

# PUBLICATION

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## Supreme Court Clears an Obstacle to Profit Awards for Trademark Owners, But Doesn't Completely Flush "Willfulness"

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On April 23, 2020, the United States Supreme Court's unanimous decision in *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. \_\_\_\_ (2020), resolved a circuit court split by confirming that 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 an award of profits. However, the decision does not ensure a cake walk for plaintiffs seeking damages from infringers. The concurring opinions from Justices Alito, Breyer, Kagan, and Sotomayor kept the door open to consideration of a range of culpable mental states, including willfulness.

### Background

#### Lanham Act, 15 U.S.C. § 1117(a) – Murky Drafting and Misinterpretations

The Supreme Court's decision in *Romag* continues a recent line of trademark cases focused on providing guidance on murkily drafted legislation from Congress, and shining a light for the lower courts to resolve the circuit splits that resulted from previous attempts at interpreting to shore up the resulting divergent interpretations of the Lanham Act, 15 U.S.C. § 1117(a). The relevant section of the [Lanham Act, 15 U.S.C. § 1117\(a\)](#) for the violation of a mark owner's rights, which addresses recovery of profits, damages and costs, and attorney fees, states:

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 in any civil action arising under this chapter, 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...In assessing damages the court may enter judgment, *according to the circumstances of the case*. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party. (emphasis added)

Specifically, the issue under review by the Supreme Court in *Romag* was whether section 1117(a) required establishing a defendant's "willfulness" only for section 1125(c) violations for dilution by blurring and dilution by tarnishment; or whether section 1117(a) also required establishing a defendant's "willfulness" for violations under section 1125(a) and (d) for civil action and cyberpiracy prevention.

For context, it should be noted that Congress amended section 1117(a) in 1999 to include "willful," apparently in part to address an already existing circuit split. Amicus briefs filed by proponents of the "willfulness" requirement to section 1117(a) included Intellectual Property Owners Association and intellectual property law professors, which relied on legislative history and citing to other sections of the Lanham Act in asserting that willfulness was also required for section 1117(a). These amicus briefs also asserted that prior to the Lanham Act, under common law, principles of equity required establishing a defendant's willfulness. Conversely, amicus briefs filed by opponents of the "willfulness" requirement to section 1125(a) and (d) under section 1117(a) included the International Trademark Association, American Intellectual Property Law Association, and

American Bar Association, which asserted that Congress specifically drafted the amendment to section 1117(a) to require the precondition for establishing willfulness only to violations under section 1125(c) for dilution by blurring and dilution by tarnishment, and not to section 1125(a) and (d) for civil action and cyberpiracy prevention. Opponents of the "willfulness" requirement to section 1125(a) and (d) under section 1117(a), also relied on common law as the basis for assertions, but asserted that Congress amended section 1117(a) to include "willfulness" to resolve a circuit split that existed for dilution by blurring and dilution by tarnishment, and the murky drafting unintentionally led to misinterpretations by some circuit courts erroneously misapplying the willfulness requirement to civil action and cyberpiracy prevention.

## **Resolving Circuit Splits**

As noted, prior to the Supreme Court's decision in *Romag*, there was a longtime circuit split as to whether establishing willful infringement was a precondition for allowing disgorgement and an award of profits as a damages award, and the Supreme Court previously denied certiorari on similar cases.

Prior to the Supreme Court's decision in *Romag*, the First, Second, Eighth, Ninth, Tenth, and D.C. Circuits required plaintiffs to establish that a defendant willfully infringed the plaintiff's trademark as a precondition to allowing disgorgement of an infringer's profits as a damages award. While it was unclear whether the Eighth Circuit also required willfulness if the plaintiff and defendant were not direct competitors, it was clear that the First Circuit did require willfulness if the plaintiff and defendant were not direct competitors.

In contrast, the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits did not require a plaintiff to allow for disgorgement of profits without willful infringement.

## **Supreme Court Shines a Light on Lanham Act, 15 U.S.C. § 1117(a) and Confirms Willfulness is Not a Precondition for Profits**

Concerning *Romag*, the Petitioner, Romag Fasteners, Inc., and the Respondent Fossil, Inc., had a longstanding business relationship in which Romag supplied its magnetic fasteners and strips to Fossil for use in its handbags. In 2010, Romag discovered that counterfeit Romag fasteners bearing the ROMAG mark were being used by factories in China that Fossil had contracted to assemble its handbags. Romag sued Fossil in the District of Connecticut for patent and trademark infringement. The jury awarded Romag \$6.7 million. However, because the jury did not find that Fossil willfully infringed the Romag marks, the Court struck the award of Fossil's profits, and accordingly reduced Romag's award. Romag appealed to the Federal Circuit, which applied the Second Circuit interpretation of the "willfulness" requirement to section 1117(a) in its entirety, including section 1125(a) and (d).

The Supreme Court disagreed with the lower courts, and vacated and remanded, in a 9-0 unanimous decision, holding that 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 an award of profits. The Supreme Court agreed with opponents of the of the "willfulness" requirement to section 1125(a) and (d) under section 1117(a), reasoning that a strict reading of the statutory language confirmed that Congress drafted the willfulness requirement to apply only to section 1125(c) violations for dilution by blurring and dilution by tarnishment. The Supreme Court also noted that there were many other applications of willfulness as a requirement in the Lanham Act and, had Congress intended for willfulness to also apply to sections 1125(a) and (d) for civil action and cyberpiracy prevention, it should have drafted the language accordingly.

However, the Supreme Court did not exclude willfulness from consideration of an award for profits and the concurring opinions emphasized the importance of consideration of a range of culpable mental states. Justice

Sotomayor concurred with the majority opinion that willfulness was not a prerequisite while also emphasizing that it was nevertheless an important consideration for the disgorgement of a defendant's profits as an award.

### **Impact of Decision / Takeaways**

The Supreme Court's decision in *Romag*, sends another message to Congress to avoid further murky drafting that leaves open issues to the courts for interpretation and clarification.

For mark owners, the Supreme Court's decision has removed an often impossible hurdle to establish willfulness in order to disgorge profits from defendants as an award. However, section 1117(a) also clearly states that damages and awards "constitute compensation and not a penalty," which mark owners will be wise to keep in mind. While the hurdle of willfulness as a precondition has been removed, it is unlikely that the Supreme Court's decision in *Romag* will mark the beginning of windfalls for plaintiffs. A defendant's mental state, including willfulness, will still likely be an important consideration for awards and damages to a plaintiff.

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