ARONBERG GOLDGEHN

April 23, 2020

Intellectual Property Law Alert

Disgorgement of Profits for Trademark Infringement Does Not Require Willfulness

Romag Fasteners, Inc. v. Fossil, Inc.
No. 18-1233, (U.S. Apr. 23, 2020)

Today, the Supreme Court ruled that while an infringer's mental state may be relevant to a calculation of damages, a plaintiff does not need to establish that the defendant willfully infringed a plaintiff's registered trademark for the plaintiff to receive an award of defendant's profits as damages for trademark infringement.

The Impact on Business

The Supreme Court's decision is an important guidepost for trademark owners and litigants. For plaintiffs, it ensures that profits remain available as a remedy for trademark infringement without the need to meet a proof of willfulness burden—a high hurdle in many cases. But, for defendants, it also confirms that even if there is liability, the court should not automatically order disgorgement of the defendant's profits as damages. In litigation, therefore, it will still be important for plaintiffs to discover and develop a record that highlights, to the extent possible, a defendant's intentions and knowledge respecting any infringement. Prior to litigation, obtaining an opinion of counsel regarding the use of a particular mark remains a powerful tool in defending against charges of knowingly infringing and can help reduce potential damages exposure should litigation ever ensue.

Contact

Matthew "Chip" De Preter
312.755.3153
cdepreter@agdglaw.com

Christopher W. Niro
312.755.3161
cniro@agdglaw.com

William L. Niro
312.755.3188
wniro@agdglaw.com

Kristina D. Diesner
312.755.3133
kdiesner@agdglaw.com

Alan S. Wernick
312.755.3172
awernick@agdglaw.com

330 N. Wabash Ave.
Suite 1700
Chicago, IL 60611
T: 312.828.9600
F: 312.828.9635
www.agdglaw.com

Follow Us

The Supreme Court's Reasoning

The case at issue was *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-1233, (U.S. Apr. 23, 2020). Romag established that Fossil had used its trademarks, but the District Court refused to award disgorgement of Fossil's profits as damages because the jury had not found that Fossil acted willfully in infringing the mark. The Supreme Court took up the issue to settle a conflict that had been brewing in lower courts across the country, where some had held that a plaintiff was *only* able to obtain disgorgement damages if it could establish willful infringement by the defendant.

The Court found that the Lanham Act is not restrictive in the types of damages that may be awarded. The plain text of 15 U.S.C. § 1117(a) states: "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 principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action."

As the Supreme Court noted, "[i]mmediately, this language spells trouble for Fossil." The statute only requires a showing of willfulness for violations of section 1125(c) (damages for dilution of a trademark). It does not contain any such restriction for simple trademark infringement (i.e. likelihood of confusion). The Court further noted that other provisions in the Lanham Act contain specific mental state requirements, such as 15 U.S.C. 1117(b), which requires establishing a defendant intentionally, and with knowledge, committed the infringing acts before the Court imposes treble damages or attorney's fees.

Fossil had argued that the statute's statement that damage awards are "subject to the principles of equity" meant that willfulness was a requirement. The Supreme Court rejected that argument. Instead, the Court ruled that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." Therefore, the damage award, which may include *both* the damage actually suffered by a plaintiff *and* the profits of defendant, may fluctuate depending on the mental state of the defendant. However, proof of that mental state is not mandatory or a prerequisite for a plaintiff to obtain disgorgement of defendant's profits as damages.

If you have any questions about this Alert, please contact the author listed below or the Aronberg Goldgehn attorney with whom you normally consult.

Chip De Preter
cdepreter@agdglaw.com
312.755.3153