

## SCOTUS Fastens Circuit Court Split Regarding Willfulness Requirement for a Disgorgement of Profits Under the Lanham Act

I. OVERVIEW .....	235
II. BACKGROUND .....	236
A. <i>Circuit Courts that Do Require a Showing of Willfulness</i> .....	237
B. <i>Circuit Courts that Do Not Require a Showing of Willfulness</i> .....	238
III. COURT’S DECISION.....	239
IV. ANALYSIS .....	241

### I. OVERVIEW

Two companies, Fossil and Romag Fasteners (Romag), collaborated to fashion the market with handbags and fine leather goods.<sup>1</sup> While Fossil is known for their design and distribution of a “wide range of fashion accessories,” Romag creates and sells magnet snap fasteners that are used in many of their leather good products.<sup>2</sup> In line with this notion, Romag and Fossil’s signed agreement stipulated that Fossil would use Romag’s magnet snap fasteners in their products.<sup>3</sup> The two had a prosperous relationship until, to Romag’s surprise, it found that the Chinese factories that produced Fossil’s products were using counterfeit Romag fasteners.<sup>4</sup> Romag noted that Fossil was doing very little to guard against these infringements.<sup>5</sup> As a result, Romag filed suit against Fossil, alleging infringement of its trademark under Section 1125(a) of the Lanham Act, maintaining that Fossil falsely represented its fasteners as Romag’s.<sup>6</sup> Additionally, Romag sought a disgorgement of Fossil’s profits from the infringement.<sup>7</sup>

---

1. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1494 (2020).

2. *Id.*

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.*

The United States District Court for the District of Connecticut denied Romag’s request for a disgorgement of Fossil’s profits after the jury rejected Romag’s allegation that Fossil acted with willful intent.<sup>8</sup> The district court relied on the precedent set in the United States Court of Appeals for the Second Circuit that noted that a defendant must willfully infringe for a plaintiff to be awarded their profits.<sup>9</sup> The United States Supreme Court disagreed and *held* that the defendant’s mental state is an important factor to consider when awarding profits from infringement, but willful infringement is not a prerequisite for such recovery. *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1497 (2020).

## II. BACKGROUND

The Lanham Act allows an injured plaintiff “whose trademark was infringed to recover actual damages.”<sup>10</sup> The recovery provision of the Lanham Act, codified in Title 15, Section 1117 of the United States Code, states, “a successful plaintiff under the [A]ct shall be entitled, ‘subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) costs of the action.’”<sup>11</sup> The criteria for awarding a prevailing plaintiff the defendant’s profits from trademark infringement have been long debated among Circuit Courts.<sup>12</sup> Circuit Courts have used discretion to define different criteria for a disgorgement of profits under slightly different “principles of equity.”<sup>13</sup>

While Section 1125(a), the false or misleading representation statute, was already a cause of action under the Lanham Act, in 1996 Congress added “§ 1125(c), which created a federal cause of action for trademark dilution.”<sup>14</sup> The statute stated that Section 1125(c) would “provide monetary relief under the remedies provision, § 1117(a), when dilution was ‘willfully intended.’”<sup>15</sup> However, Congress did not make this same amendment to the language in the mentioned Section 1117(a) remedy provision to allow for consistency between the two provisions.<sup>16</sup>

---

8. *Id.*

9. *Id.*

10. *Axiom Worldwide, Inc. v. Excite Med. Corp.*, 591 F. App’x 767, 775 (11th Cir. 2014).

11. *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992).

12. *Romag Fasteners*, 140 S. Ct. at 1496.

13. *Id.*

14. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 440 (9th Cir. 2017).

15. *Id.*

16. *Id.*; see also *Romag Fasteners*, 140 S. Ct. at 1495.

This variance led to Congress's 1999 amendment, which revised the remedies section of Section 1117(a) "to include reference to a 'willful violation under section § 1125(c).'"<sup>17</sup> However, this modification spurred more confusion as the amended Section 1117(a) remedy provision now mentions "willfulness" as recovery for Section 1125(c), the trademark dilution statute, but not Section 1125(a), the false or misleading use statute.<sup>18</sup> Therefore, the Circuit Court split surrounds whether a defendant must willfully infringe under Section 1125(a) for a plaintiff to receive profits earned from the infringement. In addition to the Second Circuit, the United States Court of Appeals for the Eighth, Ninth, and Tenth Circuits recognize a willfulness requirement under Section 1125(a), while the remaining Circuits do not.<sup>19</sup>

