



MBHB *snippets* Alert

April 23, 2020

Supreme Court Rules Willfulness Not Required for Trademark Profits



By Eric R. Moran

Today the U.S. Supreme Court held that willful infringement of a trademark is not required for a plaintiff to recover defendant's profits upon a showing of a likelihood of confusion. The Court focused on the language of 15 U.S.C. § 1117 of the Lanham Act itself, which it found "has never required a showing of willfulness" to win profits in a likelihood of confusion case, while expressly making "a showing of willfulness a precondition to a profits award" in a dilution case. The Court also cited several passages in the Lanham Act that reference mental states, and emphasized the lack of such a reference in the likelihood of confusion provision.

Background of the case:

Romag and Fossil entered an agreement by which Romag would supply fasteners for use in Fossil's handbags. Fossil's factories in China, however, were using counterfeit Romag fasteners and, in Romag's view, Fossil was doing little to stop it. Romag sued Fossil alleging trademark infringement and that Fossil falsely represented that the counterfeit fasteners were Romag fasteners.

Romag won a jury trial, and, although the jury found that Fossil acted with "callous disregard" to Romag's rights, the jury did not find that Fossil acted willfully. Romag had sought an award of Fossil's profits from infringement, but the district court refused, ruling instead that Second Circuit precedent requires a plaintiff to prove willfulness when seeking profits. In light of a circuit split on this issue, the Supreme Court granted *certiorari*.

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The Court's opinion:

Justice Gorsuch wrote the majority opinion of the Court. The Court turned directly to the language of 15 U.S.C. § 1117 of the Lanham Act, and found that it “immediately . . . spells trouble” for Fossil’s argument that it requires a showing of willfulness. Under 15 U. S. C. § 1117(a):

When 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, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

The Court found that although § 1117(a) “does make a showing of willfulness a precondition to a profits award when the plaintiff proceeds under §1125(c) [the dilution cause of action],” “the statutory language has never required a showing of willfulness to win a defendant’s profits” in a likelihood of confusion claim. Absent such specific language, Justice Gorsuch wrote that the Court “usually” declines to “read into statutes words that aren’t there.”

The Court also reviewed various passages in the Lanham Act and found that it “speaks often and expressly about mental states.” The Court found that “[w]ithout doubt, the Lanham Act exhibits considerable care with *mens rea* standards. The absence of any such standard in the provision before us, thus, seems all the more telling.”

Fossil, in turn, relied on the “subject to the principles of equity” provision in § 1117(a). The Court, however, was not persuaded that Congress intended that phrase to provide for a defendant’s profits. The Court also rejected the position that, historically, courts in trademark matters “required a showing of willfulness before allowing a profits remedy.”

The majority concluded with two points. One likely addressed the position of the first concurrence, emphasizing that although “a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate,” it cannot be a requirement for recovery of profits in likelihood of confusion cases. Lastly, the Court, once again, rejected both sides’ policy arguments and stated:

[T]he place for reconciling competing and incommensurable policy goals like these is before policymakers. This Court’s limited role is to read and apply the law those policymakers have ordained, and here our task is clear.

Two concurring opinions were authored. Justice Alito, with whom Justice Breyer and Justice Kagan joined, would have made the majority’s penultimate point the holding of the Court, and would have held that “willfulness is a highly important consideration in awarding profits under § 1117(a), but not an absolute precondition.” Justice Sotomayor concurred in the judgment

only, taking issue with the majority’s discussion on whether courts in equity awarded profits for innocent infringement as well as willful infringement.

Impact of the Case:

Monetary recovery in trademark cases can be difficult generally (i.e., proving damages can be difficult), but now it should be a little easier for plaintiffs in some circuits.

Often in litigation, proving a defendant’s profits is easier than proving plaintiff’s damages. Proving a plaintiff’s damages requires proving “causation”—that the infringement caused harm—and then proving the value of the harm caused. It may be hard to show, for example, (i) how an infringement caused lower sales and how much lower the infringement caused those sales to go or (ii) how much an infringement caused the value of a brand to decrease.

In some cases, showing a defendant’s profits arising from the sale of an infringing product is much easier for plaintiffs. A plaintiff generally carries the burden of proving the infringer’s sales (via documents and information obtained via discovery), and the burden then shifts to the defendant to show costs and deductions. Of course, damages experts can quibble, but using an infringer’s sales as a starting point can be advantageous to a plaintiff because that information is generally readily available from an infringer.

Decided: April 23, 2020.

The opinion can be found at https://www.supremecourt.gov/opinions/19pdf/18-1233_5he6.pdf.

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