



## **ARE Trademark Law Alert: Supreme Court Holds That Willfulness Is Not Required for an Award of Profits in Federal Trademark Infringement Cases Brought Under 15 U.S.C. § 1125(a)**

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On April 23, 2020, the Supreme Court unanimously decided that trademark infringers may be liable for their profits in actions brought under 15 U.S.C. § 1125(a), even if they did not violate the law willfully. *Romag Fasteners, Inc. v. Fossil Group, Inc.*, No. 18-1233, Slip op. at 3, 7 (U.S. Apr. 23, 2020).

This decision overturns contrary precedent in the Second Circuit, which includes New York, as well as the First, Eighth, Ninth, Tenth, and D.C. Circuits. The Court did, however, make a point of noting that a defendant's willfulness should nonetheless be an important factor for lower courts to consider when exercising their discretion to award an infringer's profits.

### **Background**

In 2002, Fossil, Inc. signed an agreement to use Romag Fasteners, Inc.'s patented magnetic snaps in its handbags. Romag later discovered that Fossil's Chinese factories were using counterfeit Romag fasteners.

Unable to settle the dispute amicably, Romag sued Fossil in 2010 in the U.S. District Court for the District of Connecticut for trademark infringement under 15 U.S.C. § 1125(a). In accordance with Second Circuit precedent, the District Court rejected Romag's request for an award of profits because the jury found that Fossil's behavior was "in callous disregard" of Romag's rights but was not willful. Slip op. at 2.

Romag appealed to the U.S. Court of Appeals for the Federal Circuit. The Federal Circuit, applying Second Circuit trademark precedent, affirmed the District Court's decision.

Romag then filed a Petition for Certiorari to the U.S. Supreme Court. Because federal courts in



different judicial circuits were split upon whether willfulness was a precondition for an award of profits in trademark infringement cases brought under 15 U.S.C. § 1125(a), the Supreme Court agreed to hear the case.

## **Majority Opinion of the Supreme Court**

Justice Gorsuch delivered the opinion of the Court, which was joined by Chief Justice Roberts and Justices Thomas, Ginsburg, Breyer, Alito, Kagan and Kavanaugh.

The Court began by noting that the key issue in this case was whether a categorical rule that willfulness is required as a precondition for an award of profits “can be reconciled with the statute’s plain language.” Slip op. at 1. The relevant section of the Lanham Act governing remedies, 15 U.S.C. § 1117(a), states in pertinent part:

When . . . 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 principles of equity, to recover (1) defendant’s profits . . . .

The Court clarified that this section of the statute explicitly requires a showing of willfulness in order for plaintiffs in actions brought under 15 U.S.C. § 1125(c), for trademark dilution, to recover a defendant’s profits. However, the Court found that such a showing is clearly not required for plaintiffs in actions brought under 15 U.S.C. § 1125(a) such as for infringement of an unregistered trade dress, or for false or misleading use of trademarks.

The Court rejected Fossil’s contention that the term “subject to the principles of equity” implicitly includes a willfulness requirement because “equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes.” Slip op. at 4. First, because the Lanham Act “speaks often and expressly about mental states,” the Court disagreed that Congress would use coded language here to import a willfulness requirement that is expressly prescribed in other sections of the Act.

Second, the Court doubted that the “principles of equity” could be stretched to include “a narrow rule about a profits remedy within trademark law.” Third, the Court did not find the



evidence in the record supported that “trademark law historically required a showing of willfulness before allowing a profits remedy.” Slip op. at 5.

That said, in language that many defendants will undoubtedly point to in the future to try to forestall an award of profits, the Court 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.” Slip op. at 7.

The Court concluded its opinion with a curt dismissal of the policy arguments made by both sides, noting that the Court’s “limited role is to read and apply the law.”

## **Concurring Opinions**

Justice Alito wrote a concurring opinion, joined by Justices Breyer and Kagan, noting that pre-Lanham Act cases “show that willfulness is a highly important consideration in awarding profits under 15 U.S.C. § 1117(a), but not an absolute precondition.”

Justice Sotomayor also wrote a concurring opinion, disagreeing that courts of equity were just as likely to award profits for willful infringement as for innocent infringement, but nevertheless finding “that 15 U.S.C. § 1117(a) does not impose a ‘willfulness’ prerequisite for awarding profits in trademark infringement actions.”

## **Practical Effect**

This Supreme Court decision reconciles differences in statutory interpretation among the judicial circuits and holds that “willfulness” is no longer an “inflexible precondition” to an award of profits for trademark infringement under 15 U.S.C. § 1125(a), while acknowledging that “a trademark defendant’s mental state is a highly important consideration.”



This means that defendants in federal trademark infringement actions may face more severe monetary consequences in the event that they are successfully accused of trademark infringement. As a result, this gives added incentive for plaintiffs to file more trademark infringement actions.

Thus, it may be even more prudent to conduct thorough trademark searches for potential conflicts before adopting new trademarks and to give extra scrutiny to possible conflicts discovered in those searches. Moreover, allegations of trademark infringement need to be taken even more seriously. A common view among accused infringers that they can simply stop using an accused trademark in the event of litigation without further consequence may no longer apply.

Finally, although the Court did not discuss in detail the other remedies set out in 15 U.S.C. § 1114, because the Court remarked that “no one suggests [that section] contain[s] the rule Fossil seeks,” it would appear that the same logic with respect to willfulness requirements (or the lack thereof) would apply there as well. See Slip op. at 3.

We will continue to monitor and report on developments in U.S. trademark law. In the meantime, please feel free to contact us to learn more.

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