TRADEMARK LAW—TRADEMARK INFRINGEMENT—WILLFULNESS IS NOT A PRECONDITION TO A PROFITS AWARD IN A TRADEMARK INFRINGEMENT SUIT. ROMAG FASTENERS, INC. V. FOSSIL, INC., 140 S. CT. 1492 (2020).

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In *Romag Fasteners, Inc. v. Fossil, Inc.*, the United States Supreme Court addressed whether willfulness is a necessary precondition to an award of profits in a trademark infringement suit.[1] The ruling in *Romag* is particularly significant, as it settles a longstanding split among the circuit courts—at the time *Romag* was decided, half of the geographic circuits required a plaintiff to prove willful infringement in order to obtain a profits award while the other half did not.[2]

Romag sells magnetic snap fasteners often used in leather goods, including handbags made by Fossil.[3] Fossil designs and sells various fashion accessories.[4] The two companies entered into an agreement by which Fossil was allowed to use Romag's fasteners in Fossil's products.[5] At some point after the parties entered into the agreement, Romag learned that one of the overseas factories Fossil hired to manufacture its products was using counterfeit Romag fasteners.[6] Following this discovery, and after a failed attempt to resolve the issue privately, Romag brought suit against Fossil in the United States District Court for the District of Connecticut, claiming trademark infringement under the Lanham Act.[7]

Romag sought injunctive relief and money damages, including an accounting of Fossil's profits under the Lanham Act, 15 U.S.C. § 1117(a).[8]

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

[2] Petition for a Writ of Certiorari at 3, *Romag*, 140 S. Ct. 1492 (2020) (No. 18-1233) ("The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits make an infringer's profits available under section 35 without requiring a threshold showing of willfulness . . . . The remaining six geographic circuits have reached the opposite conclusion.").

[3] *Romag*, 140 S. Ct. at 1494.

[4] *Id.*

[5] *Id.*

[6] *Id.* Fossil contracted with factories outside of the United States, including a factory owned by Superior Leather Limited in China, to manufacture its products. Petition for a Writ of Certiorari at 7, *Romag*, 140 S. Ct. 1492 (2020) (No. 18-1233).

[7] *Romag*, 140 S. Ct. at 1494; Petition for a Writ of Certiorari at 7, *Romag*, 140 S. Ct. 1492 (2020) (No. 18-1233). Section 35 of the Lanham Act governs remedies for trademark violations. *See* 15 U.S.C. § 1117(a).

[8] Petition for a Writ of Certiorari at 8, *Romag*, 140 S. Ct. 1492 (2020) (No. 18-1233); 15 U.S.C. § 1117(a).

Romag alleged that Fossil "had infringed its trademark and falsely represented that its fasteners came from Romag."[9] The jury found that Fossil "had acted 'in callous disregard' of Romag's rights" but had not acted willfully.[10] Subsequently, the district court held that Romag was not entitled to an award of profits because it failed to prove Fossil's trademark infringement was willful.[11] The United States Court of Appeals for the Federal Circuit affirmed the lower court based on the Second Circuit's requirement that a plaintiff make a "showing of [a defendant's] willfulness . . . ."[12] Romag then petitioned for a writ of certiorari, which the Supreme Court granted.[13]

The issue before the Supreme Court was whether willful infringement of a trademark is a prerequisite for an award of profits under the Lanham Act.[14] The Court ultimately held that willfulness is not a precondition to a profits award in a trademark infringement suit.[15] Accordingly, the judgment of the Court of Appeals was vacated and remanded.[16]

In reaching its decision, the Court began its analysis by examining the language of the relevant statute at 15 U.S.C. § 1117(a).[17] The Court explained that, while the Lanham Act clearly requires a showing of willfulness to obtain a profits award when establishing a claim for trademark dilution under § 1125(c), claims for the false or misleading use of trademarks under § 1125(a) have "never required a showing of willfulness to win a defendant's profits" according to the language of the statute.[18] The Court declined to "read into statutes words that aren't there."[19] Further, the Court pointed out that the Lanham Act "often and expressly" mentions the mental states required to find certain violations or remedies.[20] For these reasons, the

[9] *Romag*, 140 S. Ct. at 1494.
[10] *Id.*
[11] *Id.*
[12] Petition for a Writ of Certiorari at 10, *Romag*, 140 S. Ct. 1492 (2020)
[13] *Romag*, 140 S. Ct. at 1494.
[14] *Id.*; 15 U.S.C. § 1117(a).
[15] *Romag*, 140 S. Ct. at 1497.
[16] *Id.*
[17] *Id.* at 1494–95; 15 U.S.C. § 1117(a). Section 35 of the Lanham Act states:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established . . . , the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a).
[18] *Romag*, 140 S. Ct. at 1495.
[19] *Id.*
[20] *Id.*

