Notes and Comments

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Resolving the "Willfulness" Conundrum: *Romag Fasteners, Inc. v. Fossil, Inc.*, a Case Note

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INTRODUCTION

In 1946, Congress enacted the Lanham Act (less commonly referred to as the Trademark Act) in order to create substantive rights for trademark owners upon obtaining federal registration of their marks.[1] According to the 1946 Congressional Committee Reports, one of the general purposes of the Lanham Act is "to simplify trade-mark practice, to secure trade-mark owners in the good will which they have built up, and to protect the public from imposition by the use of counterfeit and imitated marks . . . ."[2] In addition to protecting the consumer from counterfeit goods, a trademark owner is also protected from the unauthorized use of their mark by another.[3] If, however, despite these protections, any person reproduces a registered mark without the consent of the mark owner, then the mark owner is entitled to a recovery of, among other things, the infringing defendant's profits.[4]

Section 1117(a) of the Lanham Act covers a plaintiff's right to monetary relief. Section 1117(a) states that if there is "a violation of any right of the registrant of a mark . . . under section 1125(a) or (d) of this title, or a *willful violation under section 1125(c)* of this title, . . . the plaintiff shall be entitled, . . . subject to the principles of equity, to recover . . . defendant's profits . . . ."[5] However, there has been a dispute "between the *text* of the Lanham Act and how courts *interpret* the Lanham Act."[6]

Since its inception in 1946, the Lanham Act has been subject to numerous statutory amendments, and § 1117(a) is no exception.[7] In 1999, Congress added the phrase "willful violation" to § 1117(a) in reference to § 1125(c) (the section of the Lanham Act covering dilution). Following this amendment, courts' interpretations of

1 Daphne Robert, *Commentary on the Lanham Trade-Mark Act*, 86 TRADEMARK REP. 373, 375 (1996).

2 S. REP. NO. 79-1333, at 5 (1946).

3 *See generally* Lanham Act, 15 U.S.C. § 1114 (stating that a person who uses or reproduces another's mark "without the consent of the registrant . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.").

4 *Id.* § 1117(a).

5 *Id.* (emphasis added).

6 David S. Almeling, *The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. INTELL. PROP. L. 205, 207 (2007) (emphasis added).

7 Nicolle Zavadoff, *Trademark Infringement and the Lanham Act: The Time for "Willfulness" to Be Uniformly Defined and Applied Under the Lanham Act Is Now*, 52 CREIGHTON L. REV. 71, 71 (2018).

§ 1117(a) have been continually litigated.[8] The discord between the circuit courts was further complicated by disagreement as to whether or not the "willful violation" language applied only to dilution actions under § 1125(c) or if it applied to false designation of origin actions under § 1125(a) as well, and what effect, if any, this language had on the "principles of equity."[9]

Since the addition of the phrase "willful violation," the question of how to properly apply an infringing defendant's intent when disgorging his profits yielded increased confusion and a subsequent split among the circuit courts.[10] Despite the twenty years of litigation surrounding the meaning of this language, courts were unable to create a uniform approach to this issue. However, the United States Supreme Court finally resolved this schism with the *Romag Fasteners, Inc. v. Fossil, Inc.* decision.[11]

Part I of this Note traces the history and purpose of the Lanham Act. Part II discusses the split among circuit courts, both before and after the addition of the 1999 amendment, regarding the willfulness requirement. Part III discusses *Romag Fasteners, Inc. v. Fossil, Inc.*, the case's history, as well as the parties' arguments before the Supreme Court. Part IV discusses the Supreme Court's recent decision to decline to adopt a bright-line rule requiring a finding of willfulness before awarding a defendant's profits, and instead to adopt a factor-based approach, whereby willfulness is one of several important factors to consider. Finally, Part V unpacks the policy implications that resulted from the Supreme Court's decision to adopt a factor-based approach and how such a decision ultimately serves the broader purposes of the Lanham Act.

8 *Id.* at 71–72.

9 *See* Kevin C. Kennedy, *Equitable Remedies and Principled Discretion: The Michigan Experience*, 74 U. DET. MERCY L. REV. 609, 609 (1997) ("In a broad jurisprudential sense, equity means the power to do justice in a particular case by exercising *discretion to mitigate the rigidity of strict legal rules*." (emphasis added)).

10 Timothy D. Kroninger, *Awarding Profits in Trademark Infringement Actions: Reconciling the Circuit Split on the Willfulness Requirement with Underlying Trademark Law Rationales*, 2018 MICH. ST. L. REV. 793, 796 (2018).

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

I
HISTORY AND PURPOSE OF THE LANHAM ACT

United States trademark law was born out of the English law of unfair competition.[12] Trademarks were first conceptualized as property in the mid-nineteenth century, and British courts of equity would grant injunctive relief for trademark owners, even without a showing of an infringer's intent to deceive.[13] Trademark law was initially created for the purpose of preventing trade diversion by bad-faith competitors, ensuring "that no person has the right to pass off his goods as those of another."[14] Historically, liability for trademark infringement was meant to remedy the unjust enrichment that resulted from the infringer's use of another's mark and was seen as a method of upholding commercial morality and fairness.[15] Early trademark protection acted as a "police measure" to protect the public against deceit through the sale of defective goods.[16] Not until 1870 did Congress enact the first federal trademark statute, the Act of 1870.[17]

The Act of 1870 established an exclusive use right for owners of federally registered marks, as well as a civil cause of action against those who wrongfully infringed upon the exclusive use rights of the trademark owner.[18] However, as the Supreme Court noted in the *Trade-Mark Cases* of 1879, "The whole system of trade-mark property and the civil remedies for its protection existed long anterior to [the Act of 1870], and have remained in full force since its passage."[19] The Act of 1870 was grounded in Article I, Section 8, Clause 8 of the United States Constitution.[20] However, the Supreme Court held the Act unconstitutional, finding that no trademark protection existed under this constitutional provision.[21]

Following the *Trade-Mark Cases*, Congress enacted a second trademark statute in 1881, but the act was limited only to marks used

12 Bartholomew Diggins, *The Lanham Trade-Mark Act*, 35 GEO. L.J. 147, 148 (1947).
13 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9(d) (AM. L. INST. 1995).
14 BARTON BEEBE, TRADEMARK LAW: AN OPEN-SOURCE CASEBOOK 16 (6th ed. 2019).
15 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9(c) (AM. L. INST. 1995).
16 Frank I. Schechter, *The Rational Basis of Trademark Protection*, 60 TRADEMARK REP. 334, 338 (1970).
17 Ethan Horwitz & Benjamin Levi, *Fifty Years of the Lanham Act: A Retrospective of Section 43(a)*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 59, 60–61 (1996).
18 Trade-Mark Cases, 100 U.S. 82, 85 (1879).
19 *Id.* at 92.
20 *Id.* at 85. This clause is now referred to as the "Patent and Copyright Clause."
21 *See id.* at 97–98.

in commerce with Native American tribes and foreign nations.[22] Congress then enacted the first modern federal trademark statute in 1905, the Trademark Act of 1905.[23] Unlike its 1870 predecessor, the 1905 Act was grounded in the Commerce Clause of the Constitution, rather than the Patent and Copyright Clause.[24] The 1905 Act "limited registration to fanciful and arbitrary marks, except for marks that had been in actual use for 10 years preceding passage of the statute."[25] The limitations of the 1905 Act precipitated further legislative activity. Congress sought to further strengthen the rights of trademark owners, culminating in the passage of the Trademark Act of 1946, commonly known today as the Lanham Act.[26]

One important feature of the Lanham Act is that it creates a national system of trademark registration and protection.[27] Upon registration, the owner of a federally registered mark may enforce its trademark rights against an infringer using a similar mark in a way that would likely cause consumer confusion.[28] The marks protected include both trademarks for goods and service marks for services.[29] Furthermore, with the addition of the Dilution Act in 1996, the Lanham Act also protects the owner of a federally registered "famous" mark against the use of a similar mark that would likely cause the owner's mark to become "diluted."[30] At the time of its creation, one foundational "purpose of the Lanham Act was to . . . unify the common law of unfair competition and trademark protection" and to allow owners of federally registered marks to receive monetary relief from courts of law and injunctive relief from courts of equity.[31]

Under § 1125 of the Lanham Act, the owner of a federally registered mark must satisfy a two-step process in order to be awarded monetary

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22 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9(e) (AM. L. INST. 1995).

