Romag Fasteners, Inc. v. Fossil Group, Inc.: Willfulness Is Not An "Inflexible Precondition" for an Award of Defendant's Profits in Trademark Infringement Cases

by David R. Todd

On April 23, 2020, the U.S. Supreme Court issued its decision in *Romag Fasteners, Inc. v. Fossil Group, Inc*., addressing whether willfulness is a requirement for an award of defendant's profits in trademark infringement cases. The Court held that willful infringement is not "an inflexible precondition" but that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate."

Romag sells magnetic snap fasteners, and Fossil sells handbags. The parties entered into an agreement whereby Fossil would use Romag fasteners in Fossil's handbags. After a while, however, Romag discovered that the third parties making handbags for Fossil were using counterfeit Romag fasteners. A jury found that Fossil had infringed Romag's trademark and had acted "in callous disregard" of Romag's rights, but the jury rejected Romag's contention that Fossil's infringement was "willful."

15 U.S.C. § 1117(a) addresses the monetary remedies available for trademark violations under the federal Lanham Act. That provision states:

"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."

In light of the jury's verdict, Romag sought an award of Rossil's profits under this statute. The U.S. District Court for the District of Connecticut refused the request because controlling Second Circuit precedent required a plaintiff seeking an award of profits to prove that the defendant's infringement was willful. Not all circuits agreed on this view of the law, however. In the First, Second, Eighth, Ninth, and D.C. Circuits, willfulness was a requirement for an award of profits, but in the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits, willfulness was only an important factor to consider in whether to award profits. The Supreme Court took this case to resolve the circuit split.

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Justice Gorsuch, writing for a majority of the Court, first observed that the plain language of the statute expressly requires willfulness to obtain profits or damages for a violation "under section 1125(c)," *i.e.*, for trademark dilution, but does not require willfulness for "a violation under section 1125(a)," *i.e.*, for trademark infringement. The Court reasoned that it is "usually" improper to "read into statutes words that aren't there," and that this reasoning is especially applicable "when Congress has (as here) included the term in question elsewhere in the very same statutory provision." The Court then observed that many other provisions in the Lanham Act speak expressly about mental states and inferred that "[t]he absence of any such standard in the provision before us . . . seems all the more telling."

The Court then addressed Fossil's argument that the statute makes any award of profits "subject to the principles of equity" and Fossil's accompanying assertion that "equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes." The Court rejected this argument. First, it observed that "the phrase 'principles of equity' doesn't readily bring to mind a substantive rule about *mens rea* from a discrete domain like trademark law" but "more naturally suggests fundamental rules that apply more systematically across claims and practice areas." Second, the Court concluded that given the record provided by the parties, "it's far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy." The Court observed that although some pre-Lanham Act courts did so, others did not. It concluded that "[a]t the end of it all, the most we can say with certainty" is that "*[m]ens rea* figured as an important consideration in awarding profits in pre-Lanham Act cases."

The Court summarized its holding as follows: "[W]e 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 Fossil advances."

Justice Alito filed a concurring opinion, joined by Justice Breyer and Justice Kagan. Justice Alito apparently considered the pre-Lanham Act case law to be more clear than the majority opinion viewed it to be, and concluded that it showed that willfulness is not "an absolute

precondition" to an award of profits and that "willfulness is a highly important consideration."

Justice Sotomayor filed an opinion concurring in the judgment, also agreeing that willfulness is not a prerequisite for awarding profits, but pointed out that in the pre-Lanham Act case law, "profits were hardly, if ever, awarded for innocent infringement" and asserted that "a district court's award of profits for innocent or good-faith trademark infringement would not be consonant with the 'principles of equity.'" Justice Sotomayor concurred only in the judgment because she viewed the majority opinion as being too "agnostic about awarding profits for . . . innocent infringement."

The full text of the opinions in this case can be found here:

https://www.supremecourt.gov/opinions/19pdf/18-1233_5he6.pdf