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Supreme Court Holds Trademark Infringement Does Not Require a Finding of “Willful” Infringement To Recover an Award of Profits

Key Takeaways

- “Willful” violations of trademark infringement are not a requirement to recover an award of defendants’ profits, according to the U.S. Supreme Court.
- The Court resolved a circuit split in which the Second Circuit, along with the First, Eighth, Ninth, Tenth and D.C. circuits, requires a showing of willfulness before profits can be awarded, and other courts—including the Third, Fourth, Fifth, Sixth, Seventh and Eleventh circuits—do not require a finding of willfulness as a threshold to an award of profits.
- The Court reasoned that the statutory language of the Lanham Act exhibits considerable care with mental state standards, therefore the absence of any explicit standard shows that a willfulness requirement cannot be read into the statute for an infringing use of a trademark.

Romag Fasteners, Inc. v. Fossil Group, Inc., fka Fossil, Inc., No. 18-1233 (Argued Jan. 14, 2020, Decided April 23, 2020)

In a unanimous decision, the U.S. Supreme Court resolved a circuit court split, holding “willful” violations of trademark infringement are not a prerequisite to recover an award of defendants’ profits. Writing for the majority, Justice Neil Gorsuch found in part that because the Lanham Act exhibits considerable care

with mental state standards, the absence of any such standard in the language of 15 U.S.C. 1117(a) is significant and ultimately dispositive.

Justice Gorsuch wrote: “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. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery. ...”

Romag Fasteners, a manufacturer of magnetic snap fasteners for use in leather goods, won an infringement suit against Fossil Group Inc., an upscale accessory brand, based on Fossil’s use of counterfeit Romag fasteners on handbags and other products. The jury found that Fossil had infringed on Romag’s trademark with “callous disregard” and awarded Romag \$6.4 million based on Fossil’s profits. Citing Second Circuit precedent that requires a finding of willfulness, the trial court denied Romag the profit award. The Federal Circuit affirmed on appeal.

The Supreme Court vacated the decision on the basis that the Lanham Act does not expressly impose a precondition of willfulness by the defendant in order for the plaintiff to recover an award of profits for trademark infringement. The Court focused on the plain text of the Lanham Act section governing profit awards, 15 U.S.C. § 1117(a), noting that recovery for trademark dilution expressly requires a willful violation, whereas recovery for trademark infringement does not.

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The section reads, 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 arising under this chapter, the plaintiff shall be entitled ... subject to the principles of equity, to recover (1) defendant’s profits. ...”

The Court reasoned that this section expressly requires willfulness as a precondition to a profits award for a trademark dilution claim under 15 U.S.C. § 1125(c), but not for a trademark infringement claim under 15 U.S.C. § 1125(a). The Court declined to read a willfulness requirement into the portion of the text regarding 1125(a), especially since Congress had “included the term in question elsewhere in the very same statutory provision.”

An examination of the structure of the Lanham Act as a whole demonstrates that the Act “speaks often and expressly about mental states.” In certain sections, Congress did condition application of a right or remedy on the defendant’s state of mind by expressly referring to actions as willful or intentional. Therefore, in sections where Congress did not include that language, the courts should not impute a mens rea standard.

The Court added that it saw no reason to interpret “principles of equity” to mean that a plaintiff must prove a willful state of mind. The court noted that “principles of equity” apply more broadly across claims and practice areas, and therefore it seems unlikely Congress meant “principles of equity” to direct the Court to a narrow rule about a profits remedy within trademark law.

Justice Alito’s concurring opinion, in which Justices Breyer and Kagan joined, concluded that the lower court was wrong in holding that willfulness is a precondition to recovery. “The relevant authorities, particularly pre-Lanham Act case law, show that willfulness is a highly important consideration in

awarding profits under §1117(a), but not an absolute precondition.”

The Impact of Romag Trademark Protection

By holding that there is no willfulness requirement, the Supreme Court removes a significant obstacle for a prevailing party in a trademark infringement suit to recover an infringer’s profits. Many fear that such a holding may result in a wave of new questionable trademark suits. This result is unlikely, however, because the Court confirmed that the infringer’s state of mind remains a relevant and highly important consideration in deciding whether to award profits. Indeed, Justice Sotomayor’s concurring opinion highlights that while the statute does not impose a willfulness requirement, the weight of authority indicates that profits are hardly, if ever, awarded for innocent infringement.

While many brand owners may view this decision as a win, those who are managing supply chains may need to consider imposing more vigorous quality control and approval regimes to prevent unintentional infringement. Such a cautionary approach could serve as evidence of good faith in the event of any infringement proceedings and help prevent or reduce any eventual award of infringement profits.

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