23 *Id.*

24 *Id.*

25 *Id.*

26 *Id.*

27 *Lanham Act*, CORNELL L. SCH. LEGAL INFO. INST., https://www.law.cornell.edu/wex/lanham_act [https://perma.cc/78MH-GSYF].

28 *Id.*

29 Lanham Act, 15 U.S.C. § 1053.

30 *Id.* § 1125(c).

31 Zavadoff, *supra* note 7, at 77. The earliest renditions of the Lanham Act, including the Trademark Act of 1905, were developed before the creation of the Federal Rules of Civil Procedure in 1938, which effectively eliminated the separation between courts of law and courts of equity. Today, the federal courts assume the role of both.

damages or injunctive relief.[32] First, the mark owner must prove that the defendant infringed on her exclusive right to use the mark.[33] In order to find infringement, the owner of a registered mark must show that the defendant's use of her mark would likely cause consumer confusion as to the source of the goods or services.[34] Many circuits have developed their own multifactor tests to determine whether a defendant's mark is infringing. These tests apply to many forms of trademark infringement, including infringement of federally registered marks and common law trademark infringement.[35]

Second, the plaintiff must ensure that the relief they seek conforms to the "principles of equity." Because neither monetary damages nor injunctive relief are automatic upon a showing of infringement, a plaintiff must not only satisfy the necessary "likelihood of confusion" test but must also conform to the long-standing "principles of equity."[36] Only when a plaintiff can show that (a) the defendant's use of a mark has caused a likelihood of confusion and (b) the relief they seek satisfies the principles of equity may they actually receive monetary or injunctive relief.[37]

One of the forms of monetary relief afforded to a trademark owner is the disgorgement of the infringing defendant's profits.[38] The standards for recovery of a defendant's profits are outlined in § 1117(a) of the Lanham Act, which summarizes monetary recovery for both infringement and dilution.[39] Section 1117(a) states the following:

> 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)

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32 Almeling, *supra* note 6, at 209.

33 *Id.*

34 Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 431 (9th Cir. 2017).

35 *See, e.g.*, Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 152 (4th Cir. 2012).

> To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark "in commerce" and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers.

Id. (quoting Lanham Act, 15 U.S.C. § 1114(a)).

36 *See* Almeling, *supra* note 6, at 209 ("In other words, the plaintiff must satisfy both the likelihood-of-confusion test and the principles of equity to qualify for monetary or injunctive relief.").

37 The availability of injunctive relief is beyond the scope of this note. *See, e.g.*, Davidoff & Cie, S.A. v. PLD Int'l Corp., 263 F.3d 1297, 1300 (11th Cir. 2001).

38 Lanham Act, 15 U.S.C. § 1117(a).

39 *Id.*

> or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, 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 . . . defendant's profits . . . .[40]

Much of the debate regarding whether a plaintiff is entitled to a defendant's profits is related to the intent of the defendant. Prior to 1999, § 1117(a) did not include any "willfulness" language.[41] In 1999, Congress amended § 1117(a), and the term "willful" was added to modify the word "violation," seemingly adding a new "willfulness" requirement that plaintiffs had to satisfy before collecting a defendant's profits.[42]

The 1999 amendment was added in an attempt to clear a drafting error, whereby Congress failed to cross-reference the dilution provision, § 1125(c), to the monetary recovery provision, § 1117(a). But the amendment created confusion as to whether the willfulness requirement applied to non-dilution actions as well.[43] As a result, the application of the term "willful" to cases involving a violation of § 1125(a) proved challenging for courts.[44] Following the implementation of the 1999 amendment, the circuits were split as to whether, under § 1117(a), willful infringement was a prerequisite to an award of a defendant's profits for a violation of § 1125(a).[45]

II
CIRCUIT SPLIT AND THE 1999 AMENDMENT

With the addition of the word "willfulness" to § 1117(a), a circuit split emerged among the federal circuit courts as to whether willfulness applied to false designation of origin actions under § 1125(a).[46] In other words, the issue that resulted in the circuit split was whether § 1125(a) required that the trademark owner prove that the defendant acted willfully or intentionally in order to obtain an award of an infringer's profits.[47] As the circuits began to wrestle with this

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40 *Id.*
41 Kroninger, *supra* note 10, at 812.
42 *Id.*
43 *Id.* at 813.
44 *Id.*
45 *See id.*
46 *Id.*
47 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:62 (5th ed. 2020).

conundrum, two camps ultimately arose: those who adopted a bright-line rule requiring a showing of an infringer's willful intent and those who considered willfulness as one of several factors to analyze when deciding whether or not to award the defendant's profits in an infringement action.[48] Prior to the 1999 amendment, circuit courts generally relied upon prior intracircuit precedent and stayed firmly entrenched in one camp or another.[49] But following the addition of the 1999 amendment, some courts began to reconsider the role of willfulness in § 1125(a) infringement actions.

On one side of the split were circuits that required a finding of willfulness before they awarded a defendant's profits. The determination of willfulness was (and still is) a fact-specific inquiry, whereby courts "[were] looking for [evidence of] some kind of willful infringing conduct," including fraud, intent to benefit from the trademark holder's goodwill, and a deliberate intent to deceive.[50] Once there was a finding of willful conduct, a court had the ability to award an accounting of an infringing defendant's profits.[51] On the other side of the split, circuits held that an award of a defendant's profits could be obtained without a showing of willfulness.[52] However, willfulness was still considered an important factor "in weighing the equities before a decision [was] made [on] whether to make [an] award o[f] profits."[53] In other words, willfulness was regarded as one of several factors to consider when awarding an accounting of a defendant's profits.

The remainder of this section will analyze each side of the circuit split, both before and after the addition of the 1999 amendment. Note, however, that the First Circuit had yet to decide on which side of the issue it fell before the resolution of the circuit split.[54]

A. Bright-Line Circuits

Nearly half of the federal circuit courts held that courts "[have] to find that [the] infringement of [p]laintiff['s] trademark was willful."[55]

48 Kroninger, *supra* note 10, at 813.

49 *Id.*

50 MCCARTHY, *supra* note 47.

51 Kroninger, *supra* note 10, at 813.

52 *Id.*

53 MCCARTHY, *supra* note 47.

54 *See* Tamko Roofing Prods. v. Ideal Roofing Co., 282 F.3d 23, 36 (1st Cir. 2002) (explaining that products that are not in direct competition with each other need not be assessed for willfulness as a prerequisite for an accounting).

55 4 Pillar Dynasty LLC v. N.Y. & Co., 933 F.3d 202, 209 (2d Cir. 2019).

This included the Second, Ninth, Tenth, and Federal Circuits.[56] These circuits decided that the better reading of § 1117(a) required the adoption of a bright-line rule, a rule that required a finding of willful infringement before a court would award a defendant's profits in an infringement action. What follows is a deeper analysis of the reasoning used by those circuits that required a finding of willfulness.

