INTELLECTUAL PROPERTY ALERT

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SCOTUS Resolves Circuit Split on Trademark Profit Awards and Intent, but Uncertainty Remains

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For a plaintiff in a trademark infringement dispute, the central question is often, "What can I recover?" Likewise, a defendant asks the mirror question: "What is my potential exposure?" In its recent decision in *Romag Fasteners, Inc. v. Fossil Group, Inc.*, the U.S. Supreme Court settled a split among federal appeals courts regarding the circumstances under which an award of the infringer's profits is appropriate.[1] In the case, a federal trial court jury had found that Fossil had infringed Romag's trademark, but the jury found that Fossil had not acted willfully. Because the controlling Second Circuit precedent required a finding of willful infringement to award profits, the trial court refused to award the plaintiff Fossil's profits from its trademark violation.[2]

In resolving the split, the Supreme Court overturned the Second Circuit precedent and determined that a finding of willfulness on the part of an infringer is not a "precondition" to an award of the infringer's profits. In a unanimous decision, the Supreme Court looked no further than the language of the damages section of the Lanham Act (the nation's trademark law), which does not specifically require willful conduct for award of profits in an infringement action, but conspicuously does in a trademark dilution action.[3] The Court was unpersuaded by Fossil's contention that "principles of equity" require a showing of willfulness. Instead, the Court focused on the omission of willfulness from the language of the applicable federal law. Justice Gorsuch noted that imposing a willfulness requirement on a recovery of profits is the job of the legislature, not the Court.

Though willfulness is not a precondition to a profits award, the Court did state that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." Indeed, Justice Sotomayor's concurring opinion emphasized that awarding profits for an infringer's good faith or innocent infringement contradicted well-established principles of equity, but the Court preferred to remain silent on the ultimate importance of good faith in awarding profits, leaving that question for lower courts to resolve. Accordingly, this will be the subject of further litigation.

This decision adds some clarity in ensuring that a defendant's profits are always on the table as a potential recovery no matter which appeal circuit litigators find themselves in. Still, a party's good- or bad-faith conduct should continue to have a significant impact on the availability and measure of profits. As a result, trademark owners and others—such as litigation funders and businesses that use third-party trademarks—will want to closely assess the equitable factors in each case, particularly when actual damages will be difficult to prove. With the split now resolved throughout the country, litigants and courts can now seek more uniform standards on the role of a party's conduct in the availability a recovery of profits.

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1 *Romag Fasteners, Inc. v. Fossil Group, Inc.*, U.S., No. 18-1233, Opinion 4/23/20.

2 The First, Eighth, Ninth, Tenth, and D.C. Circuits also required a finding of willfulness, whereas the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits had held that defendant's profits may be awarded even if the defendant was not acting willfully.

3 15 U.S.C. § 1117(a)

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