

Supremely Informative Webinar: Comprehensive Update on Recent IP Supreme Court Cases

JUNE 10, 2020

Webinar Agenda

- ***Romag Fasteners, Inc. v. Fossil, Inc.***
 - Presenters: Sabina A. Vayner and Jacqueline Brousseau
- ***Allen et al. v. Cooper, Governor of North Carolina, et al.***
 - Presenters: Justin MacLean and Michael Friedman
- ***Georgia et al. v. Public.Resource.org, Inc.***
 - Presenters: Justin MacLean and Michael Friedman
- ***Lucky Brand Dungarees, Inc. v. Marcel Fashion Group, Inc.***
 - Presenters: Joel Feldman
- ***Mission Products Holdings, Inc. v. Tempnology, LLC***
 - Presenters: Michael Fisco and Draeke Weseman



Romag Fasteners, Inc. v. Fossil, Inc.

Sabina A. Vayner



Jacqueline Brousseau



Romag Fasteners, Inc. v. Fossil, Inc.

- Historical Context and Case Background

- Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), the section governing monetary recovery, provides, in relevant part:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action 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.

- Romag sued Fossil for use of counterfeit fasteners in fashion accessories.
- Jury found Fossil's actions to have been "in callous disregard," but did not find willful infringement. Nevertheless, jury still awarded Romag \$6.7 M as a measure of Fossil's profits.
- The district court rejected disgorgement of profits award because there was no willfulness finding. Federal Circuit upheld, applying Second Circuit law.

Romag Fasteners, Inc. v. Fossil, Inc.

Historical Circuit Split

Willfulness Required

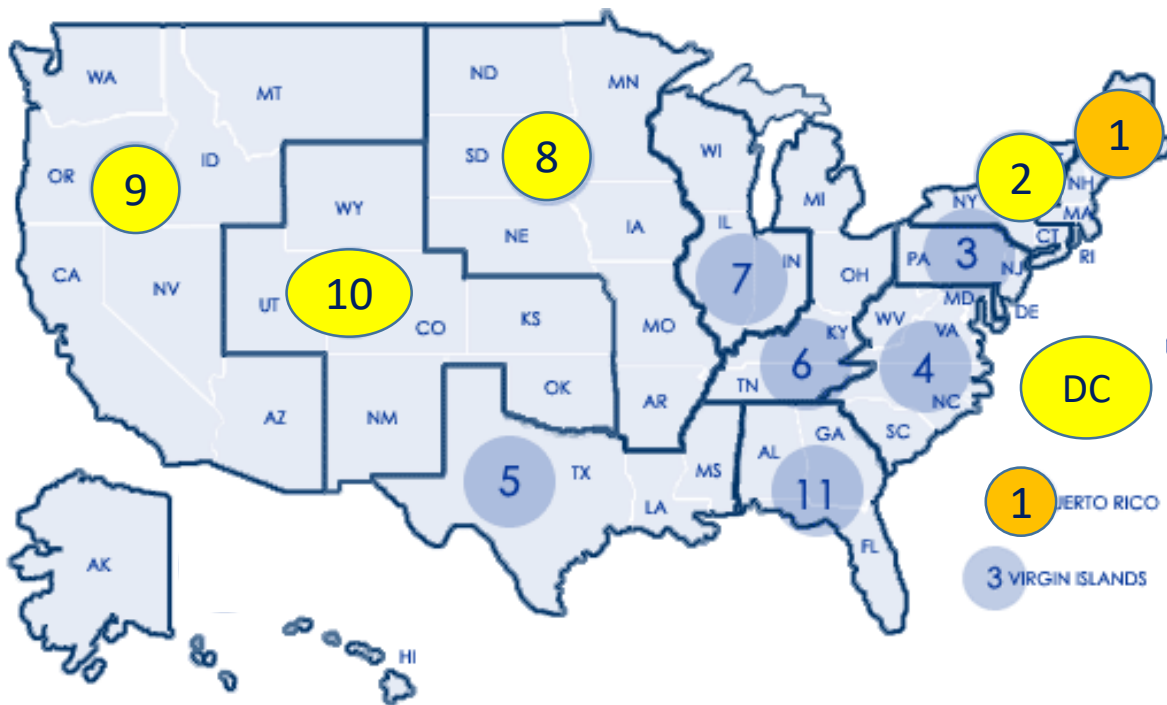
2nd, 8th, 9th, 10th, D.C.