Some scholars have deemed the Second Circuit as having spearheaded the move toward adopting the bright-line rule.[57] The court in *George Basch Co. v. Blue Coral, Inc.* articulated this principle when it overturned a district court ruling holding that willfulness was not a necessary prerequisite to an accounting of a defendant's profits.[58] The court stated that a finding of willfulness was required in order "to avoid the draconian impact that a profits remedy might have" absent such a finding.[59] The court was concerned that without a showing of willful deceit, an award of an infringer's profits may overcompensate for the plaintiff's actual injury, creating a "windfall judgment at the defendant's expense."[60] Following the addition of the 1999 amendment, this remained the rule in the Second Circuit.[61]

Prior to the 1999 amendment to the Lanham Act, the Ninth Circuit was "[t]he lone circuit that waivered in its viewpoint and switched" from using the factor-based approach to adopting a bright-line approach.[62] This circuit expressed its initial preference for the factor-based approach in 1979 in *Faberge, Inc. v. Saxony Products, Inc.*[63] "Willful infringement," the court explained, "may support an award of profits to the plaintiff, but [it] does not require [such an outcome]."[64] Thus, under the approach espoused by the *Faberge* court, willfulness was one of several factors to consider in a case of profit disgorgement.

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56 *See, e.g.*, George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992); Faberge, Inc. v. Saxony Prods., Inc., 605 F.2d 426, 429 (9th Cir. 1979); Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998); Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 791 (Fed. Cir. 2016).

57 Kroninger, *supra* note 10, at 814 (citing Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 SANTA CLARA L. REV. 863, 889–90 (2002)).

58 968 F.2d at 1537.

59 *Id.* at 1540.

60 *Id.*

61 *See, e.g.*, 4 Pillar Dynasty LLC v. N.Y. & Co., 933 F.3d 202, 209 (2d Cir. 2019).

62 Kroninger, *supra* note 10, at 816.

63 605 F.2d 426, 429 (9th Cir. 1979).

64 *Id.*

However, the Ninth Circuit adopted a bright-line approach fourteen years later in *Lindy Pen Co. v. Bic Pen Corp.*[65] In this case, the court stated that the intent of the infringer should be considered dispositive when considering the issue of profit disgorgement.[66] This remained the rule in the Ninth Circuit, as other cases in this circuit read *Lindy Pen Co.* to require a showing of willfulness in order for a plaintiff to be granted an award of the defendant's profits.[67] Courts in this circuit read the 1999 amendment as merely correcting a drafting error as it pertains to a dilution action under § 1125(c), and as such, a finding of willfulness remained a necessary requirement in order for a plaintiff to be awarded a defendant's profits.[68]

The Tenth Circuit also fell into the camp that required a finding of willful infringement before a court could disgorge a defendant's profits.[69] In *Bishop v. Equinox Int'l Corp.*, the court held that "an award of profits may be proper . . . as a deterrent to willful infringement" and that such an award "require[d] a showing that defendant's actions were willful or in bad faith."[70] Like many of its sister circuits, the Tenth Circuit "requir[ed] a showing of willfulness before profits [were] awarded [a]s an appropriate limitation in light of the equitable considerations underlying the monetary recovery provisions of the Lanham Act."[71]

Following the adoption of the 1999 amendment, the Tenth Circuit continued to require a finding of willful infringement. For instance, in *Western Diversified Services, Inc. v. Hyundai Motor America, Inc.*, the court stated that "when a party seeks a profit award . . . we require a showing that [the d]efendant's actions were willful to support an award of profits."[72] The court reasoned that such a finding was required to support the principles of equity and in order to avoid the possible windfall to the plaintiff.[73] This bright-line approach remained the law

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65 982 F.2d 1400, 1405 (9th Cir. 1993) ("This standard applies, however, only in those cases where the infringement is 'willfully calculated to exploit the advantage of an established mark.'" (quoting Playboy Enters. v. Baccarat Clothing Co., 692 F.2d 1272, 1274 (9th Cir. 1982))).

66 *Id.*

67 *See, e.g.*, Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 441–42 (9th Cir. 2017).

68 *Id.*

69 Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998).

70 *Id.*

71 *Id.*

72 427 F.3d 1269, 1273 (10th Cir. 2005).

73 *Id.* at 1272.

in the Tenth Circuit prior to the Supreme Court's decision in *Romag Fasteners*.[74]

The last of the circuit courts that required a finding of willfulness was the Federal Circuit. In *Romag Fasteners*, the court stated that "[it saw] nothing in the 1999 amendment that allow[ed] [it] to depart from Second Circuit precedent requiring willfulness for the recovery of profits in infringement cases."[75] Similar to the Ninth Circuit, the Federal Circuit felt that the only purpose of the 1999 amendment was to clear up a drafting error pertaining to the dilution cause of action.[76] As such, willfulness was a requisite finding before a plaintiff could recover a defendant's profits in the Federal Circuit.[77]

B. Factor-Based Circuits

Instead of adopting a bright-line rule, many circuits chose to adopt a factor-based approach, whereby willfulness was just one of several factors to consider when awarding a defendant's profits in an infringement action under § 1125(a).[78] Among those following this approach were the Third, Fourth, Fifth, Seventh, and Eleventh Circuits.

The Third Circuit was one of the last circuits to weigh in on the issue of willfulness prior to the 1999 amendment.[79] Prior to the 1999 amendment, the Third Circuit found itself firmly entrenched in the camp opting for the adoption of a bright-line rule.[80] However, the Third Circuit changed its position when it decided *Banjo Buddies, Inc. v. Renosky*. Instead of upholding the bright-line rule approach as adopted in *SecuraComm*, the court in *Banjo Buddies* stated that such an approach was statutorily superseded with the adoption of the 1999 amendment.[81] The court adopted the factor-based approach expressed by the Fifth Circuit in *Pebble Beach Co. v. Tour 18 I Ltd.*:

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74 *See, e.g.*, Klein-Becker USA, LLC v. Englert, 711 F.3d 1153, 1162 (10th Cir. 2013).

75 Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 791 (Fed. Cir. 2016).

76 Kroninger, *supra* note 10, at 824.

77 *Id.*

78 *See, e.g.*, Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 175 (3d Cir. 2005) (stating that willful infringement is not a prerequisite to a recovery of an infringer's profits).

79 Kroninger, *supra* note 10, at 815.

80 *See* SecuraComm Consulting Inc. v. Securacom Inc., 166 F.3d 182, 187 (3d Cir. 1999) (citing ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 968 (D.C. Cir. 1990)) (holding that a plaintiff must prove that an infringer acted willfully before an infringing defendant's profits are recoverable).

81 *Banjo Buddies*, 399 F.3d at 174.

> These factors "include, but are not limited to (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off."[82]

Thus, in the Third Circuit, the infringer's intent remained a critical aspect of the analysis regarding disgorgement of an infringer's profits, but intent alone was no longer dispositive.[83]

The Fourth Circuit held firm in its position that the defendant's intent remained an important, but not dispositive, factor when awarding a defendant's profits.[84] Prior to the 1999 amendment, the Fourth Circuit held that a factor-based approach was better suited for considering whether a plaintiff is entitled to a profits award.[85] Following the adoption of the 1999 amendment, the Fourth Circuit continued to follow a factor-based approach. In the case of *Synergistic Int'l LLC v. Korman*, the court declined to adopt a bright-line rule that requires a finding of willfulness when assessing whether or not to award an accounting of profits.[86] The court stated that "although willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto."[87]

The Fifth Circuit used a factor-based approach in trademark infringement actions as early as 1980, but it was not until *Pebble Beach* in 1998 that a court in the Fifth Circuit applied this approach to a case involving a defendant's potential *willful* infringement.[88] In *Pebble Beach*, the court's determination of whether an award of the defendant's profits was appropriate was guided by a variety of "relevant factors," including "whether the defendant had the intent to confuse or deceive" the consumer.[89] Additionally, the court made sure to note that it "ha[d] not required a particular factor to be present" when making such a determination.[90] Thus, *Pebble Beach* entrenched the

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82 *Id.* at 175; *see also* Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998).

83 *Banjo Buddies*, 399 F.3d at 175.

84 *See* Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984); *see also* Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006).

85 *Pizzeria Uno Corp.*, 747 F.2d at 1527.

86 *Synergistic Int'l, LLC*, 470 F.3d at 175.

87 *Id.*

88 Kroninger, *supra* note 10, at 818–19.

89 Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998).

