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## No Sympathy from the U.S. Supreme Court for Trademark Infringers

*Trademark infringement defendants often seek to downplay their liability for relinquishing ill-gotten gains with a defense that amounts to a simple plea: “We didn’t mean to do it.” Expressing little concern, however, for whether, in fact, a Lanham Act defendant’s actions are intentional or unintentional, the Supreme Court in the case, Romag Fasteners, Inc. v. Fossil Group, Inc., fka Fossil, Inc., et al., 590 U.S. \_\_\_\_\_ (2020), sent a strong message to such defendants: in handing over your ill-gotten profits, it does not matter whether your actions were willful.*

### Background on the Issue

The simple question before the Supreme Court was whether, under the language of the Lanham Act, a showing of *willful* trademark infringement is a prerequisite to recovering an infringer’s ill-gotten profits as a measure of damages. Unanimously, the Court held that it is not.

Lower courts had been split on this question, and a dispute between Romag Fasteners, Inc. (“Romag”) and Fossil, Inc. (“Fossil”) allowed the Supreme Court to put the issue to bed. The Court began with the plain language of the relevant statute:

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.

15 U.S.C. § 1117(a) (emphasis added).

Under the plain language, a showing of willfulness is a prerequisite to recovering profits when there has been a violation of 15 U.S.C. § 1125(c) (*i.e.*, trademark dilution). But Romag had secured a jury verdict finding Fossil liable under 15 U.S.C. § 1125(a) (*i.e.*, false and misleading use of its trademark). The same requirement of a “*willful* violation” is noticeably absent from the clause addressing 15 U.S.C. § 1125(a). The Supreme Court summarily declined to read a willfulness requirement into the statute, observing that such practice is particularly unwise when Congress has “included the term in question elsewhere in the very same statutory provision.” Most compellingly, the Court cited several provisions of the Lanham Act that clearly recite a *mens rea* requirement to prove that the statute “exhibits considerable care with *mens rea* standards.”

### Arguments to the Court

Fossil argued that the language subjecting an award of profits to “the principles of equity” required a finding of willfulness as a prerequisite to an award of profits. This argument was premised on Fossil’s claim that, historically, equity courts so regularly required a showing of willfulness prior to awarding profits, that the willfulness requirement rose to a “principle of equity” in the context of trademark law.<sup>1</sup> The Supreme Court easily dismantled this argument. First, the Court noted that

the argument implied that Congress explicitly included *mens rea* conditions in some provisions of the Lanham Act, but then chose to include the *mens rea* conditions for 15 U.S.C. § 1125(a) in this roundabout manner. Second, the court commented that “principles of equity,” as the term is traditionally understood, does not “readily bring to mind a substantive rule about *mens rea* from a discrete domain like trademark law... [but] [i]n the context of this statute, more naturally suggests fundamental rules that apply more systemically across claims and practice areas.” And finally, the Court questioned the very premise of Fossil’s argument, citing equity court cases that awarded profits without a finding of willfulness.<sup>2</sup>

### **The Court’s Ruling and Takeaways for Trademark Owners**

Concluding, the Court held: “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. But acknowledging that much is a far cry from insisting on the inflexible precondition to recover Fossil advances.”

The most obvious takeaway from *Romag Fasteners* for practitioners is that plaintiffs can now seek an infringer’s profits, sometimes the most lucrative remedy available, without meeting or being preoccupied with the high bar for willfulness. As is often the case when a court lowers the bar for a particular remedy, the holding has potential for abuse. Plaintiffs who have suffered minimal damages may well be incentivized to file suit and use the threat of disgorgement of profits against defendants. The Court did acknowledge this concern, but concluded that its role was to address the law, as it is written, and not to delve into policy considerations.

Based on the Court’s comment that the defendant’s *mens rea* is “a highly important consideration” in determining a profits award, and Justice Alito’s brief concurrence which emphasized this point, defendants might use the absence of a willfulness finding in combination with other mitigating facts to make a persuasive case, based on principles of equity, that profits should not be awarded. Justice Sotomayor, who concurred in the judgement only, noted the wide range of mental states of a guilty infringer, and commented that “a district court’s award of profits for innocent or good-faith trademark infringement would not be consonant with the ‘principles of equity’ referenced in § 1117(a)...”

The *Romag* decision suggests that the Court understands the Lanham Act to explicitly include *mens rea* only where a *mens rea* requirement was intended by Congress. Whether or not parties agree with what appears to be a strict construction of the Lanham Act, time will tell whether Romag emboldens victims of trademark infringement to pursue a defendant’s ill-gotten gains when the facts do not support willfulness and overt violations.

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1. The Court commented that since equity courts never required a similar finding in the context of patent infringement, Fossil essentially was suggesting that trademark was somehow “different.”
  2. While an award of profits is also “subject to the provisions of section 1111 and 1114,” the Court noted that “no one suggests those cross-referenced sections contain the rule Fossil seeks.”