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## Supreme Court Rejects Willfulness Requirement for Recovery of Defendant's Profits in Trademark Cases

In *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. \_\_\_ (2020), the Supreme Court rejected the categorical rule followed by some federal circuits in trademark cases that a plaintiff can recover a defendant's ill-gotten profits only after a showing of *willful* infringement of the plaintiff's mark. According to the Court, a bright-line willfulness requirement has no support in the text of the Lanham Act or the history of U.S. trademark law.

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### Background

Romag and Fossil entered into an agreement for Fossil to use Romag's magnetic snap fasteners in Fossil's leather products. After discovering that Fossil was using counterfeit Romag fasteners, Romag sued Fossil for trademark infringement and for falsely representing that the fasteners came from Romag. At trial, the jury determined that Fossil had infringed Romag's trademark, but that while it had acted "in callous disregard" of Romag's rights, it had not acted "willfully." Accordingly, relying on Second Circuit precedent requiring that a plaintiff prove willful infringement to recover lost profits for false or misleading use of trademarks, the district court refused to award Romag the profits resulting from Fossil's infringement. While other circuits similarly have required willfulness for disgorgement of a defendant's profits, some have declined to adopt that requirement, leading to a split in the circuits.

### Supreme Court Decision

Based on the language of the Lanham Act and the history of U.S. trademark law, the Supreme Court rejected the categorical rule that willfulness is a prerequisite to an award of defendant's profits for trademark infringement.

In an opinion authored by Justice Gorsuch and joined by seven other justices, the Supreme Court carefully considered the Lanham Act's language concerning the mental state required for awards of damages, profits, increased damages or profits, and attorneys' fees. In particular, the Court placed great weight on language that allowed for the recovery of profits for "a violation" in the case of infringement, but only for "a willful violation" in the case of dilution. The Court also noted that the Lanham Act allows for increased profits or damages and attorney's fees for certain acts done "*intentionally and with specified knowledge*," and for increasing the statutory damages cap for "certain *willful* violations," which made the absence of similar language concerning willfulness or intent for an award of profits for trademark infringement "all the more telling."

The Supreme Court rejected Fossil's contention that section 1117(a)'s language stating that an award of profits is "subject to the principles of equity" implicitly established a requirement of willfulness. The Supreme Court also found persuasive that the Trademark Act of 1905—the Lanham Act's statutory predecessor—did not require willfulness, though *mens rea* was an important factor in awarding profits for trademark violations in pre-Lanham Act cases.

Though the Supreme Court rejected any *requirement* of willfulness to award profits for trademark infringement, it recognized that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." The Court accordingly remanded the case for further consideration of the issue of Romag's entitlement to Fossil's profits in light of the high court's decision, and whether Fossil's "callous disregard" of Romag's rights merits such an award.

## Implications

The majority opinion did not provide any specific guidance on what mental states or circumstances short of willfulness or an otherwise culpable mental state, if any, might justify disgorgement. Both concurrences, however, attempted to do so. Justice Alito, joined by Justice Breyer and Justice Kagan, explained that “willfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition,” suggesting that the bar for awarding profits should still be quite high. Likewise, Justice Sotomayor emphasized that “the weight of authority...indicates that profits were hardly, if ever, awarded for innocent infringement.” These concurrences suggest that the new standard for an award of profits will still be high, and require some amount of culpability beyond innocent infringement. Accordingly, plaintiffs still may find it quite difficult to receive an award of profits in the case of a more-or-less routine case of infringement.