*A. Circuit Courts that Do Require a Showing of Willfulness*

The Second and Ninth Circuits have consistently held that willful infringement was a necessary condition for an award of a defendant's profits from infringement.<sup>20</sup> Congress's 1999 amendment of the Lanham Act did not sway the Ninth Circuit's willfulness requirement, as it held that the "amendment was intended only to correct a conspicuous drafting error in the 1996 version of the remedies provision."<sup>21</sup> In *George Basch Co. v. Blue Coral, Inc.*, the Second Circuit noted that the willfulness requirement helped to guard against unjust enrichment of the plaintiff.<sup>22</sup> The court in *George Basch Co.* noted that the "*defendant's* profits measure the defendant's gain" and could lead to overcompensation and an unjust windfall for the plaintiff.<sup>23</sup> This logic connects with the court's earlier conclusion that "a defendant becomes accountable for its profits when the plaintiff can show that, were it not for defendant's infringement, the defendant's sales would otherwise have gone to the plaintiff."<sup>24</sup> Additionally, the court noted that the willfulness requirement

---

17. *Stone Creek*, 875 F.3d at 440.

18. *Id.* at 441.

19. See *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 n.13 (4th Cir. 2006); *Banjo Buddies, Inc., v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005); *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 390-93 (2d Cir. 1965).

20. See *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992); see also *4 Pillar Dynasty LLC v. N.Y. & Co., Inc.*, 933 F.3d 202, 210-11 (2d Cir. 2019).

21. *Stone Creek*, 875 F.3d at 441.

22. See *George Basch*, 968 F.2d at 1540.

23. *Id.*; see also *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998).

24. *George Basch*, 968 F.2d at 1538.

worked as a deterrent “[b]y awarding the profits of a bad faith infringer to the rightful owner of a mark” while protecting good faith infringers from such treatment.<sup>25</sup>

*B. Circuit Courts that Do Not Require a Showing of Willfulness*

The United States Court of Appeals for the Third Circuit held that willfulness is a factor to be considered when awarding a defendant’s profits, but was not a prerequisite.<sup>26</sup> In *Banjo Buddies, Inc. v. Renosky*, the Third Circuit noted that Congress’s 1999 amendment undermines the willfulness requirement, as “[t]he plain language of the amendment indicate[d] that Congress intended” to make willfulness a requirement for Section 1125(c) violations and not Section 1125(a) violations.<sup>27</sup> The court pointed to judicial interpretation of statutes where Congress excluded language in one section that was included in another section, and thus the court presumed that the exclusion was deliberate.<sup>28</sup>

Rather than having the willfulness requirement as a prerequisite for a disgorgement of profits, the *Banjo Buddies* court utilized a factor-based approach discussed in *Quick Technologies, Inc. v. Sage Group PLC*.<sup>29</sup> In *Quick Technologies*, the United States Court of Appeals for the Fifth Circuit determined that willfulness was an important factor to consider but did not “adopt a bright-line rule in which a showing of willful infringement [was] a prerequisite to an accounting of profits.”<sup>30</sup> Instead, the court used a factor-based approach in determining whether a disgorgement of profits was appropriate.<sup>31</sup> When deciding an award under the Lanham Act, the Third and Fifth Circuits as well as the United States Court of Appeals for the Fourth Circuit have adopted a six-factor test, which included the consideration of “whether the defendant had the intent to confuse or deceive.”<sup>32</sup> In *Synergistic International, LLC v. Korman*, the Fourth Circuit agreed that “a lack of willfulness or bad faith should weigh against an award of damages being made, but not necessarily preclude such an award.”<sup>33</sup>

---

25. *Id.* at 1539; *see also Bishop*, 154 F.3d at 1223.

26. *See Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 173 (3d Cir. 2005).

27. *Id.* at 174.

28. *Id.*

29. *Id.* at 175.

30. *Quick Techs., Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002).

31. *Id.*

32. *Id.* at n.9; *see Synergistic Int’l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *see also Banjo Buddies*, 399 F.3d at 175.

33. *Synergistic Int’l*, 470 F.3d at 175.

