

Blog Post

Cert. Roundup: Romag’s Opening Brief

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Imposing a Willfulness Requirement to Recapture Profits is Inconsistent with Statute, Principles of Equity, and the Purposes of the Lanham Act

In June 2019, the United States Supreme Court granted certiorari in *Romag Fasteners Inc. v. Fossil Inc., et al.*, No. 18-1233. As set forth in our previous [blog post](#), Romag Fasteners Inc. (Romag) seeks to have the Court resolve a longstanding circuit split on the issue: “[w]hether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer’s profits for a violation of section 43(a), id. § 1125(a).”

As our previous [blog post](#) explains, an April 2014 jury verdict in the District of Connecticut found that *Fossil Inc. (Fossil)* had infringed Romag’s trademark and patent for magnetic clips for purses and wallets. The jury found that Fossil acted in “callous disregard” of Romag’s trademark rights, leading to an award to Romag of \$6.7 million in Fossil’s profits. The district court rescinded the profits award because Romag did not show that Fossil’s infringement was willful. Following two unsuccessful appeals to the Federal Circuit, Romag’s *cert.* petition, was granted in June 2019.

In its Opening Brief, Romag sets forth the following arguments: (1) the statutory text of § 1117(a) and the

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structure of the Lanham Act compel the conclusion that willfulness is not required; (2) the phrase “principles of equity” contained in § 1117(a) does not justify a willfulness requirement; and (3) a willfulness requirement conflicts with the Lanham Act’s purposes and with other intellectual property contexts.

The Text of the Lanham Act

Romag argues that § 1117(a)’s text refutes the notion that a plaintiff must always prove willfulness to recover an infringer’s profits and, instead, requires willfulness only as a prerequisite to monetary relief for trademark-dilution violations under § 1125(c). Romag contends that § 1117(a) only requires mark holders to establish “a violation under section 1125(a) or (d)” as a prerequisite to recovering damages, profits, or costs. According to Romag, under the plain text of the statute, any violation of those provisions suffices, not just willful ones.

Romag further argues that the balance of § 1117(a) confirms that violations of § 1125(a) need not be willful for a successful plaintiff to be eligible for monetary relief. Romag explains that § 1117(a) expressly establishes proof of the following as prerequisites to all forms of monetary relief, including profits: a “violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title.” Romag points out that Congress made the same distinction in § 1118 relating to destruction of articles – merely requiring “a violation” of some provisions but requiring “a willful violation under section 1125(c).” Therefore, Romag concludes, had Congress intended to impose a universal willfulness prerequisite to recapture of profits under § 1117(a), it easily could have drafted language to that effect.

Second, Romag argues that the broader structure of the Lanham Act confirms the plain-text interpretation, *i.e.*, that willfulness is not a prerequisite to awards of infringers’ profits for

violations of § 1125(a). Romag points out that throughout the Lanham Act, Congress specified when a culpable mental state was a prerequisite to liability or relief. *See, e.g.*, §§ 1117(b), 1117(c), 1118. Romag concludes that the text, structure, and policies of the Lanham Act clearly provide that mark holders do not need to prove willfulness to recover an infringers' profits.

Principles of Equity

Next Romag argues that the phrase “principles of equity” contained in § 1117(a) does not justify a willfulness requirement. According to Romag, the Supreme Court has long recognized the essence of equity is flexibility, not rigidity. Consequently, Romag contends, Fossil’s “hard and fast” willfulness rules are inconsistent with basic equitable principles. Indeed, Romag maintains, Fossil’s contention that the phrase “principles of equity” incorporates a common-law rule that a plaintiff must prove willfulness to recover an infringer’s profits would eviscerate the flexibility inherent in equitable remedies. Romag then concludes that the phrase “principles of equity” in § 1117(a) confirms that courts have broad discretion to tailor an award of monetary relief – including profits – to each particular case.

Romag further contends the Supreme Court’s recent decisions in intellectual property cases emphasize equity is an inherently flexible doctrine. In that regard, Romag relies on the following:

Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016), in which the Court rejected the Federal Circuit’s “objective recklessness” requirement for enhanced patent damages because that bright-line rule impermissibly cabined the Patent Act’s grant of discretion to the district court.

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545 (2014), where the Court reversed the Federal Circuit’s “rigid” test that awarded fees only in cases involving litigation-

related misconduct or objectively baseless suits brought in subjective bad faith and held that the circuit court erred by “superimpos[ing] an inflexible framework onto statutory text that [was] inherently flexible.”

Kirtsaeng v. John Wiley & Sons, Inc., 136 S. Ct. 1079 (2016), where the Court again rejected any bright-line rule, instead instructing courts to “take into account a.... range of considerations” when deciding whether to impose a fee award.

Romag concludes that, in each of these cases, the Court rejected hard-and-fast rules that would limit district courts’ exercise of equitable discretion and the same is true for the Lanham Act, which affords district courts equitable discretion to award profits and instructs them to award profits that are just according to the circumstances.

Additionally, Romag argues that common law does not support Fossil because, before the Lanham Act existed, courts did not uniformly impose a willfulness prerequisite for awards of trademark infringers’ profits; instead, courts considered all relevant circumstances. Romag provides the following examples: (1) the accounting remedy did not require willfulness; (2) in trademark claims decided at common law, no consensus existed that willfulness was a prerequisite to awards of infringers’ profits; (3) the Trademark Act of 1905 was the first federal trademark law to provide for an award of infringers’ profits and it did not mention willfulness; and (4) under the Lanham Act, courts continued to award infringers’ profits for violations of both § 1114 and § 1125(a) without requiring a threshold showing of willfulness. Thus, Romag posits, that even if common law principles of equity could overcome the plain text of the Lanham Act, the common law principles are not sufficiently clear to warrant that result here.

Policy Considerations

Finally, Romag sets forth its policy argument. It argues that a willfulness requirement conflicts with the Lanham Act's purposes and with other intellectual property contexts. Romag contends that two overarching policy rationales animate the Lanham Act: (1) protecting the public from deception and (2) protecting mark holders' investment in their businesses' goodwill. Romag argues that not requiring proof of willfulness to allow a plaintiff to recapture a defendant's profits promotes those twin purposes by ensuring that mark holders have recourse to meaningful remedies for trademark infringement.

Romag explains that although the Lanham Act provides mark holders with a variety of potential remedies, depending on the rights violated, as a practical matter, however, awards of infringers' profits will often be mark holders' only meaningful remedy. Therefore, Romag, concludes that imposing an extra-statutory requirement of willfulness undercuts the Lanham Act's purposes.

Romag also points out that the realities of today's global economy underscore the need for courts to have flexibility to decide whether to award profits, because infringers often use foreign manufacturers and willfulness is difficult to establish.

Finally, Romag notes that neither copyright nor patent law conditions awards of infringers' profits on the infringer's state of mind.

We will continue to follow this matter through the Supreme Court's decision.

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