

Trademark State of Mind: Willfulness Not Required for an Award of a Trademark Infringer's Profits

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*I don't have any reasons
I left them all behind
I'm in a trademark state of mind.*

A “New York State of Mind” may matter to Billy Joel, but state of mind does not matter when it comes to eligibility for certain remedies for trademark infringement. The Supreme Court has just resolved a long-standing split of authority among the lower courts by holding that a trademark owner seeking to disgorge a trademark infringer's profits need not first prove that the infringer had a bad faith state of mind—that is, that the infringement was “willful.” Even so-called innocent infringement could lead to a disgorgement of profits in some cases.

The typical trademark owner may first try to stop the infringement by seeking a court-ordered injunction preventing continuing infringement. But trademark owners may also seek monetary damages. Damages may take several forms, including (1) actual damages, such as an award of the trademark owner's lost profits caused by the trademark infringement, and (2) disgorgement of the infringer's profits made from the infringement. Disgorgement of the infringer's profits is sometimes awarded when the trademark owner's actual damages are inadequate to compensate for the infringement. Damages from lost sales can be difficult to calculate, while profits gained through the infringement are often more certain. Until now, however, many courts would not consider awarding the defendant's profits unless the trademark owner first proved that the defendant's infringement was *willful*—that is, the infringer knew of the trademark, intended to bank on the trademark owner's goodwill, disregarded the owner's trademark rights, or otherwise acted in bad faith. Other courts held that proving willfulness was not a prerequisite to recovering the infringer's ill-gotten profits.

To resolve this split, the Supreme Court simply read the relevant statute—in this case, Section 35 of the Lanham Act (35 U.S.C. § 1117(a)), which is the federal law governing trademark rights. That statute, plainly read, does not require a showing of willfulness for damages resulting from garden-variety trademark infringement. Willfulness may still be a consideration in determining damages, but it is not an absolute requirement.

To legal scholars, the Supreme Court's opinion may be more interesting as a lesson on how to read and interpret statutes than

as a lesson on trademark law and policy. But the outcome may still have a significant impact on trademark enforcement. This ruling removes doubt that trademark owners may potentially recover the infringer's profits, thus giving trademark owners more leverage when policing infringements. And for business owners, the ruling is a note of caution that may prompt them to be more careful when choosing brand names or crafting advertisements. Customer confusion is the state of mind to be studiously avoided.

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

McCarter English has a team of knowledgeable trademark attorneys who can assist you with your trademark issues and needs.