

U.S. SUPREME COURT HOLDS PLAINTIFFS NOT REQUIRED TO PROVE WILLFUL TRADEMARK INFRINGEMENT TO RECOVER PROFITS

Hodgson Russ Intellectual Property Litigation Alert
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• Introduction

On April 23, 2020, the U.S. Supreme Court in *Romag Fasteners, Inc v Fossil, Inc.*, 590 U.S. ___ (2020), held that the plaintiff in a trademark infringement suit is not required to prove that the defendant willfully infringed its trademark in order to recover the infringer's profits as damages. The decision resolves a long standing split between the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuit Courts of Appeal, which permit a plaintiff to recover profits without proving "willfulness," and the Second, Eighth, Ninth, Tenth, and D.C. Circuit Courts of Appeal, that conditioned profit awards on a plaintiff proving that the infringement was "willful." The resolution of this circuit split is important because it reduces the disparity in remedies available across jurisdictions. This decision also highlights the importance of monitoring international supply chains to prevent trademark litigation and limit exposure.

• Facts of the Case

In 2002, Fossil, Inc. ("Fossil") entered into an agreement with Romag Fasteners, Inc. ("Romag") permitting Fossil to use Romag's patented magnetic snap fasteners in Fossil's products. In 2010, Romag discovered that Fossil sold handbags in the United State containing counterfeit snaps bearing the Romag trademark and filed suit in the U.S. District Court for the District of Connecticut. In 2014, the jury found that Fossil violated 15 U.S.C. § 1125(a) by falsely representing that its products came from the same source as Romag's, and determined that Fossil should pay Romag more than \$6 million in profits. While the jury concluded that Fossil had acted with "callous disregard" for Romag's trademark rights, the jury found that none of Fossil's violations were willful.

Following the jury's verdict, the District Court held a two-day bench trial on equitable defenses and remedies where it concluded that Romag was not entitled to any award of profits because Romag failed to prove that Fossil's trademark infringement was willful. On appeal, the Federal Circuit Court affirmed that Romag was not entitled to an award of profits because the law of the circuit where the U.S. District Court for the District of Connecticut sits, the Second Circuit, conditioned

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the award of profits on the plaintiff proving that the defendant infringed “willfully.”

• The Majority Opinion

Justice Gorsuch’s majority opinion, joined by Chief Justices Roberts, and Justices Thomas, Ginsburg, Breyer, Alito, Kagan, and Kavanaugh, holds that a plaintiff alleging trademark infringement under 15 U.S.C. § 1125(a) is not required to demonstrate that the defendant’s infringement was “willful” to recover an award of profits. Rather, the availability of profit awards are governed by “principles of equity.” While “willfulness” is relevant to these principles, it is not determinative.

The majority in *Romag* reached this conclusion by analyzing the plain language of the Lanham Act section governing remedies for trademark violations, 15 U.S.C. § 1117(a). It provides:

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 . . . , 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.

Justice Gorsuch begins his analysis by noting that the Court does not usually read into statutes words that are not there, especially where the absent word is used elsewhere in the same provision. Here, in contrast to claims of infringement under Section 1125(a), Congress clearly expressed its intent to make “willfulness” a precondition to awarding profits in trademark dilution claims under Section 1125(c) by using the word “willful” in the phrase “willful violation under Section 1125(c).” Moreover, other provisions of the Lanham Act speak often and expressly concerning the mental state required to: (1) establish liability in cybersquatting claims under Section 1125(d), (2) award treble damages and attorneys’ fees under Section 1117(b), and (3) increase the cap on statutory damages under Section 1117(c). In contrast, the absence of the word “willful” in reference to trademark infringement under Section 1125(a) suggests that Congress did not intend to limit profit awards solely to those cases where infringement was “willful.”

The Court rejected Fossil’s arguments that the “principles of equity” standard referenced in Section 1117(a) should be read to include a “willfulness” requirement for three reasons. First, the Court found it unlikely that Congress adopted a “willfulness” standard obliquely through reference to “principles of equity,” where it often and expressly discusses mental state elsewhere in the Lanham Act. Second, the phrase “principles of equity” refers to fundamental concepts that apply across claims and practice areas, not to substantive rules of mental state in a discrete area of law. Third, decisions predating the Lanham Act applying “principles of equity” demonstrate that while the defendant’s mental state was an important consideration in awarding profits, it was not wholly determinative.

• The Concurring Opinions

While Justices Alito, Breyer, and Kagan joined in the majority opinion, Justice Alito also issued a one paragraph concurring opinion in which Justices Breyer and Kagan joined, holding that “willfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition.” Justice Sotomayor, who joined in the judgment but not the majority opinion, issued a concurrence to highlight that “profits for innocent or good-faith trademark infringement

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would not be consonant with the ‘principles of equity’ referenced in § 1117(a).” These concurrences suggest that while the Justices agree that “willfulness” is not a precondition to an award of profits in trademark infringement claims, it is still an important factor that must be considered in determining whether the “principles of equity” favor an award of profits.

- **Takeaways and Action Items**

While the absence of “willfulness” does not eliminate the possibility that a court will order a trademark infringer to pay profits to the plaintiff, the majority and concurring opinions highlight the importance of the infringer’s mental state in determining the appropriate remedy for trademark infringement. Cease and desist letters will remain an effective tool to enforce trademark rights. Companies seeking to limit their exposure to trademark infringement suits should evaluate their current programs by reviewing their manufacturing agreements and inspection procedures to determine whether any improvements are necessary. Companies currently involved in trademark litigation should evaluate how this decision impacts their case.

If you have any questions about trademark infringement, please contact Neil B. Friedman (646.218.7605) or Ryan A. McGonigle (646.218.7537).

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