Court concluded that the absence of the term "willful" in § 1125(a) was intentional.[21]

Next, the Court rejected Fossil's contention that the statutory language imposes a willfulness requirement by declaring that defendant's profits are to be awarded "subject to the principles of equity."[22] The Court explained that "principles of equity" do not bring about a specific substantive rule regarding mental states within trademark law.[23] Further, the Court pointed out that the Lanham Act's "statutory predecessor," the Trademark Act of 1905, also did not mention a willfulness requirement.[24] The Court said that while some prior cases did treat willfulness as a prerequisite for a profits award, there are also cases that expressly reject a willfulness requirement.[25]

The Court concluded by stating that, while a trademark defendant's mental state is a "highly important" consideration in determining whether a profits award is appropriate, it will not impose a willfulness requirement as an "inflexible precondition" to recovery.[26] Despite Fossil's assertion that a willfulness requirement is necessary to deter "'baseless' trademark suits," the Court declined to rule on policy and determined that the statute's language, structure, and history simply do not create such a willfulness requirement.[27]

Decades before the Lanham Act was enacted, the Supreme Court addressed a number of issues relating to a plaintiff's recovery of a defendant's profits in trademark infringement cases arising under the contemporary trademark law.[28] In one such case, *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, the respondent, Wolf Brothers & Co., manufactured and sold shoes under the name "The American Girl."[29] The petitioner, Hamilton-Brown Shoe Co., was also in the shoe manufacturing business and allegedly infringed on Wolf Brothers' trademark by selling similar products under the

[21] *Id.*
[22] *Id.* at 1495–96. Fossil asserted that "equity courts historically required a showing of willfulness before authorizing a profits remedy in trademark disputes." *Id.* at 1495.
[23] *Romag*, 140 S. Ct. at 1495.
[24] *Id.* at 1496.
[25] *Id.* For earlier cases that imposed a willfulness requirement, see Horlick's Malted Milk Corp. v. Horluck's, Inc., 51 F.2d 357, 359 (W.D. Wash. 1931); Saxlehner v. Siegel-Cooper Co., 179 U.S. 42, 42–43 (1900). For cases that rejected a willfulness requirement, see Stonebraker v. Stonebraker, 33 Md. 252, 268 (1870); Lawrence-Williams Co. v. Societe Enfants Gombault Et Cie, 52 F.2d 774, 778 (6th Cir. 1931).
[26] *Romag*, 140 S. Ct. at 1497. In his concurring opinion, Justice Alito emphasized that pre-Lanham Act case law indicates that "willfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition." *Id.* (Alito, J., concurring).
[27] *Id.* (majority opinion).
[28] *See, e.g.*, Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251 (1916).
[29] *Id.* at 253.

name “American Lady.”[30] Wolf Brothers brought a trademark infringement suit against Hamilton-Brown in the United States District Court for the Eastern District of Missouri, seeking injunctive relief, damages, and an accounting of Hamilton-Brown’s profits.[31] The district court dismissed Wolf Brothers’ complaint.[32]

On appeal, the United States Court of Appeals for the Eighth Circuit held that “‘The American Girl’ was a geographical name, and, as applied to women's shoes, was descriptive merely of shoes manufactured in America and to be worn by women,” and thus could not be a valid and enforceable trademark.[33] However, the Eighth Circuit granted an injunction and ordered an accounting of damages and profits for Wolf Brothers’ unfair competition claim.[34] The appellate court calculated Hamilton-Brown’s profits according to the number of shoes the company sold that bore the name “American Lady” and did not “clearly indicat[e]” the shoes were made by Hamilton-Brown.[35] Wolf Brothers did not attempt to show substantial proof as to the amount of its damages because they were “practically incapable of exact computation.”[36] Wolf Brothers then appealed the calculation of profits, seeking an additional class of profits that was excluded from the court’s accounting.[37] The appellate court affirmed the accounting of profits, and the United States Supreme Court granted certiorari solely to address whether the district court’s award of Hamilton-Brown’s profits was appropriate.[38]

On appeal, the Supreme Court addressed whether monetary recovery for trademark infringement should be assessed based on a defendant’s profits or on a showing of a plaintiff’s actual damages sustained by the