Willfulness Not Required

3rd, 4th, 5th, 6th, 7th, 11th

Sometimes Required

1st



Romag Fasteners, Inc. v. Fossil, Inc.

- Supreme Court Decision
 - Unanimous decision.
 - SCOTUS held that a “categorical rule” mandating that a plaintiff prove the defendant’s willfulness to be eligible for an accounting of the defendant’s profits could not be “reconciled with the statute’s plain language.”
 - Certain provisions of the Lanham Act include references to willfulness, others do not.
 - Bright line willfulness therefore repealed.
 - However, SCOTUS expressly made clear: Defendant’s mental state is a **highly important consideration** when determining whether an award of profits appropriate.

Romag Fasteners, Inc. v. Fossil, Inc.

- How does this decision change the award of profits assessment in circuits that previously applied a “strict” willfulness rule? Will it affect the analysis in other circuits as well?
- Will this decision lead to an increase in trademark lawsuits? Will it eliminate forum shopping?
- Will this decision affect settlement discussions and considerations in trademark litigation?
- How will this decision affect other Lanham Act cases, including those involving claims of false advertising or unfair competition?

Romag Fasteners, Inc. v. Fossil, Inc.

- ***How does this decision change the award of profits assessment in circuits that previously applied a “strict” willfulness rule?***
 - Lowers the bar for disgorgement of profits.
 - Will require the fact finder to conduct a more nuanced analysis.
 - Has the potential to increase monetary awards in trademark litigation.
 - Willfulness will likely remain a very important consideration.
- ***Will it affect the analysis in other circuits as well?***
 - Potentially. District courts in these circuits may modify their overall analysis either to increase or decrease the threshold for an award of profits, or may take even more of a case-by-case approach.
 - Decision may affect profits awards even in cases of innocent infringement – something Justice Sotomayor cautioned against, since profits awards are an equitable remedy.

Romag Fasteners, Inc. v. Fossil, Inc.

- ***Will this decision lead to an increase in trademark lawsuits?***
 - Yes, but probably not a significant increase.
 - Plaintiff must first prevail on liability.
 - Willfulness remains an important consideration.
- ***Will it eliminate forum shopping?***
 - Most likely, at least in the short term.
 - In the longer term, district courts and circuit courts may vary in their interpretation and application of profits awards, including how much emphasis is placed on willfulness, which may again lead to forum shopping over time.

Romag Fasteners, Inc. v. Fossil, Inc.

- ***Will this decision affect settlement discussions and considerations in trademark litigation?***
 - Most likely, although impact may be tempered in circuits where analysis remains unchanged.
 - Plaintiffs generally will have more leverage in settlement discussions – risk of a profits awards is now almost always on the table.
 - Defendants must evaluate the risks posed by continuing with litigation vs. certainty of early settlement.
 - As more district courts decide cases with this SCOTUS decision in mind, the landscape will become less uncertain.

Romag Fasteners, Inc. v. Fossil, Inc.

- *How will this decision affect other Lanham Act cases, including those involving claims of false advertising or unfair competition?*
 - SCOTUS decision interprets the statutory language of the Lanham Act, without any carveouts.
 - Decision should therefore apply equally to all Lanham Act cases – including false advertising and unfair competition cases.
- **Overall, decision may have little impact in the courts already evaluating willfulness as a consideration in determining whether an award of profits is appropriate and doing so within their broad discretion, but will transform the assessment in circuits previously applying a strict willfulness rule.**

