

CLIENT ALERT

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ROMAG FASTENERS V. FOSSIL: UNFASTENING THE CIRCUIT SPLIT ON PROFIT AWARDS FOR TRADEMARK INFRINGEMENT

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Romag Fasteners, Inc. v. Fossil Grp., Inc., No. 18-1233 (April 23, 2020)

In a landmark decision issued by the Supreme Court of the United States of America in the matter of Romag Fasteners, Inc. v. Fossil Grp., Inc., No. 18-1233 (April 23, 2020), the Supreme Court unanimously held that under the Lanham Act, proof of willful trademark infringement is not a precondition to a mark holder's recovery of the infringer's profits, resolving a significant split between several circuit courts. Prior to the Supreme Court's decision, six circuits required a willfulness finding to award profits for a trademark infringement claim—the First, Second, Eighth, Ninth, Tenth, and D.C. Circuits—whereas the other six circuits—the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits—did not require a showing of willfulness.

BACKGROUND & PROCEDURAL HISTORY

Romag Fasteners, Inc. ("Romag") brought a trademark infringement claim under the Lanham Act, 15 U.S.C. 1125(a) against Fossil, Inc. ("Fossil") and retailers of Fossil products. Before the lawsuit, Fossil and Romag entered into an agreement that permitted Fossil to use Romag's magnetic fasteners on its handbags and other products. Romag later realized that the Chinese factories Fossil hired to make its products were using counterfeit Romag fasteners, and Fossil failed to safeguard against this practice. At the district court level, the jury agreed with Romag finding that Fossil infringed on Romag's trademark and falsely represented its products as being from Romag. However, the jury found that Fossil only acted with "callous disregard"¹ for Romag's trademark rights and concluded that Fossil did not willfully infringe. As a result, relying on the willfulness requirement adopted within the circuit for an award of profits, the district court refused to award Romag the profits Fossil earned. The Federal Circuit affirmed the district court's decision on appeal, and Roman appealed the decision to the Supreme Court.

THE SUPREME COURT'S DECISION

The Supreme Court, in its determination of the proper standard for an award of profits for trademark infringement, analyzed the plain language of the Lanham Act. Upon a close reading of the statute, the Supreme Court held that it is inaccurate to require willfulness as a prerequisite in order to award profits for a violation of 15 U.S.C. 1125(a). Reluctant to "read into the statute words that aren't there,"² the Court found that the Lanham Act's text was clear and provided that willfulness is only a prerequisite for an award of profits under a trademark dilution claim under 15 U.S.C. 1125(c).³ However, willfulness is not a requirement for awarding profits where a registered or unregistered trademark was infringed.⁴ The Supreme Court noted that the statute's structure provides additional support against a willfulness requirement highlighting Congress's deliberate placement of mental states (i.e., mens rea) throughout the Lanham Act.⁵ Although the Supreme Court held there is no willfulness requirement for trademark infringement claims under the Lanham Act⁶, the Court noted there is no doubt "that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate."⁷

KEY TAKEAWAYS FROM THE SUPREME COURT DECISION

- Successful trademark infringement claimants seeking damages for a violation of Lanham Act, 15 U.S.C. § 1125(a), may recover profits without having to demonstrate the infringement was willful.
- Clients should consider obtaining a clearance opinion from a qualified trademark attorney prior to using a mark since the user's mental state remains a "highly important consideration in determining whether an award of profits is appropriate."⁸ A clearance opinion could help demonstrate a client's innocent or good faith use of a trademark.
- The Supreme Court's decision does not alter the willfulness requirement to obtain an award of profits in trademark dilution cases brought under the Lanham Act, 15 U.S.C. § 1125(c).

Dickinson Wright's attorneys have considerable experience in assisting companies and individuals in litigating legal matters and protecting their intellectual property. The firm remains committed to helping our clients navigate this unprecedented time and remains fully available to provide any assistance that may be required. Trademark owners are encouraged to consult with one of Dickinson Wright's attorneys experienced in trademark matters.

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¹ *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 784 (Fed. Cir. 2016).

² *Romag Fasteners, Inc. v. Fossil Grp., Inc.*, No. 18-1233, slip op. at 3 (April 23, 2020).

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 4.

⁶ The Supreme Court also rejected Fossil's "principles of equity" argument finding that such an interpretation would require the Supreme Court to assume Congress intended to apply the willfulness requirement inconsistently throughout the statute. *Id.* Additionally, the Supreme Court determined the asserted policy concerns were relevant when before Congress and policymakers but not before the Court. *Id.* at 7.

⁷ *Id.* at 7.

⁸ *Id.*