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[30] *Id.*
[31] *Id.*
[32] *Id.*
[33] *Id.* at 253–54.
[34] *Hamilton-Brown*, 240 U.S. at 254.
[35] *Id.*
[36] *Id.* at 254–55.
[37] *Id.* at 255. An accounting master divided Hamilton-Brown’s profits into three classes:

> Class 1. 974,016 pairs of shoes bearing the words ‘American Lady’ stamped upon the sole, and bearing no other impression or distinguishing mark. The profits upon these were found to be $254,401.72. Class 2. 961,607 pairs of shoes marked ‘American Lady,’ with the words ‘Hamilton-Brown Shoe Co.,’ but without the word ‘Makers,’ or other matter indicating that the shoes were of defendant's manufacture. The profits upon these were found to be $190,909.83. Class 3. 593,872 pairs of shoes marked ‘American Lady,’ but bearing also the marks ‘Hamilton-Brown Shoe Co., Makers.’ The profits upon these were found to be $132,740.77.

Id. Wolf was awarded only the first two classes of profits and, on appeal, sought an additional award of the third class of profits. *Id.*
[38] *Hamilton-Brown*, 240 U.S. at 255–56.

infringement.[39] The Court held that the owner of a trademark can recover the infringer's profits that are acquired as a result of their infringing sales, even in circumstances where the plaintiff cannot show precisely which profits were rightfully earned by the defendant and which were attributable to the use of the plaintiff's trademark.[40]

After determining that "The American Girl" is not merely a geographical term and that the plaintiff is entitled to use the name as a trademark, the Court examined the lower court's accounting of the defendant's profits.[41] The Court explained that Wolf Brothers was entitled to the profits acquired by Hamilton-Brown as a result of its infringing sales, because a trademark is "a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used."[42] The Court went on to state that an "infringer is required in equity to account for" its improper gains, and that American courts will generally allow an award of both profits and damages.[43]

The Court then addressed Hamilton-Brown's assertions that recovery in trademark infringement cases should be limited to "such amount . . . shown by direct and positive evidence" that was earned by the infringer as a direct result of the infringement, and that the burden of proof is on the plaintiff to show exactly what portion of the defendant's profits were "attributable to the use of the infringing mark."[44] With this rule in mind, the Court explained that a plaintiff is not required to show which profits are attributable to the defendant's infringement and which are attributable to the "intrinsic merit" of the defendant's product in circumstances where making such a distinction would be "inherently impossible."[45] Further, the Court pointed out that there is no formula to calculate exactly what portion of the defendant's profits were generated as a result of the defendant's use of the plaintiff's trademark, and to require the plaintiff to make such a showing would deny the plaintiff compensation.[46] The court also noted that Hamilton-Brown is not an

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[39] *Id.*
[40] *Id.* at 261.
[41] *Id.* at 256–57.
[42] *Id.* at 259.
[43] *Id.* The Court contrasts the American rule and the English rule in this regard, as courts in England force an aggrieved party to "elect between damages and profits" and prohibit a plaintiff from receiving an award of both. *Hamilton-Brown*, 240 U.S. at 259.
[44] *Id.* at 260. The Court explains that the rule requiring proof of recovery amount "by direct and positive evidence" is "strictly analogous" to the rule in patent cases. *Id.*
[45] *Id.* at 261.
[46] *Id.*

innocent infringer.[47] The Court concluded by quoting a California Supreme Court opinion:

> If one wrongfully mixes his own goods with those of another, so that they cannot be distinguished and separated, he shall lose the whole, for the reason that the fault is his; and it is but just that he should suffer the loss rather than an innocent party, who in no degree contributed to the wrong.[48]

Twenty-six years after *Hamilton-Brown*, the court again examined a profits award in *Mishawaka Rubber & Woolen Manufacturing Co. v. S. S. Kresge Co.*[49] Mishawaka sold shoes and rubber heels featuring a trademarked red circle embedded in the heel.[50] Kresge sold heels bearing a mark that closely resembled Mishawaka's and made it difficult to distinguish between the two brands.[51] Mishawaka brought suit against Kresge for trademark infringement in district court.[52] Despite the fact that there was no evidence indicating that purchasers were deceived into believing that Kresge's heels were actually Mishawaka's,[53] the trial court found that there was a "reasonable likelihood" that some purchasers were induced by the belief that they were purchasing Mishawaka's product.[54] Thus, the trial court concluded that Kresge infringed on Mishawaka's trademark and enjoined Kresge from any further infringement.[55]

