

Keyword(s): trademarks, award of profits, willful infringement

General: Trademark infringement under the Lanham Act does not require a showing of willfulness as a prerequisite for profit disgorgement.

Romag Fasteners, Inc. v. Fossil Group, Inc., FKA Fossil, Inc. et al.

590 U.S. ____ (2020) Supreme Court No. 18-1233

Decided: April 23, 2020

I. Facts

Romag Fasteners, Inc. (Romag) and Fossil, Inc. (Fossil) signed an agreement to use Romag's magnetic snap fasteners in Fossil's leather goods. Romag eventually discovered that factories in China making Fossil products were using counterfeit Romag fasteners and Fossil did little to guard against the practice. Romag sued Fossil and certain retailers for trademark infringement pursuant to 15 U.S.C. § 1125(a). While the jury found trademark infringement, the jury rejected Romag's accusation that Fossil had acted willfully. Based on this finding, and relying on Second Circuit precedent (despite a finding that Fossil had acted callously), the district court rejected Romag's request for an award of profits. This decision was affirmed by the Federal Circuit (applying Second Circuit law) and Romag appealed.

II. Issue

Does a plaintiff seeking a profits award for trademark infringement pursuant to 15 U.S.C. § 1125(a) have to prove that the defendant's violation was willful?

III. Discussion

No. The Court recognized that the Lanham Act authorizes many remedies for trademark infringement. A district court may award a winning plaintiff injunctive relief, damages, or the defendant's ill-gotten profits. The Court also noted that a defendant's state of mind may have a bearing on what relief a plaintiff should receive, such that an innocent trademark violator often stands in very different shoes than an intentional one. However, there was a split in the circuit courts on whether a plaintiff can recover a defendant's profits only after a showing that the defendant willfully infringed its trademark. The Court took up this issue to resolve the split in the circuit courts.

The Court turned to the plain language of the statute. The relevant section, 15 U.S.C. § 1117(a), 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.

15 U.S.C. § 1125(a) defines trademark infringement (including a likelihood of confusion finding), § 1125(c) defines dilution, and § 1125(d) defines cybersquatting. The Court noted that the statute does explicitly make a showing of willfulness a precondition to a profits award when the plaintiff proceeds under § 1125(c). However, Romag alleged and proved a violation of § 1125(a), the provision establishing a cause of action for the false or misleading use of trademarks. The Court found that in these cases, the statutory language has never required a showing of willfulness to win a defendant's profits. The Court acknowledged that a profits award is subject to limitations found in other portions of the Lanham Act, for example, 15 U.S.C. § 1111 (treble profits/damages and award attorney's fees when a defendant engages in certain acts intentionally and with specified knowledge as well as an increased cap on statutory damages for certain willful violations) and in 15 U.S.C. § 1114 (certain innocent infringers subject only to injunctions). However, these sections were found by the Court not to contain the rule Fossil argued. The Court further noted that is unusual to read into statutes words that aren't there. The Court reasoned that because the Lanham Act speaks often and expressly about mental states, the absence of any such standard in § 1125(a) is even more telling.

In support of a willfulness requirement to a violation under § 1125(a) in § 1117(a), Fossil pointed to the language indicating that a violation under § 1125(a) can trigger an award of the defendant's profits "subject to the principles of equity." Fossil argued that equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes. Fossil argued that in trademark cases, a willfulness requirement was so long and universally recognized that today it rises to the level of a "principle of equity" that the Lanham Act carries forward. The Court reasoned that this would require an assumption that Congress intended to incorporate a willfulness requirement for violations under §1125(a) obliquely while it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act. The Court examined the phrase "principles of equity" and found that it more naturally suggests fundamental rules that apply more systematically across claims and practice areas and that it was unlikely Congress meant "principles of equity" to be directed to a narrow rule about a profits remedy within trademark law.

The Court also examined the alleged historical requirement of a showing of willfulness before allowing and was unable to find precedent that spoke clearly to the issue. At best, the Court found that *mens rea* figured as an important consideration in awarding profits in pre-Lanham Act cases. While the Court agreed that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," the Court found that this consideration does not require the inflexible precondition of willfulness. The Court further acknowledged policy arguments raised by Fossil, but noted that the place for reconciling competing and incommensurable policy goals is before policy makers.

IV. Conclusion

Regarding the Lanham Act's provision governing remedies for trademark violations, 15 U.S.C. § 1117(a), makes a showing of willfulness a precondition to a profits award in a suit under § 1125(c) for trademark dilution, but not in a suit under § 1125(a) for trademark infringement.