

US Supreme Court Rejects Willfulness Requirement for Profit Awards in Trademark Infringement Cases

Skadden

04 / 24 / 20

If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

Anthony J. Dreyer

Partner / New York
212.735.3097
anthony.dreyer@skadden.com

Jordan Feirman

Counsel / New York
212.735.3067
jordan.feirman@skadden.com

Shelli Gimelstein

Associate / New York
212.735.2615
shelli.gimelstein@skadden.com

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One Manhattan West
New York, NY 10001
212.735.3000

On April 23, 2020, the U.S. Supreme Court unanimously ruled that a plaintiff is not required to prove that a defendant's misconduct was willful in order to obtain an award of a defendant's profits in trademark infringement cases under the Lanham Act. The Supreme Court's decision in *Romag Fasteners, Inc., v. Fossil Group, Inc.* has significant implications for trademark litigants.

Background

Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a) establishes a successful plaintiff's right to a monetary recovery in Lanham Act cases, including in trademark infringement and false advertising cases brought pursuant to 15 U.S.C. § 1125(a) and dilution cases brought pursuant to 15 U.S.C. § 1125(c). Those rights include the plaintiff's actual damages, the costs of the action, and the "defendant's profits." The statute provides that all of these remedies are "subject to the principles of equity." A circuit split in the U.S. Court of Appeals arose, however, regarding whether an award of a defendant's profits in infringement claims required a showing that the defendant's misconduct was willful. Whereas the First, Second, Eighth, Ninth, Tenth and D.C. Circuits required willfulness, the Third, Fourth, Fifth, Sixth, Seventh and Eleventh Circuits did not, treating "willfulness" as only one factor (albeit an important one) that the court may consider in awarding profits.

This circuit split was directly presented to the Supreme Court in *Romag Fasteners*. The plaintiff, a magnetic snap fastener manufacturer, obtained a jury verdict awarding it nearly \$7 million of the defendant's profits for trademark infringement (as well as patent infringement) arising out of the use of certain fasteners in the defendant's handbags. The U.S. District Court for the District of Connecticut, however, struck the jury's profit award because the jury had determined that the defendant's infringement was not willful. In striking the jury award the court stated that "a finding of willfulness remains a requirement for an award of defendants' profits in" the Second Circuit. On appeal, the Federal Circuit, which heard the trademark appeal because of the patent claim, affirmed based on the Second Circuit precedent, but noted that the "willfulness requirement was not uniformly adopted" and that other circuits have viewed willfulness as merely a factor to consider in deciding whether to award profits.

The Supreme Court's Ruling

All nine justices agreed that the Lanham Act did not require trademark infringement plaintiffs to show that defendants willfully infringed in order to be eligible for an award of the defendants' profits.

In a short opinion authored by Justice Neil Gorsuch and joined by every other justice except for Justice Sonia Sotomayor, the Court undertook a textual analysis and rejected the notion that the Lanham Act reflected a categorical rule requiring willfulness. The Court recognized that willfulness is a precondition to a profit award in cases of trademark dilution pursuant to 15 U.S.C. § 1125(c), but explained that the dilution provision was added to the Lanham Act well after the initial adoption of the statute and thus did not bear on claims for infringement or other causes of action under § 1125(a).

The Court further explained that "a wider look at the statute's structure" gives "even more reason for pause" with respect to imposing a willfulness requirement. Noting various provisions in the Lanham Act that refer to mental states (*e.g.*, permitting treble profits, enhanced statutory damages and fee awards for certain intentional violations), the Court found the absence of mental state language relating to disgorgement "all

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the more telling.” Moreover, the Court rejected the argument that the Lanham Act’s general reference to profit awards being “subject to the principles of equity” compelled a different result, in part because that would require an assumption that “Congress intended to incorporate a willfulness requirement here obliquely while it prescribed *mens rea* conditions expressly elsewhere throughout the Lanham Act.”

Finally, the Court acknowledged generally that, although no categorical requirement of willfulness is necessary to obtain a defendant’s profits, a defendant’s mental state is “a highly important consideration in determining whether an award of profits is appropriate.”

Two concurring opinions were filed in the case. First, in a one-paragraph concurrence joined by Justices Stephen Breyer and Elena Kagan, Justice Samuel Alito reiterated that relevant authorities, including pre-Lanham Act case law, show that willfulness is a highly important consideration in awarding profits, but not an absolute precondition. Second, Justice Sotomayor concurred only in the judgment, disagreeing with the majority’s suggestion that an award of defendant’s profits in cases of “innocent or good-faith trademark infringement” would be consistent with the “principles of equity.”

Impact of the Decision

The establishment of a clear, nationwide rule that willfulness is not required for an award of defendant’s profits for trademark infringement creates certainty for trademark litigants and reduces the incentive to forum shop based on the preexisting circuit split. The ruling further constitutes a “win” for Lanham Act plaintiffs, who need not meet the burden of proving willfulness in order to be entitled to disgorgement. Importantly, the rationale of the decision applies not only to trademark infringement, but also to other causes of action under Section 1125(a) of the Lanham Act, such as false advertising, false association and false designation of origin.

Notably, however, the Court did not establish any uniform test for determining whether a disgorgement remedy is warranted. Although the Court recognized the importance of willfulness in determining whether profits should be awarded, the various circuits are left to decide just how important that factor is and what other considerations matter. In addition, because the award still remains “subject to the principles of equity,” the availability of a profit award in any particular case is likely to turn heavily on both the jurisdiction in which the case takes place and the particular facts of that case.