In addition, the trial court awarded Mishawaka a portion of Kresge's profits.[56] The court ordered an accounting of Kresge's profits made from sales in which the purchaser was under the mistaken belief that Mishawaka was the manufacturer.[57] Mishawaka appealed this decision to the United States Court of Appeals for the Sixth Circuit, asserting that the trial court did not use the proper criteria for calculating the profits award.[58] The Sixth

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[47] *Id.* While the Court did not expressly state the significance of the defendant's mental state here, they appear to indicate that an infringer's state of mind has some bearing on a profits award in trademark infringement cases. *Hamilton-Brown*, 240 U.S. at 261.
[48] *Id.* at 261–62 (quoting Graham v. Plate, 40 Cal. 593, 598–99 (1871)) (internal quotations omitted).
[49] Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203 (1942).
[50] *Id.* at 203.
[51] *Id.* at 204.
[52] *Id.*
[53] *Id.* Mishawaka's heels were higher quality than Kresge's, so the infringement "tended to destroy the good will created by [Mishawaka] in the manufacture of its superior product." *Id.*
[54] *Mishawaka*, 316 U.S. at 204.
[55] *Id.*
[56] *Id.*
[57] *Id.*
[58] *Id.*

Circuit affirmed the profits determination, and Mishawaka appealed to the United States Supreme Court.[59] The United States Supreme Court granted Mishawaka's petition for certiorari.[60]

The issue before the Supreme Court was whether the plaintiff in a trademark infringement suit is only entitled to the amount of the defendant's profits that the plaintiff can prove were unjustly obtained as a direct result of the defendant's infringement.[61] In other words, the issue was whether Mishawaka could only recover those profits that it could prove resulted from sales to "purchasers who were induced to buy because they believed the heels to be those of [Mishawaka] and which sales [Mishawaka] would otherwise have made."[62] The Court held that while the owner of an infringed trademark is "not entitled to profits demonstrably not attributable to the unlawful use of his mark," the burden is on the infringer to prove "that his infringement had no cash value in sales made by him."[63] In so ruling, the Court reversed the decision of the lower court and remanded the case for a redetermination of the profits award.[64]

Citing *Hamilton-Brown*, the Court explained that when an infringer fails to prove that he did not benefit monetarily as a result of his infringement, the trademark's owner shall receive all profits made on goods sold by the defendant which bear the infringing mark.[65] In circumstances where it is impossible to determine which profits are attributable to the defendant's use of the infringing mark, this calculation of profits may result in a windfall to the trademark owner.[66] Despite this fact, the Court said that "to hold otherwise would give the windfall to the wrongdoer" instead.[67]

The Court went on to explain that trademark infringers generate profit by drawing off the good will generated from another's trademark.[68] The Court stated that an award of the infringer's profits is an appropriate remedy because it is "designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him . . . ."[69] The lower

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[59] *Id.* at 205.
[60] *Mishawaka*, 316 U.S. at 205.
[61] *Id.*
[62] *Id.* at 207.
[63] *Id.* at 206–07.
[64] *Id.* at 208.
[65] *Id.* at 207 (citing Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251 (1916)).
[66] *Mishawaka*, 316 U.S. at 207. In his dissenting opinion, Justice Black stated that, under the circumstances of this case, "the effect of the decision handed down is to grant a windfall to the petitioner and to impose a penalty upon the respondent, neither of which is deserved." *Id.* at 209 (Black, J., dissenting).
[67] *Id.* at 207 (majority opinion).
[68] *Id.*
[69] *Id.*

court's ruling would have required Mishawaka to present witnesses who could attest that when they purchased Kresge's heels they were under the impression that the heels were Mishawaka's and that they would not have bought them if they knew they were actually Kresge shoes.[70] This burden, the Court determined, should be placed on the infringer instead.[71]

Just five years after the decision in *Mishawaka*, the Court again addressed an issue relating to an award of the defendant's profits in trademark infringement cases in *Champion Spark Plug Co. v. Sanders*.[72] Champion manufactured spark plugs and sold them under the trademark "Champion."[73] Sanders repaired and reconditioned used Champion spark plugs and resold the plugs for a profit.[74] The surface of the restored plugs still displayed the word "Champion," and the plugs' packaging contained copies of Champion's charts that listed recommendations for the plugs' use.[75] Further, neither Sanders' business name nor its address was printed on the packaging.[76]