90 *Id.*

Fifth Circuit firmly with its sister circuits that regarded willfulness as only one factor to consider when determining an accounting of a defendant's profits. Following *Pebble Beach* and the subsequent addition of the 1999 amendment, the Fifth Circuit continued to use a factor-based analysis when determining whether an accounting of a defendant's profits was appropriate.[91]

The Sixth Circuit also adopted a factor-based approach when assessing whether or not to disgorge a defendant's profits. Both prior to the 1999 amendment as well as after, several courts in the Sixth Circuit held that "a showing of willful infringement [was] not required for . . . an award of profits."[92] In the 1991 case of *Wynn Oil Co. v. American Way Service Corp.*, the court made it clear that a finding of willfulness was not required in order to award an accounting of a defendant's profits.[93] Specifically, the court stated that "there is no express requirement that . . . the infringer willfully infringe . . . to justify an award of profits."[94] The Sixth Circuit continued to follow such reasoning after the addition of the 1999 amendment.[95]

The Seventh Circuit was yet another circuit that regarded willfulness as one of many factors to consider when deciding whether a plaintiff was entitled to an award of the defendant's profits. In 1989, the court in *Roulo v. Russ Berrie & Co.* held that a defendant is not required to have willfully infringed a plaintiff's mark to justify an accounting of profits.[96] Instead, profits were awarded using several "different rationales including unjust enrichment, deterrence, and compensation."[97]

Although several trademark infringement cases had been decided in the Seventh Circuit prior to the addition of the 1999 amendment,[98] there had not been any case that discussed willful infringement under § 1117(a) following its adoption. Because the Seventh Circuit adopted

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91 *See, e.g.*, Retractable Techs., Inc. v. Becton Dickinson & Co., 919 F.3d 869, 876 (5th Cir. 2019); Quick Techs. v. Sage Group PLC, 313 F.3d 338, 349 (5th Cir. 2002).

92 Laukus v. Rio Brands, Inc., 391 F. App'x 416, 424 (6th Cir. 2010); *see* Wynn Oil Co. v. Am. Way Serv. Corp., 943 F.2d 595, 607 (6th Cir. 1991).

93 943 F.2d at 607.

94 *Id.* (quoting Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989)).

95 *See Laukus*, 391 F. App'x at 424 ("Although showing willfulness is not required, willfulness is one element that courts may consider in weighing" whether "an award of profits [is] warranted . . . .").

96 886 F.2d at 941.

97 *Id.*

98 *See, e.g.*, *Roulo*, 886 F.2d at 941.

the factor-based approach prior to the 1999 amendment, the factor-based approach withstood in the Seventh Circuit after the amendment. Thus, willfulness remained one factor out of many that the Seventh Circuit considered in the overall determination of whether an award of profits was appropriate.[99]

Finally, the Eleventh Circuit found itself entrenched in the camp following the factor-based approach when it considered an accounting of a defendant's profits. Prior to the addition of the 1999 amendment, the Eleventh Circuit in *Chanel, Inc. v. Italian Activewear of Florida, Inc.* stated that "a registrant whose rights are violated may generally recover the defendant's profits from the infringing activity," but that "a showing of intent or bad faith is unnecessary . . . to seek remedies pursuant to § 1117(a)."[100] Following the adoption of the "willful infringement" language, the Eleventh Circuit maintained its position that a showing of willfulness was not required.

In *Axiom Worldwide, Inc. v. Excite Medical Corp.*, the court stated that "an award of profits [was] not 'dependent upon a higher showing of culpability on the part of defendant, who is purposely using the trademark.'"[101] The court went further, stating that district courts had the power to exercise broad discretion to dictate the quantum of relief.[102] The court summed up its position by stating that "the law in this Circuit does not require a showing of willfulness before awarding profits as actual damages under the Lanham Act."[103]

As evidenced by this discussion, circuit courts were unable to find coherence in configuring a solution to the willfulness conundrum. However, with the Supreme Court's decision in *Romag Fasteners, Inc. v. Fossil, Inc.*, a solution to the decades-long question of whether a plaintiff "must prove that the defendant acted willfully in order to receive an award of the defendant's profits" has finally been reached.[104]

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99 Kroninger, *supra* note 10, at 818.

100 931 F.2d 1472, 1475–76 (11th Cir. 1991).

101 591 F. App'x 767, 776 (11th Cir. 2014) (citing Burger King Corp. v. Mason, 855 F.2d 779, 782–83 (11th Cir. 1988)).

102 *Id.*

103 *Id.*

104 Ronald Mann, *Argument Preview: Justices to Consider "Willfulness" Requirement for Disgorgement of Profits of Trademark Infringer*, SCOTUSBLOG (Jan. 7th, 2020, 4:37 PM), https://www.scotusblog.com/2020/01/argument-preview-justices-to-consider-willfulness-requirement-for-disgorgement-of-profits-of-trademark-infringer/ [https://perma.cc/Z9Q7-KSER].

III
ROMAG FASTENERS, INC. V. FOSSIL, INC.: CASE HISTORY

A. Background Facts

Petitioner Romag Fasteners, Inc. ("Romag"), is a Connecticut-based corporation that manufactures magnetic snap fasteners.[105] Manufactured in China by Wing Yip Metal Manufactory Accessories ("Wing Yip"), these snaps are sold under its registered trademark "ROMAG."[106] In 2002, Romag entered into an agreement with Fossil, Inc. ("Fossil"), for the use of ROMAG fasteners in Fossil handbags.[107] Fossil is a Delaware corporation that "designs, markets, and distributes fashion accessories, including jewelry, handbags, and small leather goods . . . ."[108] As a regular part of its business, Fossil contracts with independent businesses to manufacture its products.[109] Superior Leather Limited ("Superior"), a Chinese company, was one of those businesses that contracted with Fossil; Superior bought component parts for, and manufactured, Fossil's handbags.[110]

From 2002 to 2008, "Superior purchased tens of thousands of ROMAG snaps from Wing Yip for use in Fossil products."[111] But from August 2008 and the time of the initial lawsuit, "Superior purchased only a few thousand ROMAG snaps from Wing Yip."[112] Shortly thereafter, in 2010, Mr. Reiter, the founder and president of Romag, was made aware of possible counterfeit ROMAG snaps in Fossil's goods.

The year 2010 was not the first time that Mr. Reiter discovered counterfeit ROMAG snaps being used in Fossil handbags. In November 2007, Mr. Reiter discovered Fossil handbags containing counterfeit ROMAG snaps during a routine shopping trip at a nearby J.C. Penny.[113] Two years later, in November 2009, Mr. Reiter again discovered counterfeit ROMAG snaps in Fossil handbags sold at DSW,

105 Romag Fasteners, Inc. v. Fossil, Inc., 29 F. Supp. 3d 85, 91 (D. Conn. 2014).
106 *Id.*
107 *Id.* at 92; *see also* Brief for the Petitioner at 11, Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020) (No. 18-1233).
108 *Romag*, 29 F. Supp. 3d at 92.
109 Brief for Respondents at 3, Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020) (No. 18-1233).
110 *Id.*
111 *Romag*, 29 F. Supp. 3d at 92.
112 *Id.*
113 *Id.*

Inc. ("DSW").[114] According to the district court, "Romag never informed Fossil about either [instance of discovering counterfeit ROMAG snaps on items at J.C. Penney or DSW], nor warned Fossil about the presence of counterfeit ROMAG snaps in the United States market."[115] On May 12, 2010, Mr. Reiter received an anonymous email from a former employee of Wing Yip who stated that a "factory in China had been producing magnetic snap fasteners bearing the ROMAG mark without authorization."[116] In November 2010, shortly after receiving the email, Mr. Reiter confirmed that Superior (Fossil's Chinese manufacturing partner) had manufactured bags containing counterfeit ROMAG snaps.[117] Romag then brought the current action against Fossil.

