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Supreme Court Confirms Trademark Defendants' Profits are in Play Even Without Willfulness Showing

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By Kevin Conneely

Federal law provides several remedies for brand owners who enforce their trademark rights against infringers. Possible remedies include an injunction, proven damages to the mark owner and the defendant's ill-gotten gains. 15 U.S.C. § 1117(a). For over three decades, federal appeals courts had come to different conclusions about whether the "ill-gotten gains" remedy, sometimes called disgorgement of profits, was available in all cases or whether it was reserved for those trademark cases where there was proof the infringement was willful.

In its unanimous decision on April 23, 2020 in *Romag Fasteners, Inc. v. Fossil, Inc.*, the U.S. Supreme Court resolved these conflicting approaches. The court acknowledged that there might be policy reasons to read into the federal trademark statutory scheme some principle of equity requiring willfulness as a predicate to awarding disgorgement of the defendant's profits. But hewing closely to the text of the statute, the court (in an opinion written by Justice Gorsuch) found no support for the bright-line rule upon which Fossil – and previously half of the lower appeals courts – had relied: "[W]e do not doubt that a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances."

In a concurring opinion, Justice Sotomayor agreed that Section 1117(a) does not impose a "willfulness" prerequisite for awarding to the mark holder damages in the form of defendant's own profits. She explains, however, her caution against reading the statute or her colleagues' decision in *Romag* as a green light to award disgorgement or other lost profit damages in every trademark case going forward: "Thus, 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."

For trademark litigants, *Romag*'s impact is two-fold. The court's rejection of the predicate of a showing of willfulness eliminates uncertainty created by a split approach among federal courts. By leaving open the question of the role of the defendant's state of mind in future trademark cases, there are still issues to be resolved about when the "disgorgement" remedy applies, especially for instances of "innocent" infringement. Future trademark plaintiffs and defendants will still have to face discovery and present proof of complicated facts about the state of mind of the defendant and about the often-complex issues of measuring how much of the defendant's profits were truly proximately caused by the alleged trademark infringement.

For more information on this decision, please contact David Barnard, Kevin Conneely, Scott Eidson, Ruth Rivard or the Stinson LLP contact with whom you regularly work.

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