

SCOTUS: No Willfulness Required for Profits in TM Cases Romag Fasteners, Inc. v. Fossil Group, Inc., 590 U.S. (2020)

By: Reid Huefner & Peggy Herrmann | May 4, 2020

On April 23, 2020, the United States Supreme Court resolved an even circuit split¹ by unanimously holding that willful infringement is not a pre-condition to a profits award in a trademark infringement suit. This ruling increases the likelihood that, in the affected Circuits, more trademark infringement suits will settle for higher amounts or will go to trial, as trademark owners hold out for potential profits awards rather than settle. In the underlying district court case, the jury found that Fossil had infringed Romag’s trademark but had not done so willfully. Therefore, the district court, following Second Circuit precedent, refused Romag’s request for Fossil’s profits earned as a result of the trademark violation, which was affirmed by the Federal Circuit.

In vacating the Federal Circuit’s judgment and finding that willfulness is not required for an award of profits, the Supreme Court relied on the plain language of the governing provision of the Lanham Act, 15 U.S.C. § 1117(a): “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 principles of equity to recover . . . defendant’s profits,” and held that willfulness is a precondition for trademark dilution under § 1125(c), not 1125(a), the provision for false or misleading use of trademarks.

The Supreme Court further rejected Fossil’s attempt to rely on the statute’s “subject to the principles of equity” language to show that willfulness is required to disgorge profits for false or misleading use of a trademark. The phrase “principles of equity” is more applicable to fundamental rules across many claims and practice areas rather than a particular rule about *mens rea* in this distinct area of law, as supported by Supreme Court precedent, language in other sections of the Lanham Act, dictionaries, and legal treatises and handbooks. Additionally, the Supreme Court noted that the history of trademark law does not add clarity about the mental state requirement because cases exist on both sides of the willfulness wall.

Numerous other sections in the Lanham Act directly address *mens rea* requirements for remedies, *e.g.*, §§ 1117(b), 1117(c), and 1118. Therefore, the Supreme Court concluded, the omission of a *mens rea* requirement in the provision for false or misleading use of trademarks is significant and was, presumably, intentional. The Supreme Court acknowledged that “a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate,” but did not provide guidance for determining when an award of lost profits is appropriate. Thus, it has been left to the discretion of the courts to determine when the facts of a case warrant an award of an infringer’s profits. However, the Supreme Court’s comment that mental state is a “highly important consideration” suggests that disgorgement of profits may still be reserved by the courts for cases where, even if not explicitly found by the finder of fact, willfulness is strongly implied.

The Supreme Court’s holding in *Romag Fastener’s, Inc. v. Fossil Group, Inc.* is an important development for both trademark owners and alleged infringers. The ruling is likely to spark more litigation in the overturned circuits by trademark owners who are now able to seek a disgorgement of profits more easily. With a better chance of garnering a sizeable lost profits award—without the need for defendant’s conduct to be found willful—plaintiffs will be motivated to take their cases through trial in the hopes of a substantial damages award. No longer are damages akin to a binary, all-or-nothing event where, with willfulness, both lost profits and treble damages were available, but absent such a finding, a path toward a sizeable damages award was largely foreclosed.

¹ The First, Second, Eighth, Ninth, Tenth, and D.C. Circuits required willful infringement prior to disgorgement of an infringer’s profits, but the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh did not. Hodges, Benjamin, *Final Briefs Filed with SCOTUS in Romag Fasteners Case on Trademark Infringement Damages*, IPWatchdog.com, Dec. 9, 2019.