B. District Court Decision on the "Willfulness" Issue

On November 22, 2010, Romag brought suit against Fossil in the United States District Court for the District of Connecticut for patent infringement, state common law unfair competition, violation of the Connecticut Unfair Trade Practices Act (CUTPA), false designation of origin, and trademark infringement.[118] After a seven-day trial, on April 3, 2014, a jury awarded Romag "$90,759.36 of Fossil's profits for trademark infringement under an unjust enrichment theory and $6,704,046.00 of Fossil's profits for trademark infringement under a deterrence theory," determining that "one percent of Fossil's profits were attributable to its infringement of the ROMAG mark."[119]

During the trial, Fossil argued that Romag was not entitled to any award of profits absent a finding of willful infringement.[120] Romag, on the other hand, argued that "the 1999 amendments to the Lanham Act effectively abrogated Second Circuit precedent requiring willfulness for an award of profits."[121] Ultimately, the district court stated:

> Contrary to Romag's arguments, the plain language of § 1117(a) does not indicate that Congress intended to abrogate the common-law willfulness requirement by adding the word "willful" to modify

114 *Id.* at 93.

115 *Id.*

116 *Id.*

117 *Id.* at 94.

118 *Id.* at 85, 95.

119 *Id.* at 90; *see also* Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 783–84 (Fed. Cir. 2016).

120 *Romag*, 29 F. Supp. 3d at 107.

121 *Id.*

> the trademark dilution section of the statute. . . . The post-amendment language with respect to section 1125(a) is the same language that the Second Circuit interpreted, based on the principles of equity, to require a finding of willfulness before disgorgement of profits could be awarded.[122]

With this holding, the district court concluded that "willfulness is required for an award of profits," and "in light of the absence of evidence in the language of the statute . . . of a clear congressional intent to abrogate the existing Second Circuit precedent," the willfulness requirement remains a prerequisite to an award of the infringing party's profits.[123] Thus, the district court held that Romag was not entitled to an award of Fossil's profits.[124]

C. Federal Circuit Decision on the "Willfulness" Issue

After the district court's decision, Romag appealed to the Federal Circuit,[125] contending "that the district court erred in holding that a trademark owner must prove that the infringer acted willfully to recover the infringing defendant's profits."[126] Noting that the Supreme Court had yet to address whether proof of willful conduct is required before a plaintiff can recover an award of the defendant's profits, the Federal Circuit took a survey of every circuit court that had decided on the willfulness issue.[127]

After an extensive analysis of the current circuit split regarding the willfulness requirement, the Federal Circuit decided to follow Second Circuit precedent that required a finding of willfulness as a prerequisite to a disgorgement of a defendant's profits.[128] Specifically, the court stated that there is "nothing in the 1999 amendment that permits [the court] to declare that . . . Second Circuit precedent is no longer good law."[129]

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122 *Id.* at 109.

123 *Id.* at 108, 111.

124 *Id.* at 111.

125 A patent infringement claim was brought on appeal along with the trademark infringement claim, giving the Federal Circuit jurisdiction over this case. *See* 28 U.S.C. § 1295(a)(1).

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

127 *Id.* at 785–89.

128 *Id.* at 789; *see also* Brief for Respondents, *supra* note 109, at 11 (stating that "[t]he Federal Circuit agreed, seeing 'no reason to relitigate' the question [of the willfulness requirement in infringement cases].").

129 *Romag*, 817 F.3d at 789.

The court scrutinized the legislative history of the 1999 amendment in an attempt to properly construe whether willfulness was required for the recovery of profits in infringement cases.[130] The court hinged its concluding analysis on three considerations: (1) that the purpose of the 1999 amendment was to correct a drafting error in the 1996 Dilution Act, (2) that the language of the statute regarding infringement liability remained unchanged as to the award of profits under the "principles of equity," and (3) the addition of the term "willfulness" to the statute as it pertains to dilution cases "does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement [cases]."[131]

Turning now to its first point of discussion, the court held that the 1999 amendment did not indicate congressional intent to effect any change to the willfulness requirement for violations of § 1125(a), the false designation of origin section of the Lanham Act. Instead, the amendment added only a willfulness requirement to § 1125(c), the dilution section of the Lanham Act.[132] Furthering its point, the court stated that "[g]iven the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict."[133] In other words, the court held that if Congress intended to resolve the circuit split, it would have explicitly indicated such a change.[134] In sum, the Federal Circuit concluded that the 1999 amendment did not change Second Circuit precedent as it pertains to willfulness as a prerequisite to recovery under § 1125(a).

Moving to its second consideration, the Federal Circuit reasoned that the circuit split was not resolved with the addition of the willfulness requirement.[135] To the contrary, the court reasoned that "[b]y reenacting that standard, Congress could not have ratified a consistent judicial construction of § 1117(a) because there was a split in the courts of appeals . . . as to the willfulness requirement."[136] Instead of holding that the 1999 amendment resolved the circuit split in regard to the willfulness requirement, the Federal Circuit decided to follow the

130 *Id.* at 789–91.
131 *Id.* at 789–90.
132 *Id.* at 789.
133 *Id.* at 790.
134 *Id.*
135 *Id.*
136 *Id.*

Second Circuit's line of reasoning, namely that a finding of willful infringement is required before disgorging an infringing defendant's profits under § 1125(a).[137]

For its last consideration, the Federal Circuit held that "the inserted language concerning willfulness does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement."[138] The court expressed its concern with Romag's reliance on cases where a negative pregnant was inferred. Specifically, the court pointed to the fact that these cases involved statutory provisions that were enacted at the same time.[139] In this case, however, the court "d[id] not think that Congressional intent can be inferred from an amendment passed years after the fact."[140]

In its concluding remarks, the court held that the "willful violation" language was added in order to distinguish dilution cases from infringement cases only in the area of damages.[141] The court stated that "Congress wished to limit damages awards for dilution to cases involving willfulness," and "even with respect to awards of profits in dilution cases, the addition of 'willful violation' was necessary to establish a uniform rule" in the infringement context as well.[142] To put it simply, the court held that Romag was not entitled to recover an award of profits for a violation of § 1125(a) because they did not prove that Fossil willfully infringed their mark.[143]

D. Supreme Court Briefs and Arguments

1. Brief for Romag

On March 22, 2019, Romag filed its petition for a writ of certiorari with the United States Supreme Court. Romag's petition focused on three main arguments: (1) the fact that the courts of appeals are inextricably divided as to whether willfulness is required in order to recover profits for trademark infringement presents the Court with the

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137 *See id.* at 789 ("Critically important for us, however, is the rule followed in the Second Circuit. . . . [W]e see nothing in the 1999 amendment that permits us to declare that the governing Second Circuit precedent is no longer good law.").

138 *Id.* at 790.

139 *Id.*

140 *Id.*

141 *Id.*

142 *Id.* at 790–91.

143 *Id.* at 791.

opportunity to resolve this long-standing problem,[144] (2) the question regarding whether willfulness is a prerequisite to a recovery of an infringing defendant's profits has appeared on many occasions, thereby amplifying the importance of its resolution,[145] and (3) the Federal Circuit's decision that required a finding of willfulness is incorrect and undermines the plain text of the Lanham Act.[146] After receiving Romag's petition, the Court recognized that resolving this issue was necessary, and as such, granted certiorari.

In its brief, Romag's main argument reads as follows: "[W]illfulness is not required under section 1117(a) to award infringers' profits for violations of section 1125(a)."[147] Romag's main argument rests on two main considerations: (1) that the language and structure of the Lanham Act compel the conclusion that willfulness is not a prerequisite to a recovery of a defendant's profits under § 1117(a)[148] and (2) that the phrase "principles of equity" does not necessitate the imposition of a willfulness requirement.[149] The following paragraphs will explore each of these points further.

