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U.S. Supreme Court Holds Willfulness Not Needed for Recovery of Trademark Profits

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Yesterday, the United States Supreme Court held in *Romag Fasteners, Inc. v. Fossil Group, Inc. et al.* that a trademark owner is not required to show that a defendant willfully infringed a trademark before seeking to recover the defendant's profits from the infringement.

The core dispute arose over magnetic snap fasteners for use in leather goods. Romag alleged that Fossil had infringed its trademark and falsely represented that its fasteners came from Romag. A jury found that Fossil had acted "in callous disregard" of Romag's rights. However, the jury did not go so far as to find that Fossil had acted willfully. The United States Court of Appeals for the Second Circuit held that Romag could not recover Fossil's profits because under its precedent, a plaintiff had to prove that the defendant's actions were willful to recover profits.

This position reflected a remarkably deep (6-6) and long-standing circuit split. Six circuits (the First, Second, Eighth, Ninth, Tenth, and D.C.) had held that willfulness is a requirement for any award of profits under the Lanham Act. In contrast, the other six regional circuits (the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh) had held that intent was an important factor as part of an overall equitable analysis, but was not required to support an award of profits. In June 2019, the Supreme Court agreed to take up this case to resolve this split.

In the opinion authored by Justice Gorsuch (joined by all the other Justices except Justice Sotomayor), the Court took a straight forward statutory construction approach to resolving the issue. Justice Gorsuch began his analysis by going directly to the text of 15 U. S. C. §1117(a), which says:

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.

The Court noted that while the statute requires a showing of willfulness to receive a profits award when the plaintiff is suing for trademark dilution under §1125(c), there is no such requirement when the plaintiff is suing under §1125(a) for false or misleading use of a trademark, as in Romag's case. The Court continued that it does not "usually read into statutes words that aren't there. It's a temptation we are doubly careful to avoid when Congress has (as here) included the term in question elsewhere in the very same statutory provision."

The Court was also not persuaded by Fossil's argument that the term "principles of equity" includes a willfulness requirement and found it "a little unlikely Congress meant 'principles of equity' to direct us to a narrow rule about a profits remedy within trademark law."

Ultimately, the Court was not moved by Fossil's statutory or policy arguments and concluded that there is no willfulness requirement for profits in an action under §1125(a), but noted that "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."

Justice Sonia Sotomayor did not join the Court's opinion but concurred in the judgment, noting her view that awarding profits for innocent or good-faith infringement would not be consistent with "principles of equity." She agreed that "willfulness" is not a strict requirement for awarding lost profits.

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