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Supreme Court Holds that Willfulness is Not Required for Disgorgement of Profits Under the Lanham Act

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Under Section 1117(a) of the Trademark Act, courts may award the plaintiff's lost profits or the defendant's profits resulting from a violation of the statute. The Supreme Court decided today that while a defendant's mental state is an important factor in deciding whether to disgorge a defendant's profits gained from trademark infringement, it is *not* a prerequisite. *Romag Fasteners v. Fossil*, No. 18-1233. The Court's decision was unanimous and the opinion was authored by Justice Gorsuch and joined by seven other justices. Justice Sotomayor separately concurred in the judgment, and Justice Alito filed a concurring opinion in which Justices Breyer and Kagan joined.

The question of whether the Trademark Act requires proof of willfulness for disgorgement arose in a case between Romag, a company that sells magnetic snap fasteners for use in leather goods, and Fossil, the fashion accessory company. Romag accused Fossil of using counterfeit Romag fasteners on its products, and a jury found that Fossil had done just that, acting "in callous disregard" of Romag's trademark rights. The jury declined to find that Fossil had acted willfully, however, so the district court declined to disgorge Fossil's profits stemming from its infringement, citing to Second Circuit precedent that a plaintiff must prove the defendant's Trademark Act violation is willful. The Federal Circuit affirmed. Not all circuit courts have taken the same view, though, so the Supreme Court granted certiorari to resolve this split.

The Court's decision explained that proponents of a willfulness requirement, including Fossil, had relied on language in Section 1117(a) stating that any damages, including the defendant's profits, shall be awarded "**subject to the principles of equity**":

> 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 in any civil action arising under this chapter, 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.

According to Fossil, equity courts traditionally required a showing of willfulness in trademark cases before disgorging the defendant's profits, and Congress had imported that requirement with the "principles of equity" language. The Court disagreed, finding it was unlikely that Congress would use the phrase "principles of equity" to refer to a narrow rule about trademark law. Moreover, the history of equity courts was muddled: while some cases did treat willfulness as a prerequisite for disgorgement, others did not.

Language elsewhere in the Trademark Act further contradicted Fossil's position. The statute includes numerous different provisions with express language concerning the defendant's mental state, such as Section 1117(b), which directs courts to award treble damages for *intentional* use of a counterfeit mark absent extenuating circumstances. The Court's takeaway was that "the Lanham Act exhibits considerable care with *mens rea* standards," so the absence of an explicit provision in Section 1117(a) indicated that Congress did not intend to impose a willfulness requirement there. The Court was sensitive to policy arguments from Fossil and *amici* that restraints on profits awards were needed to deter "baseless" trademark suits, but determined that this was a question better left to Congress.

As a result of today's decision, Lanham Act prevailing plaintiffs will have a better chance of obtaining an award of defendant's profits, particularly in circuits where willfulness was previously considered to be a requirement. The Court was clear, however, that while willfulness is not a prerequisite for disgorgement, a "defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." Thus, evidence of willfulness will still be an important factor in Lanham Act cases.

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