

Supreme Court Confirms Profits Remedy in Trademark Cases is Not Conditioned on Proof of Willfulness

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Yesterday, the Supreme Court issued a much-awaited opinion holding that a plaintiff is not required to prove willful infringement in order to seek a trademark infringer's profits under the [Lanham Act](#). This decision resolved a split among the Circuits and changes the law in a number of Circuits, including the Second and Ninth Circuits, where a high volume of trademark infringement cases are heard.

[Romag Fasteners, Inc. v. Fossil, Inc. et al., Case No. 18-1233](#), involved an interpretation of Section 35 of the Lanham Act (15 U.S.C. § 1117(a)) which reads in relevant part:

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) [for trademark infringement] or (d) [for cybersquatting] of this title, or a willful violation under section 1125(c) [for dilution] 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 (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

Prior to today's decision, the rule in several Circuits, including the First, Second, Ninth and Tenth, was that a plaintiff must first prove willful infringement before it could seek an award of defendant's profits for trademark infringement. This rule was based upon case law holding that the principles of equity require a demonstration of willful wrongdoing to justify the harsh remedy of a disgorgement of defendant's profits -- as opposed to an award of actual damages a plaintiff may prove it suffered as a result of the infringement.

In the underlying action, Romag Fasteners, Inc. (“Romag”), a seller of handbag fasteners, sued defendant Fossil, Inc. (“Fossil”) claiming that Fossil infringed its registered ROMAG trademark by using counterfeit fasteners on its Fossil products. The jury found infringement, but in response to a special interrogatory, found that Romag had not proven that Fossil’s infringement was willful. However, the jury still awarded a disgorgement of defendant’s profits on the infringement claim because they found it necessary to deter future infringement. The District Court later struck the award of defendant’s profits because the jury did not find willful infringement, as was required by the law of the Second Circuit. The Federal Circuit, applying Second Circuit law, affirmed, and the case was appealed to the Supreme Court.

The Supreme Court found that a “categorical rule” requiring a threshold showing of willful infringement could not be “reconciled with the statute’s plain language.” Despite holding that willfulness is not a prerequisite to awarding defendant’s profits, the Court made clear that a defendant’s mental state remains highly relevant to fashioning appropriate remedies for trademark violations. In essence, the holding counsels that while defendant’s state of mind is a “highly important consideration” in determining whether profits should be awarded, willfulness is not a precondition to the availability of such an award in the first instance.

The elimination of the willfulness prerequisite may lead to more opportunistic plaintiffs and windfall damage awards. It will certainly change the manner in which defendants in some circuits assess the prospects of litigation and may affect the likelihood that an award of defendant’s profits will be precluded prior to trial. However, particularly given the difficulty in recovering attorneys’ fees in most trademark infringement cases, a plaintiff will still need to carefully consider whether the potential merits of its case justify the significant costs of litigating a matter to a decision. Moreover, even after the Supreme Court’s decision, courts will have broad discretion as to how to weigh the state of mind of a defendant in each particular case in determining both the available remedies, and the amount of any award.