Romag's first point relied explicitly on the plain language of the Lanham Act, namely that § 1117(a) does not include any willfulness requirement for an award of profits under § 1125(a).[150] Specifically, Romag pointed out that "[s]ection 1117(a) requires mark holders to establish 'a violation under section 1125(a) or (d)' as a prerequisite to recovering damages, profits, or costs," but that "[t]he modifier 'willful' appears nowhere in that phrase."[151] As such, since the term "willfulness" does not appear in conjunction with § 1125(a), the Court should "refrain from reading [it] into the statute when Congress has left it out."[152]

Moreover, as Romag pointed out, Congress made a distinction between a violation of some provisions of the Lanham Act and a *willful* violation under others.[153] With the addition of the 1999 amendment, Congress distinguished "a willful violation under section 1125(c)"

144 Petition for a Writ of Certiorari at 13, Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020) (No. 18-1233).

145 *Id.* at 18.

146 *Id.* at 24.

147 Brief for the Petitioner, *supra* note 107, at 19.

148 *Id.* at 20.

149 *Id.* at 28.

150 *Id.* at 21.

151 *Id.*

152 *Id.*

153 *Id.*

from other provisions of the Lanham Act.[154] The Supreme Court has historically presumed "that Congress 'acts intentionally when it uses particular language in one section of the statute but omits it in another.'"[155] With this in mind, Romag argued that Congress intended to "distinguish between 'a violation,' on the one hand, and a 'willful violation,' on the other."[156] Had Congress intended to create a universal willfulness requirement, it could have easily done so.

Furthermore, Romag argued that the broader structure of the Lanham Act affirms a plain-language interpretation of § 1117(a).[157] In particular, Romag argued that "[t]hroughout the Lanham Act, Congress specified when a culpable mental state was a prerequisite to liability or relief."[158] For instance, § 1117(c) states that a court may allow a mark holder to recover up to $2,000,000 per counterfeit mark if the infringer acted *willfully*.[159] Section 1117(b) requires a court to award treble damages or profits in cases where "the violation consists of . . . *intentionally* using a mark . . . *knowing* such mark . . . is a counterfeit mark . . . ."[160] Moreover, § 1125(d) provides that a person commits cyberpiracy if he "has a bad faith intent to profit from that mark."[161] Romag concluded: "Had Congress intended the 1999 amendment to impose uniformity, it would have made little sense to leave the circuit split over profits awards for violations other than trademark dilution [under § 1125(c)] unresolved."[162]

Romag's second point, that the phrase "principles of equity" does not necessitate a willfulness requirement, rested on three contentions: (1) the "essence of equity is flexibility, not rigidity," (2) the Supreme Court "has repeatedly rejected the notion that background legal principles—including 'principles of equity'—can smuggle in atextual limitations that would override a statute's plain text," and (3) that under common law, courts did not impose a uniform willfulness requirement in order to recover a trademark infringer's profits.[163] The following paragraphs explore these contentions further.

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154 *Id.*
155 *Id.* at 22 (quoting Dep't of Homeland Sec. v. MacLean, 574 U.S. 383, 391 (2015)).
156 *Id.*
157 *Id.* at 23.
158 *Id.*
159 Lanham Act, 15 U.S.C. § 1117(c) (emphasis added).
160 *Id.* § 1117(b) (emphasis added).
161 *Id.* § 1125(d)(1)(A)(i).
162 Brief for the Petitioner, *supra* note 107, at 28.
163 *Id.* at 29.

For its first contention, Romag argued that "[f]lexibility is 'inherent in equitable remedies.'"[164] Romag pointed out that just before the passage of the Lanham Act in 1946, the Supreme Court acknowledged that "[t]he essence of equity jurisdiction has been the power . . . to mould each decree to the necessities of the particular case," and that "[f]lexibility rather than rigidity has distinguished it."[165] Given the flexible nature of equity, it makes little sense that Congress chose to include the phrase "principles of equity" to create a rigid, categorical willfulness requirement.[166]

Next, Romag asserted that the Supreme Court has before refused to expand the meaning of the "principles of equity" to the point that the newly incorporated legal rules would override the statute's plain text.[167] Since § 1117(a) does not require plaintiffs to prove willfulness to recover profits under any cause of action other than trademark dilution under § 1125(c), Romag argued that the Court should not read "principles of equity" to impose a willfulness requirement for other provisions of the Lanham Act.[168] Romag alleged that doing so would again override the plain text of the statute, and thus the Court should refuse to impose such a requirement.[169]

Lastly, Romag contended that common law courts did not universally require a showing of willfulness to recover a defendant's profits for trademark infringement.[170] According to Romag, an accounting of an infringing defendant's profits did not require a showing of intentional misconduct; willfulness, for example, was not dispositive of a profits award.[171] Furthermore, courts of equity had broad discretion to consider the trademark infringer's intent.[172] In deciding whether to award profits, "no consensus existed [at common law] that willfulness was a prerequisite to awards."[173] Instead, "[c]ourts treated intent as part of a holistic analysis."[174]

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164 *Id.* at 30 (quoting United States v. Paradise, 480 U.S. 149, 183–84 (1987)).

165 *Id.* (first alteration in original) (quoting Hecht Co. v. Bowles, 321 U.S. 321, 329–30 (1944)).

166 *Id.*

167 *Id.* at 33 (citing Park N' Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189 (1985)).

168 *Id.* at 34.

169 *See id.* at 29.

170 *Id.* at 35.

171 *Id.* at 36–37.

172 *Id.* at 39.

173 *Id.* at 37.

174 *Id.* at 39 (noting that the holistic "intent" analysis includes willfulness).

Taken together, Romag's argument rested on two main contentions: (1) that the language and structure of the Lanham Act compel the conclusion that willfulness is not a prerequisite to a recovery of a defendant's profits and (2) that the phrase "principles of equity" does not necessitate the imposition of a willfulness requirement. These arguments were meant to further Romag's primary argument: that willfulness was not required for an award of an infringing defendant's profits for violations of § 1125(a) of the Lanham Act.[175]

2. Brief for Fossil

In its brief, Fossil made three overarching arguments: (1) that the text of § 1117(a) incorporates traditional limits on equitable relief,[176] (2) that traditional principles of equity require willfulness for an award of a defendant's profits,[177] and (3) that Romag's interpretation of § 1117(a) was bad policy.[178] Taken together, these arguments support Fossil's main point: a finding of willfulness was required under § 1117(a) in order for a court to award an accounting of a defendant's profits.[179]

Fossil first argued that "[t]he text is plain that an award of profits 'will [not] be ordered merely because there has been an infringement.'"[180] Additionally, Fossil argued that the phrase "*subject to* the principles of equity" necessarily signaled a limitation.[181] Furthermore, "the phrase 'principles of equity' refers to the established rules of equity jurisprudence."[182] Taken together, according to Fossil, this textual limitation confirmed that § 1117(a) of the Lanham Act necessarily codified the traditional willfulness requirement, as "willfulness was a well-established prerequisite to a profits award."[183]

Fossil pointed to a second canon of statutory construction: "Where statutory text has 'already been construed,' a court is 'especially justified in presuming both that' Congress was 'aware of the prior

175 *Id.* at 19.
176 Brief for Respondents, *supra* note 109, at 15.
177 *Id.* at 30.
178 *Id.* at 49.
179 *Id.* at 11–12.
180 *Id.* at 16 (second alteration in original).
181 *Id.* (emphasis added) (stating that the words "subject to" signal a limitation on the court's analysis).
182 *Id.* at 17.
183 *Id.*

interpretation' and that the 'interpretation reflects their [sic] intent' . . . ."[184] Here, Fossil argued that Congress not only decided against disavowing the settled interpretation of § 1117(a) (which, according to Fossil, requires a finding of willfulness) but also *added* words of limitation.[185] As such, "[t]he statutory text Congress enacted confirms that it meant to carry over limitations on monetary remedies embodied in traditional equitable principles. . . . [T]his explains why courts continued to require willfulness to award an infringer's profits after the Lanham Act was enacted."[186]