As a result of Sanders' business practices, Champion brought suit against Sanders for claims of trademark infringement and unfair competition.[77] The trial court found that Sanders had indeed infringed upon Champion's trademark.[78] Thus, the court enjoined Sanders from selling any more of Champion's spark plugs unless several modifications were made to the plugs' appearance and unless the packaging was changed to indicate that the plugs were originally made by Champion and were being resold by Sanders.[79] Although the trial court found Sanders liable for trademark infringement, it did not award Champion an accounting of Sanders' profits.[80]

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[70] *Id.* at 207–08.
[71] *Mishawaka*, 316 U.S. at 207.
[72] Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947).
[73] *Id.* at 126.
[74] *Id.*
[75] *Id.*
[76] *Id.*
[77] *Id.*
[78] *Champion*, 331 U.S. at 126.
[79] *Id.* at 126–27. Specifically, the court required the following modifications:

> (a) the trade mark and type and style marks [must be] removed, (b) the plugs [must be] repainted with a durable grey, brown, orange, or green paint, (c) the word 'Repaired' [must be] stamped into the plug in letters of such size and depth as to retain enough white paint to display distinctly each letter of the word, (d) the cartons in which the plugs were [packed must] carr[y] a legend indicating that they contained used spark plugs originally made by petitioner and repaired and made fit for use up to 10,000 miles by respondent company.

Id.
[80] *Id.*

Champion appealed this determination, seeking an award of Sanders' profits.[81]

On appeal, the United States Court of Appeals for the Eighth Circuit held that Sanders was guilty of trademark infringement and unfair competition but still denied an accounting of Sanders' profits.[82] Champion appealed to the United States Supreme Court, which granted certiorari.[83] At issue in this case, in relevant part, was whether the plaintiff in a trademark infringement case is always entitled to an accounting of the infringer's profits, even when there is no showing of damages or evidence that the defendant profited from the infringement.[84] The Court ultimately held that an accounting of profits may be denied in trademark infringement cases "where an injunction will satisfy the equities of the case."[85]

In reaching its determination that an award of profits was not appropriate in this case, the Court explained that prior precedent in trademark infringement cases does not necessarily support the proposition that profits should be awarded merely because an infringement occurred.[86] Citing *Mishawaka*, the Court acknowledged that an accounting of profits may be awarded in trademark infringement cases when the plaintiff suffers damages and the defendant has unjustly received profits as a result of its infringement on the plaintiff's mark.[87] With this rule in mind, the Court pointed out that under the Trademark Act of 1905 and its predecessors, an accounting of profits had been denied in cases in which an injunction would serve as a just and equitable remedy.[88] The Court also noted that because the harm to Champion in this case was "slight," an injunction without an award of profits was an adequate remedy.[89]

The cases reviewed above have provided a foundation for assessing adequate remedies for trademark infringements. The Court's decision in *Hamilton-Brown* increased a plaintiff's chances of receiving a profits award in a trademark infringement suit.[90] This trend was followed in *Mishawaka*, as the Court reinforced the concept that a plaintiff should not have to bear the

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[81] *Id.* at 127.
[82] *Id.*
[83] *Champion*, 331 U.S. at 128.
[84] *Id.* at 131.
[85] *Id.*
[86] *Id.*
[87] *Id.* (citing Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203 (1942)).
[88] *Id.*
[89] *Champion*, 331 U.S. at 131–32.
[90] *See generally* Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251 (1916).

burden of proving the specific amount of profits it lost to the defendant.[91] Nevertheless, the Court's decision in *Champion* makes it clear that a plaintiff will not automatically receive a profit's award upon a finding that the defendant is liable for infringement.[92] As established in *Romag*, whether the plaintiff will receive a portion of the infringer's profits will ultimately depend on the facts of the case.[93]

When the Court decided *Romag*, it not only settled an uncertain area of law and a split among the circuit courts, but it also clarified the standards necessary to succeed in a trademark infringement case arising under the Lanham Act.[94] In ruling that a plaintiff does not have to prove willful infringement in order to obtain monetary relief in the form of the defendant's profits, trademark owners now have more incentive than ever to bring suit against their infringers.[95] As a result, these types of suits are likely to increase in volume. Whether *Romag* will result in an increase in "baseless"[96] trademark suits or instead promote a "greater respect for trademarks"[97] remains to be seen.

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91 *See generally* Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203 (1942).
92 *See generally* Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947).
93 *See generally* Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020).
94 *Id.*
95 *Id.* at 1497.
96 *Id.*
97 *Id.*