SUPREME COURT UNANIMOUSLY RULES THAT WILLFULNESS IS NOT REQUIRED TO RECOVER PROFITS

The U.S. Supreme Court resolved a circuit split on April 23, 2020, by unanimously holding in *Romag Fasteners, Inc. v. Fossil Group, Inc., et al.* that a brand owner is not required to prove that a trademark infringer acted willfully in order for the owner to be awarded the infringer's profits.

THE BOTTOM LINE

As a result of the Supreme Court's unanimous decision, a finding of willfulness is not a precondition that must be satisfied for a plaintiff to recover an infringer's profits as a remedy for trademark infringement, although the infringer's mental state remains a highly important consideration. While this decision may make it easier for a rights owner to obtain an infringer's profits without having to make a showing of willfulness, the extent to which willfulness will factor into courts' decisions on this issue in the future remains to be seen.

BACKGROUND

Romag Fasteners, Inc. (Romag) sells magnetic snap fasteners for leather goods under its registered trademark ROMAG, and Fossil, Inc. (Fossil) designs, markets and distributes fashion accessories. Romag and Fossil had entered into a license agreement that permitted Fossil to use Romag's fasteners in Fossil's handbags and other products. Romag later discovered that certain Fossil products contained counterfeit snaps bearing the ROMAG mark, so Romag sued Fossil in Connecticut district court for trademark infringement. During the trial, it was established that one of Fossil's manufacturers in China consistently used counterfeit ROMAG snaps.

The jury found that Fossil was liable for trademark infringement, but that Fossil did not act willfully, even though it determined that Fossil acted "in callous disregard" of Romag's rights. For that reason, the district court refused to award Fossil's profits to Romag, reasoning that a plaintiff can only recover an infringer's profits if it proves that the trademark violation was willful.

The U.S. Court of Appeals for the Federal Circuit agreed with the district court's decision. Romag then appealed to the Supreme Court, which took the case to consider the specific issue of whether a showing of willfulness is categorically needed to recover an infringer's profits.

THE SUPREME COURT'S DECISION

The Supreme Court unanimously rejected the requirement that infringement must be willful as a precondition for awarding profits. The Supreme Court found that, although a trademark infringer's mental state is "a highly important consideration" for purposes of a profits award, mental state is not an "inflexible precondition" that is required to obtain such recovery.

In making this decision, the Supreme Court considered and interpreted Section 35(a) of the Lanham Act, which provides that when it is established that a defendant engaged in trademark infringement under Section 43(a) of the Lanham Act, or willful trademark dilution under

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Section 43(c) of the Lanham Act, the plaintiff shall be entitled to recover the defendant's profits, subject to the "principles of equity."

The Supreme Court declined to read a willfulness requirement into a profits award for trademark infringement because Section 35(a) expressly necessitates a showing of willfulness to recover profits for trademark dilution, but not for trademark infringement, and Romag only proved a trademark infringement claim against Fossil.

The Supreme Court also rejected Fossil's argument that the willfulness requirement should be read into Section 35(a) because of its language that profits can be recovered "subject to the principles of equity." The Supreme Court did not believe that Congress intended to indirectly incorporate the willfulness requirement through that language, given that Congress explicitly included mental state requirements elsewhere in the Lanham Act, but not with respect to trademark infringement. The Supreme Court explained that, in context, the "principles of equity" language suggested broad, fundamental rules that apply across claims and practice areas, rather than a narrow rule about a profits remedy.

FOR MORE INFORMATION

Brooke Erdos Singer
Partner
212.468.4940
bsinger@dglaw.com

Joy J. Wildes
Counsel
212.468.4974
jwildes@dglaw.com

Claudia G. Cohen
Associate
212.468.4838
ccohen@dglaw.com

or the D&G attorney with whom you have regular contact.

Davis & Gilbert LLP
212.468.4800
1740 Broadway, New York, NY 10019
www.dglaw.com