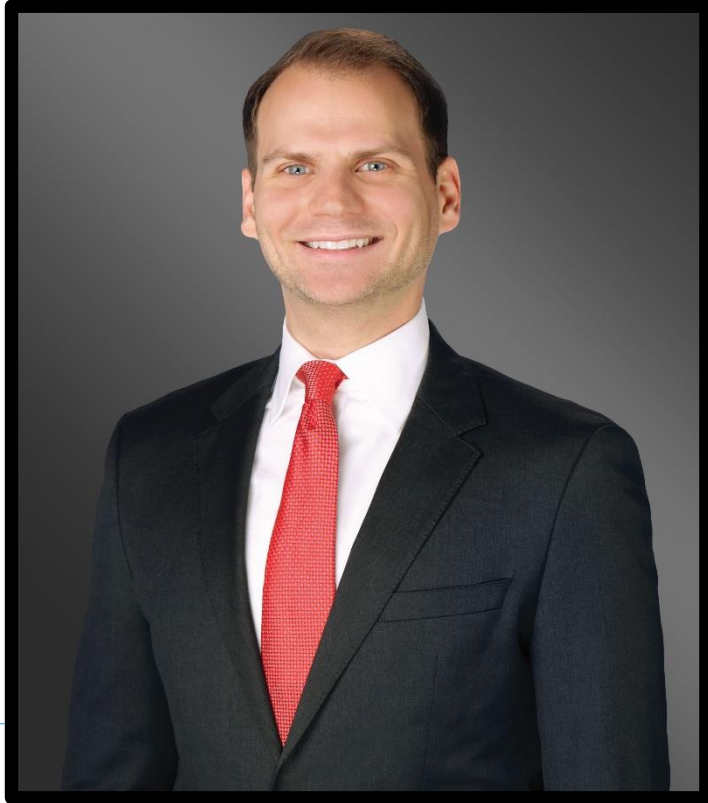


***Allen et al. v. Cooper, Governor of
North Carolina, et al.***

Justin MacLean



Michael Friedman



Allen et al. v. Cooper, Governor of North Carolina, et al.

- What are the constitutional limits on suing states for copyright infringement?
- Why did the CRCA fail to appropriately revoke state sovereign immunity from copyright infringement suits?
- What are the options for protecting copyrightable works against state infringement after *Allen*?

Allen v. Cooper: Factual Background

- *Queen Anne's Revenge* was discovered off the coast of North Carolina by Intersal (State is owner of wreck under applicable law)
- State hired Intersal to recover wreck; Intersal in turn hired photographer Allen to document recovery
- 2013: Allen complains about certain infringements of his photos; Allen and State enter into a settlement agreement
- 2015: Allen complains about additional infringements, files lawsuit in federal court



Allen v. Cooper: North Carolina's Sovereign Immunity Defense

- North Carolina asserts sovereign immunity defense
- *Allen*: Copyright Remedy Clarification Act (“CRCA”), 17 U.S.C. § 511(a), abrogates state’s sovereign immunity and permits suit

“Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person . . . for a violation of any of the exclusive rights of a copyright owner”

A Primer on State Sovereign Immunity against IP Infringement Lawsuits

- A state cannot be sued in federal court without its consent
- Exception: (1) Congress enacts “unequivocal statutory language” abrogating state sovereign immunity *and* (2) “some constitutional provision must allow Congress to have thus encroached on the States’ sovereignty”
- *Florida Prepaid Postsecondary Education Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999), held that the Patent Remedy Act did not validly abrogate state sovereign immunity against patent infringement suits

Florida Prepaid: PRA Did Not Abrogate State Sovereign Immunity

- Congress' Article I powers (IP clause, interstate commerce clause) cannot form basis to abrogate sovereign immunity
- 14th Amendment, Section 5 (Due Process) also did not form basis to abrogate sovereign immunity
 - Must (1) identify state conduct violating the 14th Amendment and (2) tailor legislation to remedying/preventing such conduct
 - Due Process violations generally should be widespread
 - “Negligent” conduct does not violate 14th Amendment
 - State remedies must be inadequate

Allen Applied Florida Prepaid to CRCA

- Under *stare decisis*, Congress' Article I powers cannot form basis to abrogate sovereign immunity
 - *Central Va. Community College v. Katz* (2006), involving Bankruptcy Clause, did not warrant revisiting *Florida Prepaid*
- 14th Amendment, Section 5 did not form basis to abrogate sovereign immunity
 - No record of widespread infringements
 - No record of intentional conduct
 - No findings as to adequacy of state law remedies

