Updates
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Supreme Court Holds Willfulness Not Required for Disgorgement of Profits in Lanham Act Cases, Defendant's Mental State Remains Important Factor

The U.S. Supreme Court held this week that willfulness is not a prerequisite for an award of profits for violation of Lanham Act § 43(a), 15 U.S.C. § 1125(a), resolving a longstanding circuit split. *Romag Fasteners, Inc. v. Fossil Group, Inc.*, No. 18-1233 (Apr. 23, 2020). In a 9-0 opinion authored by Justice Neil Gorsuch, the Court held that the plain language of 15 U.S.C. § 1117(a) does not require a finding of willfulness in trademark cases brought under § 1125(a). The Court's reasoning should apply equally to false advertising cases. While *Romag* makes it easier for plaintiffs to unlock coveted profits awards in such cases, would-be plaintiffs should temper their excitement: the Court made clear that willfulness is still an important *factor* in determining whether trademark plaintiffs can recover profits.

Lanham Act's Willfulness Requirement and Courts' Varying Interpretations

Section 1117(a) provides that 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." While the Supreme Court's opinion arose from a trademark case, § 1125(a) encompasses both trademark infringement and false advertising claims. In *Romag*, the Court considered whether § 1117(a) requires a plaintiff to prove defendant's willfulness in order to recover a defendant's profits for claims arising under § 1125(a).

Before *Romag*, circuit courts were divided evenly on this issue. Six circuits interpreted § 1117(a) as requiring "a finding of defendant's willful deceptiveness [as] a prerequisite for awarding profits" in cases brought under § 1125(a). *See Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014); *see also Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017) (requiring willfulness); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) (same); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) (same); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968–69 (D.C. Cir. 1990) (Thomas, J.) (holding that a finding of willfulness is required); *cf. Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) (requiring willfulness, but only where plaintiff and defendant are not direct competitors).

Six circuits disagreed, holding that willfulness is a factor, but not a prerequisite, in determining whether to award profits. *See Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 900–01 (5th Cir. 2016) (scienter one of six non-exclusive factors); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 171 (3d Cir. 2005) (willfulness is equitable consideration, but not required); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006) (same); *Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010) (willfulness is "one element that courts may consider in weighing the equities"); *Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 F. App'x 899, 902 (11th Cir. 2007) (similar); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) (willfulness is one equitable factor).

Prior Proceedings

Plaintiff Romag Fasteners, Inc. designs and sells patented magnetic snap fasteners used in handbags and other accessories that it distributes under its ROMAG trademark. Defendant Fossil, Inc. designs and markets handbags and other fashion products. Romag and Fossil entered into an agreement for Fossil to use ROMAG-branded fasteners in its handbags, but the relationship fell apart when Romag discovered that certain Fossil handbags contained counterfeit ROMAG fasteners. Romag sued Fossil for patent and trademark infringement in the District of Connecticut.

The case went to trial, and the jury returned a verdict finding Fossil liable for patent and trademark infringement. Critically, although the jury found Fossil acted with "callous disregard" for Romag's trademark rights, it also found that Fossil did not act willfully. In post-trial proceedings and consistent with U.S. Court of Appeals for the Second Circuit precedent, the district court held as a matter of law that, because Fossil's trademark infringement was not willful, Romag was not entitled to an award of Fossil's profits.

Romag appealed to the U.S. Court of Appeals for the Federal Circuit (given the patent claim). Romag pointed out that Congress added the willfulness requirement in the 1999 amendment to the Lanham Act and that it applied only to dilution claims under § 1125(c). It argued, based on this history and statutory structure, that "Congress chose to make willful infringement a prerequisite to recovery of monetary relief for trademark dilution, but when 'Congress chose not to insert 'willful' before 'violation under section 43(a) [1125(a)],' [it] made plain that it did not intend willful infringement to be a prerequisite to recovery of monetary relief for the other types of infringement covered by that section, including the sale of counterfeits." *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 788 (Fed. Cir. 2016).

The Federal Circuit disagreed with Romag, affirming the district court's finding on profits. It reasoned that it was bound by Second Circuit law, which had reaffirmed its willfulness rule after the 1999 amendments to the Lanham Act. *See id.* at 789 (citing *Merck*, 760 F.3d at 252–53). Romag was therefore not entitled to an award of profits because the jury did not find Fossil acted willfully.

Summary of Opinion

The Supreme Court vacated and remanded. In an opinion authored by Justice Gorsuch and joined by all but Justice Sonia Sotomayor who concurred in the judgment, the Court held that 15 U.S.C. § 1117(a) does not require a plaintiff to show that a defendant acted willfully before recovering defendant's profits. The Court embarked on an exhaustive statutory interpretation exercise, starting with the plain text of § 1117(a), examining other *mens rea*-related provisions in the Lanham Act, dissecting Fossil's fallback argument related to "principles of equity," and declining to pick sides in attendant policy debates.

The opinion concludes that "the most we can say with certainty is this. *Mens rea* figured as an important consideration in awarding profits in pre-Lanham Act cases. This reflects the ordinary, transsubstantive principle that a defendant's mental state is relevant to assigning an appropriate remedy." Relying on "these traditional principles, 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 recovery Fossil advances." Justice Samuel Alito agreed in his concurrence: "willfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition."

Implications

Romag resolves the circuit split regarding whether a finding of willfulness is required in § 1125(a) claims to unlock the profits remedy. Without the willfulness precondition, plaintiffs may believe they now have a more certain path to recovery of profits in the circuits that previously interpreted § 1117(a) as requiring "willfulness" or "willful deceptiveness." However, by acknowledging that a defendant's mental state remains a highly important consideration in determining whether an award of profits is appropriate, the Court left considerable latitude for district courts to award or deny profits based on a defendant's mental state.

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