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CLIENT ALERT

SCOTUS Confirms "Willful" Trademark Infringement Not A Prerequisite to Recovery of Profits

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On April 23, 2020, the Supreme Court held that a finding of *willful infringement* is not a prerequisite to recover profits in a trademark infringement suit. This concise opinion resolves a circuit split on this issue. While the decision eases a plaintiff's burden to show that it is entitled to this form of monetary relief, a question remains as to whether "innocent" infringers will conversely face a heightened risk of liability for potentially substantial damages.

The case, *Romag Fasteners, Inc. v. Fossil, Inc.*, centered on Romag's claim that Fossil used counterfeit fasteners in its handbags, falsely claiming that they were Romag fasteners. When the parties could not resolve their dispute, Romag sued Fossil, asserting claims of trademark infringement and false representation, namely, that Fossil falsely claimed that its fasteners came from Romag. At trial, the jury stopped short of finding that Fossil's trademark infringement was willful as defined by the court, instead finding that Fossil infringed Romag's trademark with "callous disregard." Romag moved to recover the profits Fossil earned from the infringement, but the district court denied the motion, relying on Second Circuit precedent requiring proof of willfulness in order to award infringer's profits. The Federal Circuit affirmed, and the Supreme Court took the case, agreeing to resolve a deep and well-established split among the circuits.

In resolving the case, the Supreme Court focused on the plain text of the relevant section in the Lanham Act—federal legislation that covers trademarks and unfair competition. That section, which identifies the monetary remedies available for trademark violations (such as defendant's profits), specifically itemizes the violations to which such remedies apply, as well as whether any specific mental state is required for recovery. Whereas recovery for trademark dilution under this section expressly requires a *willful* violation, recovery for trademark infringement (the claim asserted by Romag) does not. The Court then surveyed other sections of the Lanham Act to demonstrate that where Congress wanted to condition application of a right or remedy on a particular state of mind, it did so by expressly referring to actions done *willfully*, *intentionally*, or with *knowledge*. Because the specific section of the Act addressing recovery of the infringer's profits "for the false or misleading use of trademarks" does not reference any state of mind, the Court refused to read one into the statute. The Court added further that although the Lanham Act does require courts to consider "principles of equity" when awarding defendant's profits, there is no reason to interpret "principles of equity" to mean that a plaintiff must prove a willful state of mind. And while recognizing that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," the Court refused to insist that willfulness is a precondition for a profits award.

By holding that there is no willfulness requirement, the Supreme Court has removed a significant obstacle for a prevailing party in a trademark infringement suit to recover an infringer's profits. Now, if a defendant recklessly, negligently, or even innocently infringes a plaintiff's trademark, the defendant is at risk of having to disgorge any profits. It is yet to be determined whether the Court's comment regarding a defendant's mental state as a "highly important consideration in determining whether an award of profits is appropriate" will be enough for non-willful infringers to avoid a profits award. Indeed, Justice Sotomayor's concurring opinion highlights this point, as she notes that the weight of legal authority shows that profits are very rarely awarded for innocent infringement. What is most clear, however, is that the successful plaintiff will have a lower hurdle to overcome when seeking to recover a defendant's profits.

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