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## **U.S. Supreme Court Holds That Plaintiffs Need Not Prove “Willful” Conduct to Recover Profits in Trademark Infringement Suits**

On April 23, 2020, the United States Supreme Court held that a plaintiff who proves a trademark infringement claim under the Lanham Act does not need to prove that the defendant acted “willfully” to recover profits from the defendant’s infringement. In *Romag Fasteners, Inc. v. Fossil, Inc.*,<sup>1</sup> the Court held that the text of Section 35(a) of the Lanham Act, which sets out infringement remedies and includes an express requirement that plaintiffs prove willfulness to recover profits under other provisions of the Act, does not impose such a requirement for infringement claims. The Court’s decision resolved a split among the federal circuit courts of appeal as to whether infringement under Section 43(a) requires a showing of willfulness for a plaintiff to recover profits.<sup>2</sup>

The decision could have implications for the prosecution of trademark infringement claims. Plaintiffs asserting trademark infringement may be entitled to greater money damages in certain cases. The ruling may also provide trademark holders with additional leverage to challenge infringing conduct through pre-litigation enforcement efforts, including cease-and-desist letters. By contrast, defendants, and others who use the trademarks of third parties, may face expanded damages for certain infringement claims because they will no longer be able to rely on good faith or non-“willful” conduct as a basis for avoiding the disgorgement of profits if they are found liable for infringement.

### **Overview of the Lanham Act**

The Lanham Act governs trademarks, service marks, and unfair competition, and prohibits the “misleading use” of protected marks.<sup>3</sup> Section 43(a) of the Lanham Act prohibits certain acts of “infringement,” defined as the “use[] in commerce” of a mark by a person other than the mark holder in a manner likely to cause “confusion” or “mistake” as to the mark’s origins, endorsement, or affiliation. Section 43(c) of the Act prohibits “dilution,” defined as the “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness” of the famous mark.<sup>4</sup> Section 43(d) prohibits “cyberpiracy,” which is the “registration” of a protected mark as an internet domain name with the “bad

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<sup>1</sup> *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-1233 (U.S. Apr. 23, 2020).

<sup>2</sup> See *Romag*, Pet. for Certiorari at 13-17 (collecting cases and secondary authorities).

<sup>3</sup> 15 U.S.C. § 1127.

<sup>4</sup> 15 U.S.C. § 1125(c)(2)(B).

faith intent to profit from the mark.”<sup>5</sup> Other provisions of the Lanham Act prohibit other unauthorized uses of protected marks.

Section 35(a) of the Lanham Act sets forth remedies available to plaintiffs who prove a violation of these provisions. That section provides, in relevant part, that a plaintiff who proves “a violation,” of Section 43’s infringement and cyberpiracy provisions, “or a willful violation” of the dilution provision, “shall be entitled[,] . . . subject to the principles of equity, to recover . . . [the] defendant’s profits” and other damages.<sup>6</sup> The text of this section does not expressly require that a defendant’s conduct be “willful” in order for a plaintiff to recover the defendant’s profits as damages for infringement claims, in contrast to dilution claims.

### Background and Procedural History

Romag Fasteners, Inc. sells metallic fasteners for use on leather goods.<sup>7</sup> Fossil, Inc. designs, markets, and distributes fashion accessories, including leather handbags.<sup>8</sup> In 2002, Fossil entered into an agreement with Romag to use Romag’s metal fasteners in certain of its leather products. Fossil agreed to direct its manufacturer, which was based in China, to obtain Romag fasteners from Romag’s manufacturer, also located in China.<sup>9</sup> According to evidence adduced at trial, Fossil had reason to know that its Chinese manufacturers were employing counterfeit components, including counterfeit metal fasteners, to produce its goods, but did little to prevent this practice.<sup>10</sup>

Romag ultimately discovered that certain Fossil handbags contained counterfeit fasteners bearing Romag trademarks.<sup>11</sup> In 2010, Romag brought suit against Fossil in the United States District Court for the District of Connecticut, alleging, *inter alia*, trademark infringement in violation of Section 43(a) of the Lanham Act.<sup>12</sup> Following a seven-day trial, a jury found, as is relevant here, that Fossil had infringed on Romag’s trademark rights.<sup>13</sup> In response to a special interrogatory, the jury further found that Fossil’s infringement

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<sup>5</sup> 15 U.S.C. § 1125(d)(1)(A).

<sup>6</sup> 15 U. S. C. § 1117(a).

<sup>7</sup> *Romag*, Pet. Br. at 10-11.

<sup>8</sup> *Id.* at 11.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 11-12.