Next, Fossil argued that nothing in § 1117(a) of the Lanham Act overrides the traditional requirement of willfulness.[187] Under the Lanham Act, Fossil argued, an infringer's profits are not automatically available as a remedy merely because there has been an infringement.[188] Additionally, when Congress amended § 1117(a) in 1999 to clear a drafting error pertaining to dilution cases, "[i]t included 'a willful violation under section 1125(c)' in the list of violations that must be established at the first step of the Section 1117(a) analysis."[189] Thus, Fossil argued that the addition of this language made it clear to readers that a finding of willfulness was a precondition to *any* relief under § 1117(a).[190]

In contrast to Romag's contention that requiring a finding of willfulness under § 1117(a) would create a tension with other provisions of the Lanham Act, Fossil found no such tension. Fossil argued that the listed provisions in Romag's brief, such as §§ 1117(b) and 1125(d), "serve[] a clear purpose," existing as "independent and free-standing provision[s] separate and apart from section 1117(a)."[191] Instead, Fossil argued that "it is Romag's interpretation that creates a problem with the text" of the statute, as it failed to define "principles of equity," all the while "offer[ing] no basis to import some of these principles but not others, such as the willfulness requirement for a profits award."[192]

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184 *Id.* at 19.
185 *Id.*
186 *Id.*
187 *Id.* at 22.
188 *Id.* (citing Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131 (1947)).
189 *Id.* at 23.
190 *Id.* at 24.
191 *Id.* at 27–28.
192 *Id.* at 28–29.

Fossil then argued that traditional principles of equity required a showing of willfulness for a profits award.[193] Fossil maintains that "[f]or well over a century, a clearly established principle of equity required willfulness before a court would compel an infringer to account for, and turn over, its profits."[194] Throughout the nineteenth century, courts were consistent about requiring some proof of willful or fraudulent intent.[195] Following the passage of the 1905 Act, courts continued to apply the traditional willfulness rule, a rule that held true in both federal and state courts.[196] Thus, Fossil argued that this history and "Romag's insistence . . . that no traditional rule requiring willfulness existed" cannot coexist.[197] Therefore, Fossil contended that Romag's arguments "cannot support a conclusion that the rule requiring willfulness to order an accounting was unclear by 1946."[198]

Next, Fossil countered Romag's argument that adding a willfulness requirement would be inconsistent with the "principles of equity."[199] Recall that Romag contended that referring to the principles of equity necessarily implied "broad discretion to tailor an award of monetary relief."[200] Fossil, on the other hand, contended that "some 'principles of equity' that Section 1117(a) incorporates will involve the exercise of remedial discretion," but "[d]iscretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice . . . ."[201] Fossil stated that equity and bright-line rules are not mutually exclusive, and as such, the addition of a willfulness requirement was consistent with the principles of equity.[202]

Lastly, Fossil argued that Romag's interpretation is bad policy.[203] Fossil posited three main justifications for this argument. First, if a profits award were available without a willfulness requirement, then trademark owners could extort good-faith infringers.[204] This, in turn,

193 *Id.* at 30.
194 *Id.*
195 *Id.* at 32.
196 *Id.* at 35–36.
197 *Id.* at 38.
198 *Id.* at 43.
199 *Id.*
200 *Id.* at 45 (quoting Brief for the Petitioner, *supra* note 107, at 30).
201 *Id.* (alteration in original) (quoting Martin v. Franklin Capital Corp., 546 U.S. 132, 139 (2005)).
202 *Id.* at 45.
203 *Id.* at 49.
204 *Id.*

would allow mark owners to consolidate market power through enforcement of their marks.[205] Second, according to Fossil, Romag offered no reason to award an innocent infringer's profits.[206] Fossil argued that Romag did not have to have a reason; Congress already decided to address the willfulness issue, "and it chose not to broaden the availability of a profits award."[207] Finally, Fossil argued that other intellectual property statutes do not support Romag's reading.[208] Under both the Copyright Act and the Patent Act, recovery of an infringer's profits are limited by equitable concerns, and as such, "[i]t is Romag's interpretation that would render the Lanham Act an outlier among intellectual property statutes."[209]

Taken together, Fossil's argument rested on three main propositions: (1) that the text of § 1117(a) incorporates traditional limits on equitable relief, (2) that traditional principles of equity require willfulness for an award of a defendant's profits, and (3) that Romag's interpretation was bad policy. These propositions were meant to support Fossil's main argument: that the Supreme Court should require a finding of willfulness under § 1117(a) of the Lanham Act before a recovery of an infringing defendant's profits is warranted.

3. Summary of Arguments

Romag and Fossil argued their respective cases before the Supreme Court on January 14, 2020.[210] As mentioned above, Romag argued that the Court should not require willfulness as a prerequisite to recovery of an infringing defendant's profits. Both the plain language of the Lanham Act and the structure of the Lanham Act as a whole do not support the conclusion that willfulness is a necessary prerequisite to recovery of a defendant's profits. Furthermore, Romag argued that the phrase "principles of equity" does not support the imposition of a "willfulness" requirement because this would create an unnecessary limitation on the traditional flexibility afforded to equitable relief.

Fossil supported a different conclusion: that the Supreme Court should find that "willfulness" was a necessary prerequisite to recovery of an infringing defendant's profits. Fossil argued that the text of § 1117(a) incorporates traditional limits on equitable relief and that

205 *Id.* at 50.
206 *Id.* at 51.
207 *Id.* at 54.
208 *Id.*
209 *Id.* at 55.
210 Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1492 (2020).

traditional principles of equity have always required a finding of willfulness prior to a recovery of profits. Furthermore, Fossil pointed to a variety of risks associated with the adoption of Romag's position regarding the willfulness requirement, including its effect on good-faith infringers and the threat of market consolidation by mark owners.

IV
SUPREME COURT DECISION

On April 23, 2020, the Supreme Court handed down its decision, holding that a plaintiff in a trademark infringement action is *not* required to show that a defendant willfully infringed the plaintiff's trademark as a prerequisite to an award of the infringing defendant's profits.[211] The Court based its decisions on several salient considerations: (1) the plain language of § 1117(a) of the Lanham Act has never required a showing of willfulness to award a defendant's profits when a plaintiff proceeds under § 1125(a),[212] (2) the absence of a mental state requirement in § 1117(a) is indicative of Congress's intent to leave out such a standard, especially because mental states are expressly included in several other provisions of the Lanham Act,[213] (3) the phrase "principles of equity" does not direct the Court to a narrow rule that requires a finding of willfulness in order for a plaintiff to recover an infringing defendant's profits,[214] and (4) whether trademark law has historically required a finding of willfulness before allowing a profits remedy is unclear.[215] The remainder of this section will explore each of these considerations in further detail.

Turning to its first consideration, the Court stated that "the statute . . . make[s] a showing of willfulness a precondition to a profits award . . . under § 1125(c)."[216] However, as the Court pointed out, Romag did not allege a violation under § 1125(c), but instead, alleged and proved a violation under § 1125(a).[217] The Court further articulated this point by stating that actions arising under a violation of § 1125(a) "ha[ve] *never* required a showing of willfulness to win a defendant's

211 *Id.*
212 *Id.* at 1495.
213 *Id.* at 1495–96.
214 *Id.* at 1496.
215 *Id.*
216 *Id.* at 1495.
217 *Id.*

profits."[218] The Court concluded its first contention by stating that "th[e] Court [does not] usually read into statutes words that aren't there," especially "when Congress has . . . included the term elsewhere in the very same statutory provision."[219] Thus, the Court refused to read a willfulness requirement into actions arising under § 1125(a).

