LEGAL UPDATES

Supreme Court Holds Proof of Willfulness Is Not Required in Trademark Infringement Cases for Recovery of Profits

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Yesterday the Supreme Court of the United States issued its opinion in *Romag Fasteners v. Fossil* holding that a plaintiff does not have to prove that a trademark infringer acted willfully in order to obtain the remedy of the infringer's profits. What the notably short decision lacks in length, it makes up for in impact; it is already being regarded as the most consequential trademark decision in many years. The decision closely tracks the position advocated by the American Intellectual Property Law Association (AIPLA) in an amicus brief lead authored by Lathrop GPM Partner Dean Eyler. Below, Dean provides his thoughts on the opinion and its impact on trademark owners and future defendants.

Why is this decision (summarized below) so consequential for trademark law?

Dean Eyler: The decision will fundamentally impact trademark litigation. It makes an important monetary remedy available in more cases, and thereby changes the strategic calculations for plaintiffs and defendants in these disputes. Historically, it has been difficult for a plaintiff to prove actual damages in trademark infringement and unfair competition cases. But now, plaintiffs should have the ability to obtain a monetary remedy in the form of the infringer's profits more often.

How will this decision affect trademark owners?

Most notably, plaintiffs may now be entitled to profits as a remedy depending on the circumstances of the case. For example, if there is evidence of knowledge of the plaintiff's claims and callous or reckless disregard of the trademark owner's rights, disgorgement of profits may now be a possible remedy. In addition, this possibility of profits as a proxy for damages may change the risk-benefit calculations for trademark plaintiffs deciding whether to litigate their claims.

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How will this decision affect parties being accused of trademark infringement?

Parties that receive cease and desist letters will now have to consider the risk of a possible future claim for disgorgement of profits. In litigation, defendants may need to recalibrate their strategy. The defendant's knowledge or level of intent will continue to be important, but the lack of proof of willfulness will not preclude an award of profits. Thus, defendants may need to consider whether to litigate claims of infringement that now pose more significant monetary risk. Defendants will also need to pay more attention to details about their level of knowledge, and cannot just rely on the categorical rule prohibiting any claim for disgorgement of profits.

Summary of *Romag v. Fasteners v. Fossil*

On April 23, the Supreme Court issued its opinion in *Romag Fasteners v. Fossil*, holding that a plaintiff does not have to prove that a trademark infringer acted willfully in order to obtain the remedy of profits. The Court rejected a bright-line requirement of proof of willfulness as a precondition for an award of profits as a remedy for certain violations of the Lanham Act. The opinion restores to district courts the full range of remedies, subject to the principles of equity, and will have fundamental impacts on trademark issues and litigation.

In the case, plaintiff Romag Fasteners sued Fossil including for trademark infringement based on the use of counterfeit fasteners. Pursuant to the Lanham Act, such a prevailing plaintiff "shall be entitled . . . 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." The jury found infringement, and that Fossil had acted "in callous disregard" of Romag's rights, but did not find that Fossil had acted willfully (as defined by the district court). The district court refused Romag's request for profits as a remedy, which was affirmed by the Court of Appeals based on Second Circuit law requiring proof of willfulness for any award of profits.

The Supreme Court reversed, holding that a categorical rule that a plaintiff can be awarded profits as a remedy only after proving that the infringement was willful cannot be reconciled with the language of the statute. The Court reviewed the text of the statute as well as the history of trademark decisions analyzing the remedy of disgorgement of profits. The Court noted that other sections of the Lanham Act specifically require mens rea for liability or remedies, and found the absence of any language in this provision requiring willfulness therefore "all the more telling." The Court also rejected the argument that the broad "principles of equity" provision in the law somehow read in a specific *mens rea* requirement for the profits remedy. The Court acknowledged the many policy arguments made by both parties and *amici* but stated that reconciling such policy goals is the responsibility of policymakers. Justice Gorsuch wrote the opinion for the majority, and Justice Alito — joined by Justices Breyer and Kagan — and Justice Sotomayor each filed concurrences, which emphasized that while willfulness may not be an "absolute precondition," it remains an important consideration in determining whether to award profits.

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