Options for Preventing State Piracy of Copyrights and Other Intellectual Property

- Fifth Amendment (takings clause): unsettled viability
- *Ex parte Young*: Individual state officials may be enjoined from future infringements
- Contractual provisions in contracts with state governments/instrumentalities
- Legislative fixes?
 - Sufficient legislative findings and narrowly tailored legislation to pass 14th Amendment muster
 - Condition state participation in federal IP system on waiver of sovereign immunity for IP violations



Copyright Office Study Regarding Extent of Infringement by States

LIBRARY OF CONGRESS

U.S. Copyright Office

[Docket No. 2020–9]

Sovereign Immunity Study: Notice and Request for Public Comment

AGENCY: Copyright Office, Library of Congress.

ACTION: Notice of inquiry.

SUMMARY: The U.S. Copyright Office is initiating a study to evaluate the degree to which copyright owners are experiencing infringement by state entities without adequate remedies under state law, as well as the extent to which such infringements appear to be based on intentional or reckless conduct. The Office seeks public input on this topic to assist it in preparing a report to Congress.

DATES: Written comments are due on or before August 3, 2020.

85 Fed. Reg. 34252 (June 3, 2020)



***Georgia et al. v.
Public.Resource.org, Inc.***

Georgia et al. v. Public.Resource.org, Inc.

- How does the government edicts doctrine apply to legislative materials?
- What are paths for protecting state-commissioned materials not having the force of law (presently 25 states and other jurisdictions have similar arrangements as Georgia to produce annotated works)?

Georgia et al. v. Public.Resource.org, Inc.

- What is the Government Edicts Doctrine?
 - Principle that: “No one can own the law”
 - Based on three nineteenth century cases involving the copyrightability of judicial opinions
 - Judges cannot be the “authors” of any work they perform in their capacity as lawmakers
 - Court applied doctrine to legislators acting in their capacity as legislators

Georgia et al. v. Public.Resource.org, Inc.

- Under the Government Edicts Doctrine, Georgia’s annotations are not copyrightable
 - Legislators acting in official capacity are “author” of annotations
 - While annotations are technically “non-binding and non-authoritative” – annotations have far more practical significance
 - Court sought to prevent hiding non-binding judicial and legislative work product behind a paywall

Georgia et al. v. Public.Resource.org, Inc.

- Currently 25 states and U.S. jurisdictions have similar arrangements to produce annotated works
- Do these states have any avenues to protect these commissioned works?
 - States could attempt to restructure agreements with private companies to deem the private company the “author” of the work instead of the legislators
 - Private companies could then assign rights to those states
 - Access to justice could still be a concern



***Lucky Brand Dungarees, Inc. v.
Marcel Fashion Group, Inc.***

Joel R. Feldman



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

Marcel Fashions
DBA **GET LUCKY**
Since 1985



Q Search Site

LUCKY
EST.  1990
BRAND

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

Period	Issue(s)	Ending
2001 – 2003	LBD's use of Get Lucky	Settlement agreement
2005 – 2010	LBD's use of Get Lucky LBD's use of Lucky Brand	Judgment against LBD
2011 – Present	LBD's use of Lucky Brand	To be determined

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

2001 –
2003

LBD's use of Get Lucky

Settlement agreement

Primary settlement terms:

- LBD will not use “Get Lucky.”
- MFG releases LBD from claims relating to LBD’s right to use Lucky Brand® trademark.

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

Period	Issue(s)	Ending
2001 – 2003	LBD's use of Get Lucky	Settlement agreement
2005 – 2010	LBD's use of Get Lucky LBD's use of Lucky Brand	Judgment against LBD
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Lucky Brand Dungarees, Inc. v. Marcel Fashion Group, Inc.

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

- LBD breaches the settlement agreement by continuing to use Get Lucky.
- MFG files a (counter)claim seeking an injunction against LBD's use of Get Lucky *and* Lucky Brand®.

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

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

Before trial, MFG obtains an injunction against LBD's use of Get Lucky.

