

U.S. Supreme Court Rejects Categorical Rule That Trademark Infringement Must Be “Willful” to Award Infringer’s Profits in *Romag v. Fossil*

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Once again, a decision by the Federal Circuit has been overturned by the Supreme Court. In its April 23, 2020, ruling vacating and remanding the decision in [*Romag Fasteners, Inc. v. Fossil, Inc.*](#), the Supreme Court resolved a split in the Circuit Courts by rejecting the proposition that trademark infringement must be willful to warrant an award of disgorgement of a trademark infringer’s profits. Circuits, such as the Second, Eighth, Ninth, Tenth, and D.C. Circuits, have held that disgorgement of the infringer’s profits under the Lanham Act was *only* proper if the infringement was found to be willful. Other Circuits have instead used willfulness and intent as one of many factors to be considered in determining whether disgorgement was a warranted form of relief.

In a unanimous decision, the Justices sided with Romag Fasteners in rejecting Fossil’s “curious” interpretation of the Lanham Act (15 U.S.C. §1117) that infringement of a trademark must be willful as a precondition for awarding disgorgement of profits. Disgorgement of profits can be one of the most powerful forms of monetary relief available to a trademark owner and acts as a strong deterrent for would-be copyists to infringe in the first place. The Supreme Court’s decision now clears a path for brand owners to more readily recover damages in some of the most important trademark litigation forums in the country, which also gives those brand owners more leverage to favorably resolve enforcement matters outside of court.

Justice Gorsuch swiftly dispatched the split amongst the Circuit Courts in his relatively short, seven-page opinion, writing, “[a] plaintiff in a trademark infringement suit is not required to show that a defendant willfully infringed the plaintiff’s trademark as a precondition to a profits award. The Lanham Act provision governing remedies for trademark violations . . . has never required such a showing. Reading words into a statute should be avoided, especially when they are included elsewhere in the very same statute.”

The trademark owner, Romag Fasteners, sued Fossil for trademark infringement under §1125(a) of

the Lanham Act, asserting that Fossil had infringed Romag Fasteners' trademark appearing on magnetic snap fasteners as used on bags, wallets, watches, and other products. During trial, it was established that some of Fossil's products were manufactured at a facility in China that habitually used counterfeit fasteners instead of purchasing authentic Romag Fasteners products. The jury found that Fossil acted with "callous disregard" in failing to ensure the use of only genuine Romag Fasteners' products, yet, it did *not* find that Fossil's actions rose to the level of willfulness. The jury awarded Romag Fasteners damages of \$6.7 million in profits from Fossil, but the District Court of Connecticut significantly reduced the award to eliminate disgorgement as a remedy.

In reaching the decision that the Lanham Act does not require a categorical rule that an infringer's actions must be willful before disgorgement becomes an available form of relief, Justice Gorsuch reviewed multiple provisions in the Lanham Act in which the relative intent or *mens rea* of the infringer has been interwoven into the relief provisions. For example, §1117(b) refers to *intentional acts* with *specific knowledge*, §1117(c) increases statutory damages for *willful* violations, and § 1114 limits relief available against *innocent* infringers. However, the Lanham Act, and specifically §1117, is silent with respect to the infringer's intent or *mens rea* when found to violate §1125(a), which absence Justice Gorsuch characterized as "all the more telling." This point was particularly stressed in a Concurring Opinion authored by Justice Alito and joined by Justices Breyer and Kagan.

Despite the absence of any statutory language justifying the application of a categorical rule requiring willfulness, Fossil relied upon "the principles of equity" to support its position that Romag Fasteners was not entitled to Fossil's profits. In dismissing this theory, the decision takes its readers on a historical deep-dive into the principles of equity and an analysis of trademark profit awards before the Lanham Act. Ultimately, Fossil's philosophical arguments relying upon the principles of equity were insufficient to overcome the plain language of the Lanham Act, which the Court held imposed no categorical rule requiring willfulness for an infringer's profits, despite requiring various levels of intent of the infringer to be established for other forms of relief.

This decision aligns with decisions in the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuit Courts, as well as with the *amicus* briefs submitted by several important trademark and general legal trade groups including the American Intellectual Property Law Association, the American Bar Association, the Intellectual Property Owners Association, and the International Trademark Association.

The decision is likely to have the most significant impact among the First, Second, Eighth, Ninth, Tenth, and D.C. Circuits, which generally required a finding of willfulness before awarding the disgorgement of the infringer's profits. Given that a large number of significant trademark infringement cases are decided by District Courts located in the Second and Ninth Circuits, this decision has the potential to have an appreciable impact on the size of monetary damage awards.

Overall, this decision was encouraged by a significant portion of the intellectual property community, as evidenced by the *amicus* filings and was predicted by many commentators in view of the clear textual language of the Lanham Act. The ruling has the potential to result in an appreciable cumulative change in the amount of monetary damage awards for trademark infringement now that all circuits will be applying the same standard for the award of an infringer's profits.

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