Next, the Court took "[a] wider look at the statute's structure," referring to various other sections of the Lanham Act where a mental state was explicitly included.[220] The Court stated that "[t]he Lanham Act speaks often and expressly about mental states" in order to establish liability, including in §§ 1117(b), 1117(c), and 1125(c).[221] Additionally, the Court stated that "[w]ithout doubt, the Lanham Act exhibits considerable care with *mens rea* standards. The absence of any such standard in the provision before us, thus, seems all the more telling."[222] Such expressions of an explicit mental state in some statutory provisions, but not in § 1125(a), led the Court to agree with Romag's contention that if Congress had intended to include a mental state requirement in connection to § 1125(a) of the Lanham Act, they could have easily done so.[223]

The Court moved next to its discussion of the phrase "principles of equity."[224] The Court began this discussion by questioning Fossil's contention that "equity courts [have] historically required a showing of willfulness before authorizing a profits remedy in trademark disputes."[225] According to Fossil, in courts of equity, in trademark cases alone, "a willfulness requirement was so long and universally recognized that today it rises to the level of a 'principle of equity' the Lanham Act carries forward."[226] According to the Court, Fossil's contention that the term "principles of equity" includes a willfulness requirement would require the Court to assume that Congress *intended* to incorporate a willfulness requirement into § 1125(a) "while it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act."[227] The Court concluded that although such a reading

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218 *Id.*

219 *Id.*

220 *Id.*

221 *Id.*; *see supra* Section II.D.1.

222 *Romag*, 140 S. Ct. at 1495.

223 *See supra* Section II.D.1.

224 *See Romag*, 140 S. Ct. at 1495–96.

225 *Id.* at 1495.

226 *Id.*

227 *Id.* at 1495–96.

might be possible, "on first blush it isn't exactly an obvious construction of the statute."[228]

Furthermore, the Court held that the phrase "principles of equity" does not "readily bring to mind a substantive rule about *mens rea* from a discrete domain like trademark law."[229] Instead, the phrase more aptly suggests fundamental rules that apply *across* practice areas rather than a set of principles and doctrines specific to trademark law.[230] With this in mind, the Court concluded that it is "a little unlikely [that] Congress meant 'principles of equity' to direct [the Court] to a narrow rule about a profits remedy within trademark law."[231]

Lastly, the Court stated that whether trademark law has historically required a showing of willfulness on the part of an infringer before awarding a plaintiff an award of profits is unclear.[232] The Court pointed to several cases in Fossil's brief that support the assertion that some courts, both before and after the passage of the Trademark Act of 1905, treated willfulness as a prerequisite for an award of profits.[233] Alternatively, as the Court noted, Romag cited several other cases that expressly reject such a rule.[234] Ultimately, the Court held that the infringer's intent has historically been considered an important consideration when awarding a plaintiff an infringing defendant's profits.[235] This holding, however, "is a far cry from insisting on the inflexible precondition to recovery Fossil advances."[236]

Ultimately, the Supreme Court sided with Romag, holding that although willfulness is an important factor to consider when awarding profits under § 1117(a), it is not dispositive.[237] The Court declined to adopt a bright-line approach because such an approach stands in contradiction to the plain language of the statute. A bright-line approach also misdirects the meaning of the phrase "principles of equity" to a narrow rule about a profits remedy within trademark law.[238] The Court reversed and remanded the case for further

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[228] *Id.* at 1496.
[229] *Id.*
[230] *Id.*
[231] *Id.*
[232] *Id.*
[233] *Id.*
[234] *Id.*
[235] *Id.* at 1497.
[236] *Id.*
[237] *See id.*
[238] *Id.* at 1492.

proceedings consistent with the new rule requiring a factor-based approach when making equitable considerations.[239]

V
POLICY IMPLICATIONS

Although the Supreme Court declined to base its decision on policy considerations,[240] several important policy goals were nonetheless achieved with the Supreme Court's decision to adopt a factor-based approach. First, trademark owners now have broader protection against infringement of their marks because there is no longer a "willfulness" roadblock on the path to monetary recovery in the form of an infringing defendant's profits. Second, the adoption of a factor-based approach further deters defendants from infringement, as well as prevents defendants from acquiring unjust gains.[241] Third, such deterrence protects the consuming public from purchasing infringing products. Finally, this approach allows courts to retain the flexibility traditionally accorded to them when making equitable considerations, particularly when ordering an accounting of a defendant's profits in trademark infringement actions.[242]

With the Court's adoption of a factor-based approach, trademark owners now have broader protection against infringement of their marks. Securing adequate remedies to compensate for a plaintiff's injury is an already difficult process,[243] and in many cases, proof of actual damages can be highly speculative.[244] As a result, "it is important that courts have the accounting remedy available to do justice, even in the absence of willful misconduct by a defendant."[245] If the Supreme Court adopted a bright-line rule that required a finding of willfulness, recourse for a plaintiff would have been extremely difficult, and in turn, would "not adequately serve the policy of protecting trademark owners [against infringement]."[246] But a factor-

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239 *Id.* at 1497.

240 *Id.* (stating that the Court's limited role is to interpret the law, whereas the best forum for reconciling the competing policy goals resides with the legislature).

241 Brief of the American Intellectual Property Law Ass'n as Amicus Curiae in Support of Neither Party at 7, Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020) (No. 18-1233).

242 Brief of the International Trademark Ass'n as Amicus Curiae in Support of Neither Party at 36, Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020) (No. 18-1233).

243 *Id.* at 4.

244 Brief of the American Intellectual Property Law Ass'n, *supra* note 241, at 9.

245 *Id.*

246 *Id.* at 10.

based approach gives courts the ability to award an accounting based on more than just a defendant's intent, thus providing a plaintiff with broader protection against infringement.

Because a factor-based approach provides plaintiffs with broader protection and easier access to remedies, this approach will further deter defendants from committing infringement, as well as prevent defendants from acquiring unjust gains. By declining to adopt the willfulness requirement, the Supreme Court effectively lifted the protective veil from infringing defendants. Without such a barrier to relief, defendants are likely to proceed with increased diligence when adopting their marks because such diligence will be necessary to avoid costly litigation. Furthermore, easier access to remedies for plaintiffs further serves the policy of guarding against unjust gains on the part of an infringing defendant. Easier access to remedies also ensures that a prevailing plaintiff has an available remedy to be made whole regardless of whether the defendant acted willfully.[247]

By further deterring would-be defendants from infringing a plaintiff's mark, not only are mark owners protected from injury caused by infringers but the consuming public is also protected against purchasing counterfeit goods.[248] Additionally, the consuming public will have greater confidence that the product bearing a particular mark that it views with favor will, in fact, be the product they intended to purchase. Furthermore, such a policy outcome conforms with the policy goals of the Lanham Act as a whole.[249] Thus, not only does the Supreme Court's decision protect mark owners against the damages caused by infringement but it also serves to protect the consuming public as well.

Finally, the Supreme Court's decision advocates for a flexible and balanced interpretation of the phrase "principles of equity." The adoption of a factor-based approach allows courts to retain the traditional flexibility and discretion they need when making equitable considerations. Such flexibility further secures the protection of plaintiffs by ensuring the availability of a broad array of remedies, including a profits award. In other words, this decision gives courts the flexibility to adequately protect plaintiffs in trademark infringement cases. Such flexibility is necessary to give an injured plaintiff the

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247 *Id.* at 8.

248 *See id.* at 10–11 (discussing the importance of the public interest in preventing consumer confusion in the marketplace).

249 S. REP. NO. 79-1333, *supra* note 2, at 3.

opportunity to be adequately compensated for their losses as a result of a defendant's infringing conduct.

CONCLUSION

Much confusion has arisen as to whether, under § 1117(a), willfulness is a prerequisite to an award of an infringer's profits for a violation of § 1125(a). Such confusion caused a split among the circuit courts regarding whether to adopt a bright-line rule requiring willfulness as a prerequisite to recovery of an infringing defendant's profits, or whether to adopt a factor-based approach, whereby willfulness is one of several factors to consider. The Supreme Court resolved the split when it rejected a bright-line approach and instead adopted a factor-based approach. By adopting a factor-based approach, the Supreme Court has given broader protection to both trademark owners and the consuming public, has further deterred would-be defendants from infringing a plaintiff's mark, and has allowed courts to retain the flexibility traditionally afforded to them when making equitable considerations. As a result of its decision, the Supreme Court has ensured that the broad goals of the Lanham Act, protecting mark owners and protecting the consuming public, have been served.