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U.S. Supreme Court Holds that Willful Trademark Infringement is Not a Prerequisite to the Recovery of Profits *(Romag Fasteners, Inc. v. Fossil Group, Inc.)*

by Jeffrey J. Catalano and Andrew L. Goldstein

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ABOUT THIS CLIENT ALERT

On April 23, 2020, the United States Supreme Court issued its opinion in *Romag Fasteners, Inc. v. Fossil Group*, Inc., resolving a circuit split by holding that a finding of willful infringement is not a precondition to recover a defendant's profits in trademark infringement cases.

Factual Background

Romag and Fossil signed an agreement to use Romag's products in Fossil's handbags. Years later, Romag learned that Fossil's manufacturers were utilizing counterfeit Romag fasteners instead of authentic ones. Romag sued Fossil (and others) for trademark infringement pursuant to 15 U.S.C. § 1125(a). Romag prevailed at trial, with the jury returning a verdict that Fossil (i) had infringed Romag's trademark; (ii) falsely represented that the fasteners on Fossil handbags came from Romag; and (iii) had acted "in callous disregard" of Romag's rights. Nonetheless, the jury found that Romag did not prove that Fossil's infringement was willful.

The Lanham Act provides as follows:

> 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) [trademark infringement], or *a willful violation* under section 1125(c) [dilution] shall have been established . . . , the plaintiff shall be entitled, subject to [other statutory limitations and the principles of equity] to recover (1) *defendant's profits*, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

Among other remedies, Romag sought an order disgorging Fossil's profits resulting from the infringement. The District Court denied the request, relying on settled law in the Second Circuit that a finding of willfulness is a precondition to a remedy of profits for trademark infringement.

The Supreme Court agreed to hear the case in order to resolve a split between the circuits.

Decision

The Lanham Act allows for disgorgement of profits as a remedy for both trademark infringement and trademark dilution. In an opinion authored by Justice Gorsuch, the majority of the Supreme Court found that although a finding of willfulness is a prerequisite for disgorgement of profits for dilution, a finding of willfulness is not required for an award of profits for infringement. According to the majority opinion, this holding was compelled by the plain language of the statute, which provides remedies for "a violation under Section 1125(a) [infringement and false advertising] … or a *willful* violation of section 1125(c) [dilution]." Because the

term "willful" only modifies "violation" in the context of dilution, the Court declined Fossil's invitation to "read into statutes words that aren't there," particularly where "Congress has (as here) included the term in question elsewhere in the very same statutory provision."

The holding was further bolstered by the fact that other provisions of the Lanham Act expressly address the mental state of the accused infringer. For example, the Lanham Act provides for treble profits or damages and an award of attorney's fees when a defendant "engages in certain acts *intentionally* and with specified knowledge." (emphasis in original). Because the Lanham Act addresses mental state throughout the statute, the absence of a mental state in the damages provision for trademark infringement "seems all the more telling."

Justice Alito (with Justices Breyer and Kagan joining) and Justice Sotomayor issued separate opinions concurring in the judgment.

Analysis
This decision clarifies the law regarding damages for trademark infringement, ensuring that profits are potentially recoverable for trademark infringement regardless of the venue of the suit. The possibility of an award of profits can provide a plaintiff with a potential source of damages in cases where lost profits may be non-existent or difficult to prove, as well as leverage in settlement negotiations.

Nonetheless, despite the holding, whether a defendant acts willfully remains a relevant consideration for trademark infringement damages. As the majority opinion stated in dicta, "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."

If you have any questions on the *Romag* decision, please contact Jeffrey Catalano (jcatalano@freeborn.com), Andrew Goldstein (agoldstein@freeborn.com), or another member of Freeborn's Intellectual Property Practice Group.

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