

U.S. SUPREME COURT - WILLFULNESS IS NOT A PREREQUISITE FOR A PROFIT AWARD FOR TRADEMARK INFRINGEMENT

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In its unanimous April 23, 2020 opinion in *Romag Fasteners v. Fossil, Inc.*, the Supreme Court made clear once and for all that a successful trademark plaintiff is not required to establish that the defendant's infringement was willful to be entitled to an award of the infringer's profits. In other words, profits may be disgorged for less than willful infringement of a trademark.

Prior to the Supreme Court's decision, federal courts were split on the issue of whether willfulness was a prerequisite to an award of the infringer's profits. Romag gave the high court the perfect opportunity to resolve this split. By way of background, Romag Fasteners, Inc. and Fossil, Inc. had signed an agreement to allow Fossil to use Romag's fasteners in Fossil's handbags and other leather goods. When Romag discovered that factories in China making Fossil products were using counterfeit Romag fasteners, Romag sued Fossil and certain retailers of Fossil products for trademark infringement pursuant to the Lanham Act, 15 U. S. C. §1125(a). While the jury determined that Romag had sufficiently demonstrated infringement, the U.S. District Court for the District of Connecticut, relying on Second Circuit precedent, refused to grant Romag an award of profits on the basis that Romag had failed to demonstrate that Fossil acted willfully. After the district court's decision was upheld by the Court of Appeals for the Federal Circuit, the Supreme Court granted certiorari and heard the case on appeal.

Yesterday, the Supreme Court issued a decision that resolved the split once and for all. Writing for the Court, Justice Gorsuch carefully scrutinized the language of the Lanham Act and noted, in particular, that while the statute's provision governing remedies for trademark violations makes a showing of willfulness a precondition to a profits award in a suit for trademark dilution, the provision of the Act relating to trademark infringement has never required such a showing. Justice Gorsuch concluded that while an infringing defendant's mental state—including the presence or absence of willfulness—"is a highly important consideration in determining whether an award of profits is appropriate," such a principle "is a far cry from . . . [an] inflexible precondition" to recovery, which is in no way mandated by the Lanham Act. Pursuant to the decision, the judgment of the court of appeals was vacated, and the case was remanded for further proceedings.

While Justices Roberts, Thomas, Ginsburg, Kavanaugh, Alito, Breyer, and Kagan joined the opinion of the Court, Justice Alito also issued a concurring opinion, joined by Justices Breyer and Kagan, which simply stated that "[t]he relevant authorities, particularly pre-Lanham Act caselaw, show that willfulness is a highly important consideration in awarding profits under §1117(a), but not an absolute precondition." Further, Justice Sotomayor, writing a separate

concurring opinion, emphasized that while the statutory language does not mandate a showing of willfulness, “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 §1117(a) and reflected in the cases the majority cites.”

So, practically speaking, what does Romag mean? Well for those who have filed trademark infringement actions in the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits, not much—as the courts in those jurisdictions did not require a showing of willfulness for a profits award to begin with. Nonetheless, the question of how the individual courts will consider willfulness, or a lack thereof, as an element in damage awards remains to be seen. Romag also leaves unanswered, to some extent, whether it is equitable to disgorge profits from a truly innocent trademark infringer. Perhaps Romag itself best demonstrates the need for flexibility in determining whether a disgorgement of profits is appropriate: in the lower court proceedings, the jury, even while rejecting the notion that Fossil had acted willfully, found that Fossil had acted with “callous disregard” with respect to Romag’s rights. It will be interesting to see what happens on remand in this case—and, more broadly, whether the Supreme Court’s decision has paved the way for disgorging profits more readily from infringers who are not willful in the classic sense but are nonetheless acting with “callous disregard” of a plaintiff’s rights. We will have to stay tuned to find out.

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