

Supreme Court Says “Willfulness” Not Required to Recover Trademark Infringers’ Profits — What’s Next?

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In *Romag Fasteners, Inc. v. Fossil, Inc.*, the U.S. Supreme Court recently ruled unanimously that willful intent is not an absolute prerequisite to awarding an infringer’s profits in a trademark infringement lawsuit.

The decision comes as welcome news to brand owners because it effectively lowers the standard for recovering an important form of monetary relief.

Intellectual property lawyers expect to see an uptick in trademark infringement lawsuits and an increased willingness by defendants to settle out of court rather than risk damages awards that may be, on average, larger than previously awarded.

The Lanham (Trademark) Act provides remedies for trademark infringement in the form of injunctive relief, plaintiff’s actual damages and defendant’s profits.

More specifically, the act provides that in the event of any violation of a registered trademark or “a violation under [the unfair competition or cyberspace provisions] of this title, or a willful violation under [the dilution provisions] of this title . . . , 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.”

Prior to *Romag*, circuits were split in requiring a finding of “willfulness” as a precondition to recovering an infringer’s profits.

The D.C. Circuit, 2nd, 8th, 9th and 10th Circuit (which includes Colorado) required a showing of willfulness prior to awarding an infringer’s profits.

The 1st Circuit also required such a finding only if the infringer was not a direct competitor of the trademark owner. By contrast, the 3rd, 4th, 5th, 6th, 7th and 11th Circuits had no such requirement; rather, willfulness was merely one consideration in assessing whether

an award of profits was appropriate.

With its decision in *Romag*, the Supreme Court has resolved the circuit split — holding that a trademark owner in an infringement lawsuit is not required to show willful intent by the infringer to recover the infringer’s profits.

In *Romag*, Petitioner Romag Fasteners, Inc. sued Fossil, Inc. for patent and trademark infringement when Romag discovered that certain Fossil handbags sold in the U.S. had used counterfeit Romag snaps. At trial, a jury found Fossil guilty of infringement but found that Fossil’s conduct did not rise to the level of willful infringement.

A jury awarded nearly \$7 million in profits; however, the district court struck the award, holding that Second Circuit precedent requires a finding of willfulness as a precondition to an award of profits. The Federal Circuit affirmed.

The Supreme Court reviewed the case to decide whether the plain language of the Lanham Act required a finding of willful intent in order to award an infringer’s profits. Although the Lanham Act explicitly requires a showing of willful intent to recover an infringer’s profits for a trademark dilution claim, the court held that the same precondition has never been required for false or misleading use of a trademark and is not explicitly set forth in the act. The court acknowledged that the intent of an infringer should be an important consideration in deciding whether to award an infringer’s profits but is just one consideration of many and not a condition precedent to an award.

Intellectual property practitioners are expecting to see the following trends post-*Romag*:

First, brand owners may have increased incentives and willingness to pursue infringement actions in court. Litigation is expensive and plaintiffs weigh the likelihood of monetary recovery when deciding to file suit.

The standard remedy for trademark infringement is injunctive relief, which prevents further damage



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to a brand and avoids consumer confusion in the marketplace. Generally, trademark owners can also recover actual damages attributable to the infringement. However, proving actual damages is notoriously difficult. Thus, pre-*Romag*, brand owners faced the real possibility of receiving little or no money despite succeeding on a trademark infringement claim. And, since attorneys’ fees and costs are only awarded in “exceptional” trademark infringement cases, pursuing infringement claims often left brand owners out-of-pocket.

Post-*Romag*, monetary relief in the form of infringers’ profits appears to be more attainable to many trademark owners. Accordingly, we may see an uptick in trademark infringement lawsuits in jurisdictions that previously required willfulness to be proven as a precondition to an award of profits.

Second, defendants may feel increased pressure to settle trademark infringement claims. Previously, many infringers acknowledged the credible threat of injunctive relief, but felt removed from monetary lia-

bility. Recognizing this, brand owners were often willing to settle their infringement claims without compensation so long as the infringing activity ceased. Brand owners now have more bargaining power in settlement negotiations. Now, even “innocent” infringers must consider the risk that courts will disgorge their profits in favor of trademark owners.

With all that in mind, infringers may settle more quickly and on less favorable terms.

Indeed, it is possible that more infringers will offer financial compensation during settlement negotiations to avoid the uncertainty of having to defend a lawsuit, especially if district courts begin to award defendants’ profits on a more frequent basis and damages awards begin to tick upwards.

All in all, the Supreme Court’s decision in *Romag* is favorable for brand owners, and will likely influence enforcement, defense and settlement strategies. •

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