned the Supreme Court, arguing that the Second Circuit’s decision was unfair for allowing the underlying offensive claims but precluding the associated defenses.

The Court’s ruling in this case could have far-reaching effects on the scope of claim preclusion.

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