



Supreme Court in Romag v. Fossil Finds Willfulness Not Required for Trademark Profits

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The Lanham Act affords numerous remedies for trademark infringement to prevailing plaintiffs, including injunctive relief, actual damages, or the defendant's profits from the infringement. Whether a defendant intended to infringe a plaintiff's trademark is relevant to a court's consideration of the relief to which a plaintiff is entitled. But some courts went further holding that a defendant could be required to disgorge profits for claims under 15 U.S.C. § 1125(a) only after the plaintiff has demonstrated that the defendant willfully infringed its trademark. In its April 23, 2020 opinion in *Romag Fasteners, Inc. v Fossil, Inc. et al*, No 18-1233, which can be found [here](#), the Supreme Court rejected that opinion holding that a plaintiff in a trademark infringement suit is not required to show that a defendant willfully infringed the plaintiff's trademark as a precondition to a profits award.

The Initial Ruling and Circuit Split

In the underlying case, Fossil, Inc. (Fossil) had licensed from Romag Fasteners, Inc. (Romag) the right to use Romag's patented magnetic fasteners on some of its handbags and allegedly required Fossil's manufacturer in China to purchase the Romag magnetic fasteners from Romag's Chinese licensee. Romag subsequently sued for trademark infringement, among other claims, when Romag noticed that there were Fossil bags with counterfeit magnetic fasteners being sold at Macy's. After trial, a jury agreed with Romag and found that Fossil had acted "in callous disregard" of Romag's rights, but rejected Romag's claim that Fossil had acted "willfully," as that term was defined by the district court.

As a result, the district court denied Romag \$6.8 million in Fossil's profits, and the Second Circuit affirmed that ruling, because it is one of several circuit courts that only allows such awards if infringement is willful. The First, Eighth, Ninth, Tenth and D.C. Circuits previously imposed a similar requirement. Another group of circuit courts – the Third, Fourth, Fifth, Sixth, Seventh and Eleventh Circuits – do not require such a showing. They do consider whether an infringer acted willfully, but only as a factor in their broader analysis.

The Supreme Court Ruling

The U.S. Supreme Court, unanimous in the judgment, considered these issues and held that trademark plaintiffs may be awarded an infringer's profits even if they haven't violated the law willfully, rejecting such an "inflexible precondition" for the awards. To render its opinion, the Supreme Court reviewed the Lanham Act provision governing remedies for trademark violations, noting that §1117(a) makes a showing of willfulness a precondition to a profits award in a suit under §1125(c) for trademark dilution, but that similar language was missing from §1125(a) regarding trademark infringement. The Court concluded that, "[r]eading words into a statute should be avoided, especially when they are included elsewhere in the very same statute." The Court found that was especially true where other parts of the Lanham Act expressly spoke about a defendant's *mens rea* or mental state. The Court was careful to say that "willfulness" was still an important factor for courts to consider when weighing an award of profits, stating: "We do not doubt that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate ??

Impact

This decision has major implications for numerous industries where companies rely on their brand and image to sell their products and services. While the decision addressed trademark infringement, it also would apply to false advertising claims, as section 1117 of the Lanham Act covers both such claims. The availability of a disgorgement remedy is an important element of damages, as it is often difficult for the plaintiff to prove if and to what extent its own profits were diminished by the defendant's infringement. Therefore, it would appear that enforcement efforts against infringers likely will increase as a result of this ruling, and that plaintiffs may file more actions knowing that they are more likely to achieve remedies beyond injunctive relief.

Further, this decision may be the equivalent of the Supreme Court's landmark decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, in 2014 in which the court adopted a more flexible framework for allowing attorney's fee awards in patent cases, a standard that has been widely adopted in trademark cases as well.

But disgorging profits is not automatic, and defendants may resist such claims based on a lack of willfulness, which will still be a factor that courts must consider. Such consideration will likely follow standards employed by the circuit courts that have not required willfulness. For example, in *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005), the Third Circuit adopted a test that weighs factors that include, but are not limited to (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off. The Fourth Circuit had not clearly addressed the role of willfulness in awarding profits prior to the 1999 amendment to the Act. However, in *Synergistic International, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006), the Fourth Circuit held that willfulness is an important, but not a dispositive, factor.

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