### III. COURT'S DECISION

In the noted case, the United States Supreme Court followed the framework of the Third, Fourth, and Fifth Circuits to analyze profit awards in trademark infringement.<sup>34</sup> The Supreme Court found that while the defendant's mental state was an important factor to consider when determining whether an award of profits was warranted, the defendant's willful infringement was not a strict requirement for the plaintiff's recovery.<sup>35</sup> First, the Court in the noted case found that the willfulness requirement was not considered a "principle of equity" under the Lanham Act, because the language within the rule was too narrow.<sup>36</sup> Then, the Court found that the jurisprudence was unclear on whether trademark law requires a showing of a defendant's willful infringement as a prerequisite for an award of profits.<sup>37</sup>

In reference to the first finding, the Court determined that the willfulness requirement was too substantive and limited to be considered a "principle of equity."<sup>38</sup> The Court was unpersuaded by Fossil's argument that a willfulness requirement should be considered a "principle of equity" within the Lanham Act.<sup>39</sup> The Court noted that principles of equity "naturally suggest[ed] fundamental rules that apply more systematically across claims and practice areas."<sup>40</sup> Moreover, the Court recognized that the Lanham Act specifically mentions "equitable principles" in its discussion of "laches, estoppel, and acquiescence."<sup>41</sup> Here, the Court noted that Congress used the term "principle" to describe broad, overarching concepts within the law.<sup>42</sup> Because principles within the law often refer to broad and fundamental questions, the Court reasoned that substantive rules regarding profit remedies within trademark were too narrow to be considered principles.<sup>43</sup> Additionally, because Congress explicitly required *mens rea* elsewhere throughout the Lanham Act, the Court reasoned that following Fossil's logic would

---

34. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1497 (2020).

35. *Id.*

36. *Id.* at 1496.

37. *Id.*

38. *Id.* at 1496-97.

39. *Id.* at 1495.

40. *Id.* at 1496.

41. *Id.*

42. *Id.*

43. *Id.*

require them to assume Congress's intention in conditioning a willfulness requirement for the recovery of profits in trademark cases.<sup>44</sup>

In reference to the second finding, the Court determined that jurisprudence was not clear on whether an award of profits is conditioned on a showing of willful infringement by the defendant.<sup>45</sup> The Court recognized that Circuits are split on this issue.<sup>46</sup> Romag cited cases that did not require a willfulness requirement, and by contrast, Fossil defended its position by referencing cases that did require a willfulness requirement.<sup>47</sup> Adding to the confusion, the Court noted that the Lanham Act itself discussed the mental state of the defendant as the Act called for "greater statutory damages for certain willful violations than for other violations."<sup>48</sup> The Court recognized that *mens rea*, as in many other legal contexts, was important to consider.<sup>49</sup> However, the Court concluded that the importance of mental state did not make it conditional on an award of profits.<sup>50</sup>

Justice Alito concurred with the opinion in the noted case but pointed to "pre-Lanham Act case law" as justification for his conclusion that willfulness is a significant consideration, but not paramount to a reward of profits under Section 1125(a).<sup>51</sup> Justice Sotomayor, in an additional concurrence, noted that she disagreed with the majority's finding that "courts of equity were just as likely to award profits for such 'willful' infringement as they were for 'innocent' infringement."<sup>52</sup> Justice Sotomayor pointed to prior jurisprudence to exemplify the proposition that innocent infringement almost never resulted in a disgorgement of profits.<sup>53</sup> She concluded by noting that an award of a defendant's profits for a good faith infringement would be inharmonious with the "principles of equity."<sup>54</sup>

---

44. *Id.* at 1495-96.

45. *Id.* at 1496.

46. *Id.*

47. *See* Horlick's Malted Milk Corp. v. Horluck's, Inc., 51 F.2d 357, 359 (W.D. Wash. 1931) (holding that a plaintiff cannot receive a disgorgement of the defendant's profits if the defendant is not shown to have acted willfully in the use of the trademark); *see also* Saxlehner v. Siegel-Cooper Co., 179 U.S. 42, 42-43 (1900) (holding that a plaintiff should not be awarded a defendant's profits if the defendant acted in good faith).

48. *Romag Fasteners*, 140 S. Ct. at 1497.

49. *Id.*

50. *Id.*

51. *Id.* (Alito, J., concurring).

52. *Id.* at 1498 (Sotomayor, J., concurring).

53. *Id.*

54. *Id.*

## IV. ANALYSIS

The Supreme Court's decision to strike down a willfulness requirement for the disgorgement of a defendant's profits under Section 1125(a) of the Lanham Act is appropriate; however, the Court should have taken into consideration Congress's purpose for creating both statutes.<sup>55</sup> As stated, Section 1125(a) creates an action for false or misleading representation of a trademark, while Section 1125(c) creates an action for trademark dilution.<sup>56</sup> One of Congress's purposes for creating the trademark dilution statute was to protect "famous" marks, or "marks with such powerful consumer associations that even non-competing uses [could] impinge on their value."<sup>57</sup>