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

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

- At trial, the jury is asked:

Ha[s Marcel] proven . . . that [Lucky Brand] infringed Marcel Fashion's "Get Lucky" mark by using "Get Lucky," the "Lucky Brand" marks and any other marks including the word "Lucky" after May 2003?

- The jury answers yes.

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

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

Judgment is entered:

“Lucky Brand . . . infringed Marcel Fashion’s GET LUCKY trademark . . . by using GET LUCKY [and] the LUCKY BRAND trademarks . . . after May 2003.”

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

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

Bifurcated damages award:

- \$150,000 for infringement of Marcel's Get Lucky® trademark and for breach of the settlement agreement *by using Get Lucky*
- \$150,000 for infringement of Marcel's Get Lucky® trademark by using Get Lucky *and Lucky Brand®* after May 2003

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

2005 –
2010

LBD's use of Get Lucky
LBD's use of Lucky Brand

Judgment against LBD

Lingering issues:

- Does the finding of liability and award of damages mean that LBD cannot use Lucky Brand® anymore?
- Wait, isn't LBD allowed to use Lucky Brand® by virtue of the settlement agreement?

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

Period	Issue(s)	Ending
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Lucky Brand Dungarees, Inc. v. Marcel Fashion Group, Inc.

**2011 –
Present**

LBD's use of Lucky Brand

To be determined

A. Temporary and/or permanent injunctive relief by enjoining Defendants, their officers, employees, and agents, and all persons or entities in active concert with them, from using, displaying, advertising, or selling their goods under, or from otherwise doing business under the “Lucky Brand” trademarks and any other mark including the word “Lucky” and any confusingly similar alternative or variation thereof;

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

2011 –
Present

LBD's use of Lucky Brand

To be determined

Does claim preclusion apply to MFG's request for injunction?

- District court: Yes.
- Second Circuit: “A plaintiff's entitlement to an injunction is more clearly established where the defendant has persisted in the infringing conduct in spite of a prior damages award.”

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

2011 –
Present

LBD's use of Lucky Brand

To be determined

Can LBD *now* argue that the settlement agreement is a complete defense?

- District court: Yes.
- Second Circuit: No. Defense preclusion applies.
- Supreme Court: Yes. Different conduct, claims, and marks at different times.

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

2011 –
Present

LBD's use of Lucky Brand

To be determined

“Put simply, the two suits here were grounded on different conduct, involving different marks, occurring at different times. They thus did not share a ‘common nucleus of operative facts.’”

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

2011 –
Present

LBD's use of Lucky Brand

To be determined

Different conduct/claims/marks

- No claim that LBD is using Get Lucky.

Different time

- “The conduct in the 2011 Action also occurred after the conclusion of the 2005 Action.”

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

2011 –
Present

LBD's use of Lucky Brand

To be determined

“This principle [new facts create new claims] takes on particular force in the trademark context, where the enforceability of a mark and likelihood of confusion between marks often turns on **extrinsic facts that change over time**. As Lucky Brand points out, liability for trademark infringement turns on **marketplace realities that can change dramatically from year to year.**”

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

- Would it have been fair for defense preclusion to apply here?
 - Second Circuit: “Our review of the record evinces no conceivable justification for Lucky Brand, **a sophisticated party engaged in litigation pertaining to its ability to use some of its core trademarks**, not to have fully litigated the release defense in this 2005 Action and Lucky Brand has not suggested one.”
- If not in this case, can defense preclusion *ever* apply (even if it is not called defense preclusion)?

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

Wither *B&B Hardware*?

- “So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before a district court, issue preclusion should apply.”
 - “Extrinsic facts that change over time”
 - “Marketplace realities that can change dramatically from year to year.”

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

How should litigants modify their trademark litigation strategies as a result of the Supreme Court's decision?