<sup>11</sup> *Id.* at 12.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* The jury also found that Fossil had infringed Romag’s marks under a separate provision of the Lanham Act, codified at 15 § U.S.C. 1114, as well as certain patent rights. *Id.* at 13. Those holdings were not at issue in this appeal. *Id.* at 13-14.

had not been “willful.”<sup>14</sup> The jury made an advisory award entitling Romag to recover, among other damages, a certain percentage of Fossil’s profits from the sale of its infringing products.<sup>15</sup>

The district court thereafter struck the jury’s advisory profits award.<sup>16</sup> Relying on Second Circuit precedent, the district court held that profits are available as damages for infringement claims only if the infringement is “willful.”<sup>17</sup> Romag appealed to the United States Court of Appeals for the Federal Circuit, which affirmed the district court’s judgment. The Federal Circuit acknowledged that the federal courts of appeals were divided as to whether a showing of willfulness is required for a plaintiff to recover profits for infringement,<sup>18</sup> but concluded that it was bound by Second Circuit precedent holding that the Lanham Act imposes such a requirement.

### **The Supreme Court’s Opinion**

The Supreme Court reversed the decision of the Federal Circuit, holding that the Lanham Act does not require a plaintiff to prove “willful” infringement to recover a defendant’s profits as damages for trademark infringement. The Court identified three main bases for its decision.

*First*, the Court relied on the plain text of the damages provisions in Section 35(a), which allow a plaintiff to recover profits for “a violation” of Section 43’s infringement and cyberspiracy prohibitions, without further limitation, or for a “*willful* violation” of the prohibition against dilution.<sup>19</sup> Thus, while the Lanham Act makes willfulness a “precondition” of recovering profits for dilution claims, it contains no such language imposing a similar requirement for infringement claims. The Court concluded that the absence of express statutory text requiring a showing of “willful” infringement violations, when Congress had included such language for dilution violations, showed that Congress had deliberately declined to impose a willfulness requirement as to those claims.<sup>20</sup>

*Second*, the Court observed that the Lanham Act elsewhere “speaks often and expressly about mental states.”<sup>21</sup> For example, 15 U.S.C. § 1117(b) requires courts to treble damages when a defendant commits certain violations “intentionally” or with “knowledge.” 15 U.S.C. § 1117(c) imposes increased penalties for

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<sup>14</sup> *Id.* at 12.

<sup>15</sup> *Id.* at 13.

<sup>16</sup> *Id.* at 13-14.

<sup>17</sup> *Id.*

<sup>18</sup> *See Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 788-89 (Fed. Cir. 2016).

<sup>19</sup> 15 U. S. C. § 1117(a) (emphasis added).

<sup>20</sup> *Romag*, slip op. at 3.

<sup>21</sup> *Id.*

certain “willful” violations.<sup>22</sup> And in other provisions, the statute specifies the mental state required to prove liability for other violations. Because the Act “exhibits considerable care with *mens rea* standards,” the Court found the “absence of any such standard” with respect to profit damages for infringement violations “all the more telling” that Congress did not intend to impose a willfulness requirement for such claims.<sup>23</sup>

*Third*, the Court rejected Fossil’s argument that other language in the Act’s damages provision, which subjects any damages award to the “principles of equity,” requires a showing of willfulness to recover profits for infringement. The Court first observed that it would be “curious” if “Congress intended to incorporate a willfulness requirement” in the provision governing infringement claims “obliquely” by reference to the “principles of equity,” when “it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act.”<sup>24</sup> The Court further reasoned that, in any event, the statute’s reference to the “principles of equity” does not impose a requirement that profits awards be subject to proof of willfulness. While equitable principles might permit a court to consider willfulness, in conjunction with other factors, in determining whether to award profits as damages, those principles, the Court concluded, do not “direct” a “narrow rule about a profits remedy within trademark law.”<sup>25</sup> The Court found that historical practice supported its conclusion: At common law, courts that applied equitable principles considered willfulness as a factor in fashioning trademark remedies, but did not uniformly require a showing of willfulness to recover profits for infringement.<sup>26</sup>

### Implications

The Supreme Court’s opinion in *Romag* may have implications for the prosecution of trademark infringement claims. The holding resolves a long-standing split among the federal courts of appeal as to whether a plaintiff asserting trademark infringement claims must establish that the defendant acted “willfully.” Under the Court’s ruling, a defendant may be required to disgorge profits even for infringement that is committed negligently or innocently.

Plaintiffs and owners of protected marks under the Lanham Act should be aware that the *Romag* ruling provides a potential new deterrent to the misuse of their protected marks, and may allow for greater recovery in certain trademark infringement lawsuits. The possibility of higher damages may also empower plaintiffs to resolve trademark infringement disputes through pre-litigation enforcement efforts, including cease-and-desist letters. Likewise, defendants and others who use the protected marks of third parties in

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<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 3-4.

<sup>24</sup> *Id.* at 4.

<sup>25</sup> *Id.* at 4.

<sup>26</sup> *Id.* at 5-6.

commerce should be aware that they may face additional damages for infringing conduct even if they have not acted in bad faith.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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