This provision was enacted after Congress realized that the dilution of famous marks was becoming a widespread issue.<sup>58</sup> Because of the noteworthiness of these marks, it can be assumed that the majority of these infringements were intentional and therefore bad faith infringements done willfully.<sup>59</sup> Here, it seems clear why the court would assess willfulness to punish those intentional infringers and alleviate the widespread issue.<sup>60</sup> Because the majority of infringers are aware of famous trademarks, accidental infringement seems unlikely.<sup>61</sup> Therefore, infringers should face a steeper punishment, because they are most likely aware of their wrongdoing.<sup>62</sup>

This approach seems unnecessary for infringements under Section 1125(a).<sup>63</sup> Because this statute was not specifically written to apply to famous marks, it seems more likely that accidental infringement happens more frequently under this statute.<sup>64</sup> It seems unfair to punish someone so severely for a mistake that was potentially unintentional.<sup>65</sup>

Additionally, as the Ninth Circuit noted in *George Basch Co.*, the use of a willfulness requirement deters bad faith infringers, while

---

55. See *id.* at 1497 (majority opinion).

56. *Id.* at 1495.

57. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999).

58. Blake R. Bertagna, *Poaching Profits: An Examination of the Ability of a Trademark Owner to Recover an Infringer's Profits Under the Lanham Act as Amended in 1999*, 16 TEX. INTELL. PROP L.J. 257, 267 (2008).

59. See *id.*

60. See *id.*

61. See *id.*

62. See *id.*

63. See *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1498 (2020).

64. See *id.*

65. See *id.*

protecting good faith infringers.<sup>66</sup> It is important to note that this theory of deterrence would not be useful in cases of accidental infringement by good faith defendants, because potential infringers are not fearful of consequences they are not aware of.<sup>67</sup> In other words, a good faith infringer would not be deterred by a potential disgorgement of their profits if they are not aware that they have infringed on a mark.<sup>68</sup> This idea lends to Justice Sotomayor's concurrence which concluded that awarding a defendant's profits for a good faith infringement is inharmonious with principles of equity.<sup>69</sup>

The Supreme Court's decision in the noted case will answer the question Circuit Courts have debated for years: Is there a willfulness requirement for an award of a defendant's profits under Section 1125(a)?<sup>70</sup> The Court's decision seemingly makes it easier for a disgorgement of profits after trademark infringement under Section 1125(a), as it eliminates any prerequisite of willful infringement.<sup>71</sup> However, as Justice Sotomayor noted, courts almost never award profits for good faith infringements.<sup>72</sup> The decision in the noted case may change that precedent.<sup>73</sup>

Though jurisprudence has revealed that courts rarely award profits from good faith infringement, the Supreme Court's decision may force these courts to rethink their decision making.<sup>74</sup> The consistent denial of an award of profits for unwilful trademark infringement shows that these courts have ruled that good faith infringement is an unspoken prerequisite for a denial of profit disgorgement.<sup>75</sup> Because the Supreme Court has ruled that willfulness is not a prerequisite to a disgorgement of profits, this may impact lower courts.<sup>76</sup> While this does not guarantee an award of profits for good faith infringements, lower courts will likely face greater restraints in concluding that a disgorgement of profits is incorrect simply because the defendant did not willfully infringe.<sup>77</sup>

---

66. See *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1539-40 (2d Cir. 1992).

67. See *id.*

68. See *id.*

69. *Romag Fasteners*, 140 S. Ct. at 1498 (Sotomayor, J., concurring).

70. *Id.* at 1494 (majority opinion).

71. *Id.* at 1497.

72. *Id.* at 1498 (Sotomayor, J., concurring).

73. See *id.*

74. See *id.*

75. See *id.*

76. See *id.*

77. See *id.*



This landmark decision from the noted case will likely have a lasting effect on trademark law by making it easier for plaintiffs to receive a disgorgement of profits from a defendant's infringement under the false or misleading representation statute.<sup>78</sup> Though the Supreme Court concluded that willfulness is not a requirement under this statute, it is important to remember that the Court still recognized willfulness as an important factor for courts to consider when awarding profits.<sup>79</sup> Because courts may still consider willfulness as a factor, the consequences of this decision may not be as impactful as anticipated.<sup>80</sup> Indeed, as jurisprudence has shown, impact is often determined by the Court's interpretation of the requisite case law.

R. Oroma Womeodu\*

---

78. *Id.* at 1497.

79. *Id.*

80. *See id.*

\* © 2021 R. Oroma Womeodu. Junior Member, Volume 23, *Tulane Journal of Technology and Intellectual Property*. J.D. candidate 2022, Tulane University Law School; B.A. 2018, Political Science, Wingate University. The author would like to thank her family for continuing to provide a strong foundation throughout this journey.