LEGAL UPDATES

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Supreme Court Allows Profits Remedy Without Showing of Willfulness

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KRIS KAPPEL
KANSAS CITY:
816.983.8373
KRIS.KAPPEL@
HUSCHBLACKWELL.COM

On April 23, 2020, the United States Supreme Court announced its decision in *Romag Fasteners, Inc. v. Fossil Group, Inc., FKA Fossil, Inc., et al.*, holding that under the Lanham Act, a plaintiff can win a profits remedy without a showing that the defendant willfully infringed its trademark. The majority opinion, written by Justice Gorsuch, centers on the chosen language of the Lanham Act, specifically 15 U.S.C. § 1117(a), and the Courts unwillingness to "read into statutes words that aren't there."

The plaintiff in the case, Romag Fasteners, Inc., successfully proved a 15 U.S.C. § 1125(a) trademark infringement case against the defendant, Fossil Inc. While finding Fossil had acted "in callous disregard" of Romag's rights, the jury did not find that Fossil had acted willfully. Because Second Circuit precedent required a plaintiff seeking a profits remedy to prove that the defendant's violation was willful, the district court refused Romag's request for Fossil to hand over the profits it had earned because of its trademark violation. The Federal Circuit then affirmed the district court's decision.

15 U.S.C. § 1117 provides the recovery available to trademark owners, and the Court zeroes in on specific wording Congress included in the statute. Under § 1117, "[w]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, *a violation* under section 1125(a) or (d) of this title, or a *willful violation* under section 1125(c) of this title, shall have been established . . . , 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…"

With the addition of a single word, and the Lanham's Act other uses of mental states, the Court instantly highlighted the trouble with Fossil's position. The

Court, further looking to pre-Lanham Act case law, found no clear answer on whether trademark law historically required a showing of willfulness before allowing a profits remedy. Thus, the Court concluded that under the Lanham Act, a plaintiff in a trademark infringement suit is not required to show that a defendant willfully infringed the plaintiff's trademark as a precondition to a profits award. In addition, the Court also concluded that the defendant's mental state is "a highly important consideration in determining whether an award of profits is appropriate."

Justice Alito concurred with a one-paragraph concurring opinion, with Justices Breyer and Kagan joining. Justice Sotomayor concurred with the majority's opinion and provided additional explanation on the definition of "willfulness" which was previously broader in definition, and clarification that in courts of equity, profits were hardly, if ever, awarded for innocent infringement, which was largely untouched in the majority opinion.

What does this mean?

With all Justices joining or concurring with Justice Gorsuch's opinion, it is now clearly established that a plaintiff is not required to prove a defendant acted willfully to recover profits. While a plaintiff must not prove willfulness, a plaintiff is also not automatically entitled to recover defendant's profits. What the Court has made abundantly clear is that the defendant's mental state is highly important in considering whether a plaintiff is entitled to a profits remedy; however, the mental state consideration does not require an "inflexible precondition" of willfulness.

Moving forward, a defendant's mental state—or the mental state that a jury determines—will be crucial in determining whether a plaintiff may recover a profits remedy. Without setting a threshold mental state for recovery, it is likely future juries will use a sliding scale to determine whether a plaintiff may recover a profits remedy, and how much a plaintiff is entitled to recover.

Contact us

If you have further questions or require more information regarding this update, please contact Kris Kappel, Adam Wright or your Husch Blackwell attorney.