CLIENT ALERT

Raising the Stakes for Trademark Damages: *Romag Fasteners, Inc. v. Fossil, Inc.*

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The Supreme Court issued a landmark ruling in a trademark-infringement matter on April 23, 2020, holding that willfulness is not a necessary precondition to an award of profits. The unanimous ruling in *Romag Fasteners, Inc. v. Fossil, Inc.* ends years of uncertainty among the lower courts as to whether willfulness is a prerequisite to awarding profits or whether, as some circuit courts had determined, it is only an important factor to consider. This ruling immediately raises the stakes for trademark-infringement suits, as profits can be awarded even if the defendant claims the infringement is innocent. This expansive ruling may also benefit false-advertising claimants, as false advertising and infringement of trademarks are both governed by Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)), and are governed by the same provisions concerning potential awards of profits.

The *Romag Fasteners* case involved the infringement of handbag fasteners. One company, Romag, sells fasteners to be used in leather goods; the other, Fossil, designs and sells fashion accessories. The two came to an agreement by which Fossil would use Romag's fasteners in its products. However, Romag later sued after discovering that the factories Fossil employed to make its products were using counterfeit Romag fasteners. Though the jury ruled in Romag's favor, finding that Fossil acted "in callous disregard" of Romag's trademarks, they did not find that Fossil acted willfully. Because of this finding, the district court refused to award Romag profits, as the controlling Second Circuit precedent required a finding of willfulness in order to do so.

Justice Gorsuch delivered the Court's opinion in a concise and textualist ruling, emphasizing that the Court does not "usually read into statutes words that aren't there." *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-1233, slip op. at 3 (Apr. 23, 2020). Gorsuch states that while Section 43(c) of the Lanham Act (15 U.S.C. § 1125(c)), which covers trademark dilution, requires willfulness for an award of profits, Section 43(a), which covers trademark infringement, does not. While the broader statute includes much discussion of the mental state of the trademark user, the Lanham Act imposes no express requirement as to infringement in order to obtain an award of profits. The Court also rejects Fossil's argument that willfulness is required because a violation under § 1125(a) may trigger a profits award "subject to the principles of equity." Slip op. at 4. The ruling explains that there is no such fundamental rule and that trademark law has not universally required a showing of willfulness prior to allowing the recovery of profits. Gorsuch concludes by ruling that while the "defendant's mental state is a highly important consideration" in determining whether profits should be awarded; this is a "far cry from insisting on the inflexible precondition to recovery Fossil advances." Slip op. at 7. In a one paragraph concurrence, Justice Alito, joined by Justices Breyer and Kagan, said that "willfulness is a highly important consideration in awarding profits," but "not a precondition." In their arguments before the Court, Fossil raised fears that a broad ruling would lead to large judgments against good-faith infringers. In line with this argument, Justice Sotomayor, concurred on the judgment that willfulness is not required, but criticized the majority for not taking into account innocent infringement and did not sign the majority opinion.

This decision is an important win for trademark owners seeking to protect their marks from infringement who now have a better chance of obtaining monetary awards and more incentive to follow through with the litigation process. One undeniable impact from this ruling is that businesses, especially manufacturers, licensees and product sourcing companies, have to be even more vigilant in preventing inadvertent infringement that could lead them to be liable for greater monetary damages. Justice

Sotomayor anticipated this potential effect and addressed her concerns in her concurrence. It remains to be seen how lower courts will tackle innocent or inadvertent infringement in future trademark infringement cases. We will continue to monitor these important developments and will provide routine updates.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

David Ervin
Partner – Washington, D.C.
Phone: +1 202.624.2622
Email: dervin@crowell.com

Anne Elise Herold Li
Partner – New York
Phone: +1 212.895.4279
Email: ali@crowell.com

Ilana Lubin
Partner – New York
Phone: +1 212.895.4224
Email: ilubin@crowell.com

Siri Rao
Associate – Washington, D.C.
Phone: +1 202.624.2602
Email: srao@crowell.com

Suzanne Trivette
Senior Law Clerk – New York
Phone: +1 212.895.4312
Email: strivette@crowell.com