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Supreme Court Holds That Courts Can Order Trademark Infringers To Disgorge Profits Without Proof Of Willful Infringement

Client Alert | April 23, 2020

Decided April 23, 2020

***Romag Fasteners, Inc. v. Fossil, Inc.,* No. 18-1233**

Today, the Supreme Court unanimously held that under the Lanham Act, proof of willful trademark infringement is not a precondition to a mark holder's recovery of the infringer's profits.

Background:
Romag Fasteners, Inc. sells magnetic snaps used in handbags, including handbags manufactured and distributed by Fossil, Inc. Romag sued Fossil for trademark infringement under the Lanham Act after discovering that Fossil's Chinese manufacturer had used counterfeit snaps bearing the Romag mark. Among other remedies, Romag sought an award of Fossil's profits from sales of the infringing handbags under Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a). A jury found Fossil liable for trademark infringement. The jury also found that, although Fossil acted "in callous disregard" of Romag's trademark rights, Fossil did not willfully infringe Romag's trademarks. The district court held that Romag's failure to prove willful infringement barred an award of profits under Section 35(a), and the Federal Circuit affirmed.

Issue:
Whether, under Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a precondition for an award of an infringer's profits for a violation of Section 43(a), id. § 1125(a).

Court's Holding:
No. A trademark defendant's state of mind is a "highly important consideration" in determining whether to award profits, but willfulness is not an "inflexible precondition" to such an award.

"[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 [an] inflexible precondition to recovery."

Justice Gorsuch, writing for the Court

What It Means:

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- The Court's decision resolves a split between circuits as to the role that a finding of willfulness plays in determining whether to award a disgorgement of profits in trademark infringement cases, and brings the circuits that had promulgated categorical rules (such as the Second, Eighth, Ninth, and Tenth Circuits) into line with the circuits that have considered willfulness to be only a factor to consider in making the determination. It therefore strengthens the hands of trademark owners in seeking monetary remedies from parties found liable for creating a likelihood of consumer confusion, but also confirms that willfulness is a "highly important" factor for courts to consider.
- It remains to be seen whether the Court's decision will meaningfully increase the number of profits awards in cases involving reckless, negligent, or innocent infringement.
- The Court's decision does not alter the express statutory requirement that willfulness be proven to obtain an award of profits in trademark dilution cases brought under Section 43(c) of the Lanham Act, 15 U.S.C. U.S.C. § 1125(c).

The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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