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High Court Rules That 'Willful' Trademark Infringement No Longer Required for Award of Profits

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The US Supreme Court unanimously ruled on April 23, 2020 in *Romag Fasteners, Inc. v. Fossil Group* that to recover a trademark infringer's profits, the trademark owner need not prove the defendant "willfully" infringed its trademark, resolving a split among federal circuit courts of appeal.

Section 35(a) of the federal Lanham Trademark Act, 15 U.S.C. §1117(a) allows a court to award a plaintiff the infringer's profits "subject to the principles of equity." Some courts read this to mean profits were allowed only "where the infringement is willfully calculated to exploit the advantage of an established mark" or "where the defendant is attempting to gain the value of an established name of another," as the US Court of Appeals for the Ninth Circuit ruled in *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405, 1406 (9th Cir. 1993).

Romag accused Fossil of infringing its trademarks for snap fasteners used in handbags. A Connecticut federal jury found that Fossil infringed Romag's marks with "callous disregard" of Romag's rights, but not willfully, and awarded Romag Fossil's profits. The US Court of Appeals for the Federal Circuit reversed the award because the Second Circuit (which includes Connecticut) required a finding of willfulness for such an award – callous disregard not being enough.

But in its opinion by Justice Neil Gorsuch, the Supreme Court noted that although various sections of the Lanham Act expressly require some kind of mental state like intent, knowledge or willfulness for certain remedies, like monetary relief for trademark dilution, Section 35(a), allowing disgorgement of profits does not, with regard to infringement claims.

Rather, the Court held, a court must only be guided by principles of equity when considering an award of profits – although it did note that a trademark defendant's mental state is a "highly important consideration in determining whether an award of profits is appropriate."

In a concurring opinion, Justice Sonya Sotomayor noted that to award profits for innocent or good faith trademark infringement "would not be consonant with" the principles of equity mentioned in the statute.

What does this mean for cases going forward? Defendants will no longer be able to get courts to dismiss claims for profits before trial simply because there is no proof that they sought to trade on the recognition of the plaintiff's brand.

Instead, litigants will have to focus on a variety of other circumstances bearing on whether a profits award is fair. For example, if the trademark owner lacks brand awareness and has made negligible sales in the region where the defendant sold the infringing products, defendant probably didn't profit from the infringement. In such a case, awarding profits would be an unfair windfall for the plaintiff and an inequitable result.

This will make it more important than ever for litigants to have a sound economic analysis of profits as part of their proof in trademark cases, with a focus on whether the defendant's profits can be traced to the infringement.

Notes:
Romag Fasteners, Inc. v. Fossil Group, Inc. No. 18-1233 (U.S., Apr. 23, 2020)