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Blog Post

Willfulness is Not Required for Awarding Profits in Trademark Cases

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On April 23, 2020, the United States Supreme Court held in *Romag Fasteners, Inc. v. Fossil Group, Inc., FKA Fossil, Inc., et al.*, that under the Lanham Act, a plaintiff is not required to show that a defendant willfully violated plaintiff's trademark rights as a precondition to a profits award.

As explained in our previous blog, Romag Fasteners Inc. (Romag) sells magnetic clips for purses and wallets under its registered trademark, ROMAG. Romag's clips are also covered by the claims of a patent owned by Romag. Fossil Inc. (Fossil) is a fashion accessory company that designs, markets, and sells, among other things, small leather goods. In 2010, Romag sued Fossil (along with certain retailers of Fossil products) for patent and trademark infringement in the District of Connecticut. Romag alleged that Fossil was selling handbags using counterfeit ROMAG clips. In 2014, a jury found Fossil liable for both patent and trademark infringement. The jury awarded Fossil's $6.7 million in profits to Romag to deter infringement. However, because the jury found that Fossil's infringement was not willful, the Federal Circuit concluded that Romag was not entitled to an award of Fossil's profits. The Supreme Court, in a unanimous decision, disagreed. In the majority opinion, written by Justice Gorsuch, the Court confirmed that the plain language of the Lanham Act has never required a showing of willful

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infringement to obtain a profits award in a suit for trademark infringement under §1125(a).

Justice Gorsuch's opinion focuses on the Lanham Act's "language, structure, and history." The Court reviewed relevant sections of the Lanham Act governing remedies for trademark violations and noted that §1117(a) makes a showing of willfulness a precondition to a profits award in a suit under §1125(c) for trademark dilution, but § 1125(a), the trademark infringement provision under which Romag sued, never required such a showing. The Court cautioned against "reading words into a statute... especially when they are included elsewhere in the very same statute." The Court found this was especially true where other sections of the Lanham Act "speak often and expressly about mental states."

For instance, the Court illustrated, §1117(b) requires intentional acts with specified knowledge, §1117(c) increases the cap on statutory damages for certain *willful* violations, and § 1114 makes certain innocent violations subject only to injunctions. The Court concluded that, because the Lanham Act clearly exhibits considerable care with *mens rea,* therefore, the absence of any willfulness language in the statute relating to the recovery of profits under §1125(a) is "all the more telling."

The Court also rejected Fossil's argument that a violation under §1125(a) can trigger an award of the defendant's profits "subject to the principles of equity." The Court pointed out that Fossil's contention that the term "principles of equity" includes a willfulness requirement conflicts with other Lanham Act provisions that expressly prescribe *mens rea* standards. What is more, the Court noted, the phrase "principles of equity" refers to "transsubstantive topics," including "broad and fundamental questions," and not a narrow rule about a profits remedy within trademark law. Lastly, the Court explained that it was far from clear whether trademark law historically required a showing of willfulness for a profits remedy.

Finally, the Court acknowledged that while a defendant's mental state is an important consideration in determining whether to award profits, the "inflexible precondition" of willfulness is not required for the recovery of profits.

In closing, Justice Gorsuch explained that while both Fossil and Romag advanced policy arguments, the place for reconciling competing and incommensurable policy goals is before policymakers and not the Court, whose limited role is to read and apply the law.

Justice Alito, joined by Justice Breyer and Justice Kagan, issued a short concurrence clarifying that while willfulness is a highly important consideration in awarding profits under §1117(a), it not an absolute precondition.

Justice Sotomayor concurred in judgment only with the majority's "agnostic" position about awarding profits for both willful and innocent infringement. She agreed that §1117(a) does not impose a "willfulness" prerequisite for awarding profits in trademark infringement actions but also pointed to authority from the courts of equity indicating that profits were hardly, if ever, awarded for innocent infringement. Therefore, she concluded, an award of profits for innocent or good-faith trademark infringement would not be consonant with the "principles of equity" referenced in §1117(a) and reflected in the cases the majority cites.

This issue has divided the circuits for decades, and one of the authors addressed it frequently in litigation beginning in 2003. It serves all to have it resolved.

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