



News &amp; Types: Client Advisories

# Supreme Court Settles Long-Standing Circuit Split on Trademark Damages: Willful Infringement Is Not a Prerequisite for Awarding a Trademark Infringer's Profits

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Earlier this year, in *Romag Fasteners, Inc. v. Fossil, Inc., et al.*, the United States Supreme Court (the “Supreme Court”) unanimously decided that a plaintiff in a trademark infringement lawsuit does not need to show willful infringement as a precondition to being awarded the infringer’s profits pursuant to Section 35 of the Lanham Act. The case came before the Supreme Court on a *writ of certiorari* from the United States Court of Appeals for the Federal Circuit. The Supreme Court’s decision resolves a long-standing split among the various circuit courts of appeals.

Section 35(a) of the Lanham Act (15 U.S.C. § 1117(a)) allows a plaintiff “to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action,” however such recovery is subject to certain provision and “the principles of equity.” For decades, there has been a split amongst the federal circuit courts of appeals regarding the requirements for a plaintiff to recover a defendant’s profits under Section 35(a). Some circuits (including the Second, Sixth, Eighth, Ninth, Tenth, D.C. and Federal Circuit) interpreted the Lanham Act to require a finding that the defendant’s infringement was willful before the plaintiff could be entitled to recover the defendant’s profits under Section 35(a). In contrast, other circuits (including the First, Third, Fourth, Fifth and Seventh Circuits) took the position that willfulness was not a prerequisite to an award of defendant’s profits, but was instead an important factor—amongst others—to be considered in determining whether an award defendant’s profits was appropriate.

By way of background, in the *Romag* case, the Petitioner Romag Fasteners, Inc. (“Romag”), a seller of magnetic snap fasteners for leather items, sued Respondent Fossil, Inc. (“Fossil”), a producer of fashion related items, for trademark infringement. Romag and Fossil had previously entered into a supply agreement whereby Fossil’s suppliers would purchase from Romag fasteners for Fossil products being produced by said suppliers. Sometime thereafter, Romag discovered that Fossil products were being sold in the United States

with counterfeit fasteners containing a Romag trademark. Romag sued Fossil for patent and trademark infringement.

At trial, the jury found Fossil liable for patent and trademark infringement concluding that Fossil had acted with “callous disregard” for Romag’s trademark rights, but without “willfulness” and awarded to Romag \$90,000 in profits to prevent Fossil’s unjust enrichment and in excess of \$6,700,000 in profits to deter future trademark infringement by Fossil. The district court however found that willfulness remained a requirement for the award of profits and disregarded the jury’s award. On appeal, the Federal Circuit approved the lower court’s decision.

The Supreme Court reversed the Federal Circuit’s decision and in so doing resolved the split between the circuits. Specifically, the Supreme Court held that *mens rea* (or mental state) is not a requirement for an award of profits. Relying on the language of Section 1117(a), the Supreme Court found that the language of the Section did not support a willfulness requirement. First, the Section’s use of a “principles of equity” standard spelled “trouble for Fossil and the circuit precedent on which it relies.” The court reasoned that other remedy and liability sections of the Lanham Act incorporated *mens rea* standards and Section 1117(a)’s absence of a *mens rea* standard was telling. Furthermore, the Supreme Court rejected Fossil’s argument that the “principles of equity” standard shall be interpreted to incorporate the long-existing custom of equity courts to require willfulness to award profits in trademark infringement cases. The Supreme Court did note however, that while willfulness was not a requirement for an award of profits, willfulness was still an “important” or “highly important” consideration in determining whether a disgorgement of an infringer’s profits is appropriate.

As such, the Supreme Court has finally settled the long-standing split amongst the federal circuit courts of appeals by ruling that Section 35 of the Lanham Act does not require willfulness for an award of an infringer’s profits. Willfulness is now a “consideration,” among others, in determining whether to award such profits; albeit it is still an “important” or “highly important” consideration.

Although the Supreme Court’s decision in *Romag* is welcomed news for trademark owners (particularly those trying to enforce their rights in the Second, Sixth, Eighth, Ninth, Tenth, D.C. and Federal Circuits), it has yet to be seen how much practical effect the *Romag* decision will have on awards of an infringer’s profits in future cases in light of the Supreme Court’s recognition that the issue of willfulness is still “a highly important consideration.”