



THINK FORWARD

Willfulness Not Required to Win Profits in Trademark Infringement Cases

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On April 23, 2020, the Supreme Court unanimously ruled that a showing of the trademark defendant's willfulness is not a prerequisite for a brand owner to obtain the defendant's profits in trademark infringement cases. The Lanham Act's statutory language is clear – "When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, [or] a violation under section 1125(a) or (d) of this title. . . , the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U. S. C. §1117(a). Nevertheless, a circuit split had developed around whether willfulness was a prerequisite for an award of a defendant's profits, with several circuits reading in a requirement that the plaintiff prove that infringement was willful before awarding defendant's profits.

The decision to resolve the split came in the closely-watched case [Romag Fasteners, Inc. v. Fossil, Inc.](#) Romag, 590 U.S. ____ (2020). Romag Fasteners, Inc. ("Romag"), a magnetic snap fastener manufacturer, entered into an agreement with Fossil, Inc. ("Fossil"), a fashion accessories company, to sell fasteners for use in Fossil's handbags and other products. Romag discovered that Fossil's manufacturing partner in China used counterfeit Romag fasteners, and Fossil had not taken sufficient steps to stop the practice. Romag then sued Fossil for trademark infringement.

Following a trial, the jury found that Fossil acted "in callous disregard" in infringing Romag's trademark rights. However, the jury rejected Romag's assertion that Fossil had acted willfully. The lower court sits in the Second Circuit. Second Circuit precedent required that a plaintiff prove willful infringement as a precondition for recovering a defendant's profits. Accordingly, the lower court refused to award Fossil's profits, as Romag failed to prove that Fossil had acted willfully.

The Supreme Court began its analysis with the Lanham Act's plain language. Citing 15 U.S.C. § 1117(a), the Court noted that the language of the statute "immediately" makes a distinction between profits awarded under § 1125(a) and § 1125(c). While the statute does require a showing of willfulness for a profits award under § 1125(c) – a cause of action for trademark dilution – that is not the case for a profits award under § 1125(a), a provision providing the most often used cause of action for any false designation of origin. Instead, in a § 1125(a) case like this, "the statutory language has *never* required a showing of willfulness to win a defendant's profits."

The Court went on to consider structural and historical arguments by Fossil, which largely relied on the "principles of equity" language in § 1117(a) to justify the Second Circuit's rigid rule that defendant's profits could not be awarded without a showing of willfulness. The Court evaluated historical precedent, treatises, and dictionaries in order to assess whether Congress' inclusion of the "principles of equity" in the Lanham Act was intended to inject a willfulness prerequisite to the recovery of a defendant's profits.

The Court concluded that while a trademark defendant's state of mind is a "highly important consideration" in determining whether to award profits, these principles do not support injecting an "inflexible precondition to recovery" into the Lanham Act. Accordingly, the Court vacated the judgment and remanded for further proceedings. Justice Sotomayor wrote a concurring opinion to state that an award of the defendant's profits would not be appropriate in instances of innocent or good faith trademark infringement.

From a practical standpoint, trademark plaintiffs in certain circuits will see changes in jury instructions that require willfulness in cases of infringement or false or misleading use of a trademark. Without the willfulness requirement, plaintiffs will have a greater chance of a monetary recovery and may also see an increased award value. Both parties will need to reassess their recovery theories and exposure in trademark infringement actions.

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If you have questions about whether this decision affects one of your pending matters, please contact one of our [trademark attorneys](#).