



## SUPREME COURT ADDRESSES TRADEMARK INFRINGER PROFITS - TIME TO TAKE A CLOSER LOOK AT YOUR BRANDS?

by David G. Henry, Sr. and Carol Wilhelm  
April 24, 2020



Whether you are a trademark owner, or one considering using a new brand that is “close” to that of a competitor, the United States Supreme Court has a message for you: It is now easier for a brand owner to get, *in addition* to “actual damages”, an infringer’s profits derived from use of an infringing brand. Prior to this week’s ruling, trademark owners had to prove, in many courts throughout the country, that an infringement was “willful” – a higher level of culpability and proof – before they could be entitled to recover profits. The Supreme Court has now clarified that such proof *is not required*.

The portion of the federal trademark statute, known as the “Lanham Act”, that describes what can happen when one party infringes another’s trademark (15 U.S.C. Section 1117(a)) provides, in part:

*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** (emphasis added).*

This passage continues with a number of guidelines for courts that, in essence, allow the court to increase or decrease damage awards, based on that which the court finds “just, according to the circumstances of the case,” including up to a trebling of actual damages.

Therefore, the Lanham Act, on its face, prescribes a potentially devastating financial blow to adjudged trademark infringers. Even so, courts in large areas of the United States, as well as the Court of Appeals for the Federal Circuit (a specialized court in Washington, D.C. dealing primarily with Intellectual Property Law cases), interpreted the Lanham Act as *requiring* a finding of “willful infringement” before a defendant’s profits from infringing sales could be taken. Other regional circuit courts (and those district courts under their jurisdiction), however, did not find willfulness to be a prerequisite to an award of an infringer’s profits, thereby creating a split among the circuits.

In the April 23, 2020 case of *Romag Fasteners v. Fossil Group Inc.*, the United States Supreme Court resolved the conflict and has now made clear that “willfulness” is merely one factor that a court should consider in whether to award an infringer’s profits to the trademark owner. In the Court’s opinion:

[W]e do not doubt that a trademark defendant’s mental state is a highly important consideration in determining whether an award of profits is appropriate. But acknowledging that much is a far cry from insisting on the inflexible precondition to recovery Fossil advances.

In other words, courts should consider such things as intentional infringement, “callous disregard” for the rights of the trademark owner, and the like, but none of these are literal prerequisites to the award of profits to a prevailing trademark plaintiff.

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What does this mean for businesses? For the brand owner whose competitor may be using a brand that is the same, or “confusingly similar”, there is arguably now a bigger, more threatening stick to threaten or use against infringers. The prospect of a judgement against a party, not just for “actual damages” (plaintiff’s lost profits, corrective advertising, price erosion, and such), but *also* for all of the *defendant’s* profits from infringing sales should surely be a daunting prospect to anyone who even suspects that they may be infringing. This is even more the case now, because defendants are no longer immunized from a disgorgement of profits simply by defeating the claim that their infringement was “willful”. So, the *Romag* decision may warrant brand owners looking more closely at the brands they own, and possible infringing use by third parties, in view of the greater prospect of significant awards. This is atop the always-important prospect of preserving, through enforcement, the value and integrity of one’s brands in the marketplace.

For businesses that are adopting a new brand for products or services, this new decision is also a wake-up call. Because the standard for infringement is the existence merely of a “likelihood of confusion” between prior-used and later-adopted trademarks or service marks (already a dangerously imprecise standard), one should be even more careful about adopting a brand that may be “confusingly similar” to that of a previously-adopted brand. Guidance from experienced trademark attorneys in adopting new brands (and certainly in responding to complaints by third-party trademark owners) is more important than ever before, because making a wrong decision in adopting a new brand is, now, a higher-stakes matter than ever before.

### ABOUT THE AUTHORS



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*With more than 30 years of experience dedicated to advising clients around the globe on the inception, protection and monetization of all types of intellectual property assets, David is the Leader of the Intellectual Property Litigation Practice Group. His practice is focused on handling a wide variety of patent, trademark, trade secret and copyright matters, ranging from enforcement and defense of rights in litigation to strategic planning, prosecution, registration and licensing. David is a registered patent attorney with the United States Patent and Trademark Office (USPTO) and the Canadian Patent Office.*



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