

## INSIGHTS

## Willfulness Not a Prerequisite for Trademark Infringer's Profits

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*U.S. Supreme Court settles circuit split over whether plaintiffs must prove willful infringement in order to recover a defendant's profits*

The Supreme Court's decision Thursday in [\*\*Romag Fasteners, Inc. v. Fossil, Inc.\*\*](#) significantly expanded the monetary relief available for trademark infringement by ruling that plaintiffs can recover an award of an infringer's profits without proving "willful" infringement—a prerequisite applied by lower courts in some circuits that previously had rendered disgorgement a rare remedy.

Under the Lanham Act, trademark owners can recover the defendant-infringer's profits in cases of trademark confusion or false designation of origin "subject to the principles of equity." 15 U.S.C. §1117(a). While Section 1117(a) requires a showing of "willful" infringement in order to recover an infringer's profits for claims of trademark dilution, the Act does not expressly require willfulness for other types of infringement claims. The lower circuit courts were split as to whether "willfulness" was an implied requirement for disgorgement. The Supreme Court has confirmed the answer is "no."

In resolving the split and holding that willful infringement is not a prerequisite, the Justices sided with plaintiff Romag Fasteners in its infringement case against Fossil, Inc. Romag, which makes magnetic snap fasteners, had partnered with Fossil, who sells leather handbags, watches and other products, to use Romag fasteners in Fossil's products. Romag filed suit after purportedly discovering that Fossil's overseas manufacturers were using counterfeit Romag fasteners with Fossil's knowledge. The jury found that Fossil had acted "in callous disregard" of Romag's rights, but rejected Romag's claim that Fossil had acted willfully. Since the Second Circuit requires that a plaintiff seeking an award of the defendant's profits must prove that the violation was willful, Romag's request for \$6.8 million in profits was refused.

On appeal, Fossil argued that a finding of willful infringement was an essential element of the principles of equity required by the Lanham Act. But the Justices rejected that argument, noting that this interpretation assumed that Congress intended to imply a willfulness requirement in some parts of the Lanham Act, while also making it an express requirement elsewhere in the Act.

However, Justice Neal Gorsuch noted that, while not a requirement under the plain reading of the Act, "willfulness" was still an important element for courts to consider when assessing an

award of the defendant's profits. “[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 his concurring opinion, Justice Samuel Alito furthered this line of thinking, noting that “[t]he relevant authorities, particularly pre-Lanham Act case law, show that willfulness is a highly important consideration in awarding profits under §1117(a), but not an absolute precondition.”

Justice Sonia Sotomayor concurred only in the judgment, noting that her fellow Justices failed to distinguish between “willful” and “innocent” infringement, pointing to the fact that “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).” Justice Sotomayor’s comments cut through Fossil’s further policy argument that a willfulness requirement is necessary in order to deter “baseless” trademark suits.

Thursday’s decision is expected to have far-reaching ramifications for trademark infringement actions. As noted by the defendants, the ruling may lead to an influx of trademark suits where damages were previously otherwise unavailable. As such, companies should be mindful of the possibility of, in some instances, new enhanced damages and take this into consideration when formulating trademark search strategies, and policies for how they interact with third party trademarks.

Notably, Thursday’s decision may significantly increase the costs to contend against suits filed by entities seeking to monetize trademark rights absent credible evidence of consumer confusion or a protectable interest in the mark. It may also alter the calculus for determining whether bringing an infringement case makes financial sense.

Bracewell’s Trademark Team is uniquely poised to assist clients with these and other trademark needs. Speak with your Bracewell contact to learn more.