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Client Alert Commentary

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Supreme Court: Willfulness Not Required for Profits Awards in Trademark Infringement Actions

Decision clarifies prior conflicting authority and holds that willfulness is not a prerequisite to recovering an infringer's profits.

Key Points:

- A finding of willfulness is not a prerequisite to a disgorgement of profits in a trademark infringement action.
- Any change to that rule will have to come from legislators, not the judicial branch.

A successful trademark infringement plaintiff can avail itself of multiple remedies. The pathway to one remedy, in particular, just became clearer. On April 23, 2020, the United States Supreme Court held that a finding of willfulness is not a prerequisite to an award of profits in a trademark infringement action.[1] In so ruling, the Supreme Court rejected certain intermediate appellate courts' conclusions that such a finding was a precondition to a profits award in those cases.[2]

Underlying Facts

In *Romag Fasteners, Inc. v. Fossil, Inc.*, the plaintiff (Romag) sold "magnetic snap fasteners for use in leather goods."[3] The defendant (Fossil) created and sold fashion accessories. Pursuant to the parties' agreement, Fossil used Romag's fasteners in its products. Eventually, however, Romag learned that Fossil's factories were using counterfeit Romag fasteners "and that Fossil was doing little to guard against the practice."[4] Romag sued Fossil as a result. Following trial, the jury found in favor of Romag. It further found that Fossil had acted "in callous disregard" of Romag's rights, but rejected a finding of willfulness.[5] Because the jury had not found the infringement willful, the district court denied Romag's request for "an order requiring Fossil to hand over the profits it had earned thanks to its trademark violation."[6]

The High Court's Rationale

The Supreme Court took the case to resolve conflicting authority among the intermediate appellate courts as to whether a trademark infringement plaintiff seeking a profits award must first prove that the defendant's violation was willful.[7] Based on principles of statutory interpretation, the Court concluded that a trademark infringement plaintiff need not make such a showing.

The Court first observed that the section of the Lanham Act governing remedies for trademark violations (15 U.S.C. § 1117(a)) only explicitly makes a showing of willfulness a precondition to a profits award

when a plaintiff pursues a cause of action for trademark dilution (*i.e.*, "conduct that lessens the association consumers have with a trademark").[8] In contrast, "the statutory language has *never* required a showing of willfulness to win a defendant's profits" in connection with a cause of action for infringing use of a trademark under Section 1125(a).[9] Moreover, the Court reasoned that, because "[t]he Lanham Act speaks often and expressly about mental states," the "absence of any such standard" appeared "all the more telling."[10]

Nevertheless, Fossil argued that a willfulness requirement was rooted in the statutory language "indicating that a violation under [Section] 1125(a) can trigger an award of the defendant's profits 'subject to the principles of equity.'"[11] Fossil further posited that a willfulness finding was "historically required" by equity courts.[12] Deeming the suggestion "curious," the Court rejected that position as contrary to the statutory construction and not clearly rooted in historic practices.[13] The Court acknowledged that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate."[14] But the Court still concluded that willfulness is not a *precondition* to an award of profits in a trademark infringement action. The Court went on to note that any change to that regime, as it is drawn directly from the statutory language, would have to come from legislators.[15] It remanded the case for further proceedings consistent with its opinion.[16]

Justice Sotomayor's Concurrence

Justice Sotomayor concurred only in the judgment.[17] She wrote separately "[b]ecause the majority [was] agnostic about awarding profits for both 'willful' and innocent infringement as those terms have been understood."[18] Looking to past rulings by courts of equity, Justice Sotomayor emphasized that "the weight of authority … indicate[d] that profits were hardly, if ever, awarded for innocent infringement."[19] Thus, she would conclude that "a district court's award of profits for innocent or good-faith trademark infringement would not be consonant" with the "principles of equity" referenced in the statutory language.[20]

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Endnotes

1 *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-1233, --- S. Ct. ---, 2020 WL 1942012, at *4 (S. Ct. Apr. 23, 2020).
2 *Id.* at *2, *4.
3 *Id.* at *2.
4 *Id.*
5 *Id.*
6 *Id.*
7 *Id.*
8 *Id.*; *see* 15 U.S.C. § 1125(c).
9 2020 WL 1942012, at *2; *see* 15 U.S.C. § 1125(a).
10 2020 WL 1942012, at *2.
11 *Id.* at *3.
12 *Id.*
13 *Id.*
14 *Id.* at *4.
15 *Id.*
16 *Id.*
17 2020 WL 1942012, at *5 (Sotomayor, J., concurring in the judgment).
18 *Id.*
19 *Id.*
20 *Id.*