Strive for precision when litigating trademarks

- Complaints
- Jury instructions
- Draft orders

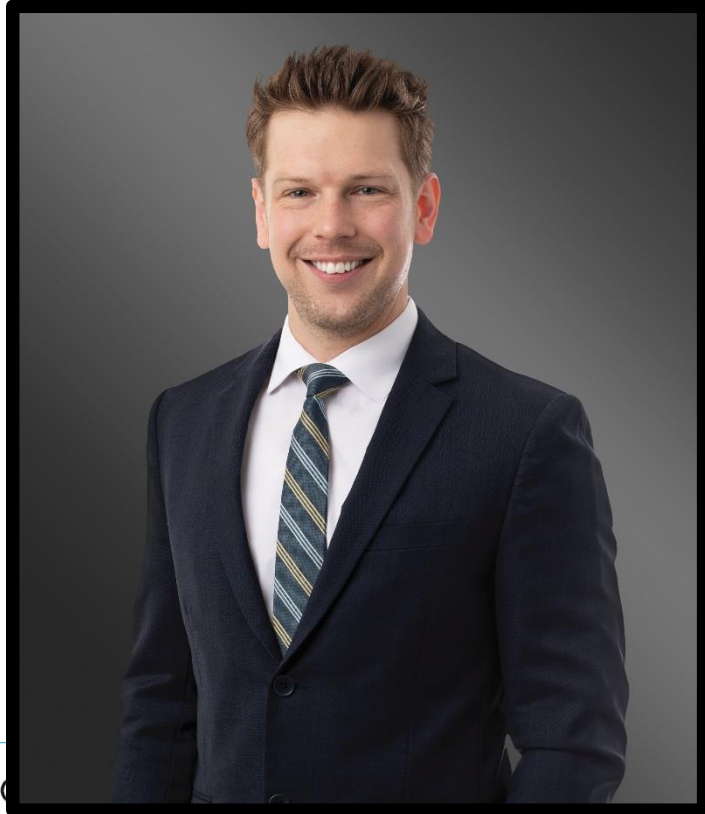


***Mission Products Holdings, Inc. v.
Tempnology, LLC***

Michael B. Fisco



Draeke H. Weseman



Mission Products Holdings, Inc. v. Tempnology, LLC

- How are trademark licenses treated in bankruptcy restructuring?
- What are the practical implications of this treatment?

Poll

This well-known licensor filed for Chapter 11 Bankruptcy in 1996 after an industry bubble burst and the company's sales fell 70 percent, dragging its stock from over \$35 a share in 1993 to less than \$2.50 in 1996.

- a) Lucas Films
- b) Mattel
- c) Marvel Comics
- d) The Pokémon Company

The COOLCORE® Trademark License

- Tempology owned the brand COOLCORE
- In 2012, Tempnology granted Mission a non-exclusive license to use the COOLCORE trademarks
- In 2015, Tempnology filed for bankruptcy under Chapter 11



Chapter 11 Bankruptcy Basics

- Chapter 11 sets forth the rules for restructuring a bankrupt business
- Section 365(a) allows a trustee to assume or reject any executory contract
- Section 365(g) states that rejection of an executory contract is a breach of such contract
- Section 365 states a counterparty to specific types of executory contracts may keep exercising its rights after a debtor's rejection

“Two Starkly Different Answers”

Tempnology (First Circuit)

- Section 365(n) creates a negative inference
- The contract is rescinded and the counterparty can seek damages

Mission Products (Seventh Circuit)

- Section 365(g) states that rejection of any executory contract is a breach
- Breach does not eliminate the rights of the non-breaching party

The Court Sides with the Seventh Circuit

“We start with the text of the Code’s principal provisions on rejection—and find that it does much of the work.”



The Court Sides with the Seventh Circuit

“We hold that under Section 365, a debtor’s rejection of an executory contract in bankruptcy has the same effect as a breach outside bankruptcy.”



Key Takeaways

- Brand owners should exercise caution rejecting trademark licenses
- The treatment of a brand owner's rejection of a trademark license depends on the terms of the license and nonbankruptcy law
- Termination provisions and choice of law provisions should be more carefully considered and not treated as mere boilerplate
- Trademark valuation and prospects for buying and selling trademarks may deserve more evaluation

Questions for Our Presenters?



Joel



Michael



Justin



Sabina



Jacqueline



Michael



Draeke



Candice