NO. 18-1233

In the Supreme Court of the United States

ROMAG FASTENERS, INC.,

Petitioner,

v.

FOSSIL, INC., FOSSIL STORES I, INC., MACY'S, INC., AND MACY'S RETAIL HOLDINGS, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE INTERNATIONAL TRADEMARK ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY

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The undersigned amicus curiae respectfully submits this brief in support of Neither Party.[1]

INTERESTS OF THE AMICUS CURIAE

Amicus curiae the International Trademark Association ("INTA") is a not-for-profit global organization dedicated to the support and advancement of trademarks and related intellectual property. Founded in 1878, INTA has more than 7,200 member organizations from 191 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist in the creation, registration, protection, and enforcement of trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

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[1] Pursuant to Supreme Court Rule 37.6, this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel for a party. No party or counsel for a party, nor any other person or entity other than amicus curiae, its members, and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3(a), both Petitioner and Respondent have filed blanket consent to the filing of amicus curiae briefs in support of either or neither party.

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation following invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with major trademark and related legislation. INTA also has participated as amicus curiae in numerous cases in this Court and other courts across the country involving significant Lanham Act issue.[2] Moreover, INTA's members are

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[2] Cases in which INTA has filed amicus briefs include: *Peter v. NantKwest, Inc.*, S. Ct. No. 18-801 (pending); *Iancu v. Brunetti*, 139 S. Ct. 2294 (2019); *Mission Prod. Holdings, Inc. v. Tempnology, LLC*, 139 S. Ct. 1652 (2019); *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881 (2019); *Matal v. Tam*, 137 S. Ct. 1744 (U.S. 2017); *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (U.S. 2015); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (U.S. 2015); *Pom Wonderful LLC v. Coca-Cola Co.*, 573 U.S. 102 (2014); *Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v.* Twentieth *Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana,*

frequent participants in litigation both in courts and in administrative proceedings before the United States Patent and Trademark Office ("USPTO") and the Trademark Trial and Appeal Board ("TTAB"), with respect to the Lanham Act. INTA and its members have a deep and powerful interest in the development of clear, consistent, and equitable principles of trademark law.

INTA's members have a substantial interest in the question presented—"whether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer's profits for a violation of section 43(a), *id.* § 1125(a)."

Inc., 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015); *Ferring B.V. v. Watson Labs., Inc.-Fla.*, 764 F.3d 1382 (3d Cir. 2014); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); *Fleischer Studios, Inc. v. A.V.E.L.A.*, Inc., 654 F.3d 958 (9th Cir. 2011); *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011); *Chloe v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010); *Starbucks Corp. v. Wolfe's Borough Coffee*, *Inc.*, 588 F.3d 97 (2d Cir. 2009); *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Test Masters Educ. Servs., Inc. v. Singh*, 428 F.3d 559 (5th Cir. 2005).

INTA members find themselves on both sides of trademark litigation, appearing as often as plaintiffs as they do as defendants.

As plaintiffs protecting their trademarks, they need fair and equitable remedies that will compensate for injury, prevent unjust enrichment, and deter infringement. Many INTA members find it increasingly difficult to secure adequate remedies, given the widely acknowledged difficulty of proving injury in trademark cases and increasing barriers to injunctive relief. From their perspective as plaintiffs, INTA members need remedies that are realistically available.

INTA members are also frequently defendants. In this role, INTA members need remedies that fairly compensate for infringement, but do not result in windfall awards or exaggerated risk.

For these reason, INTA advocates a balanced and flexible interpretation of the phrase "subject to equitable principles" that recognizes the importance of willfulness evidence, but does not make it a rigid precondition to a profits award. INTA believes that this approach best balances the need for effective remedies against the need to prevent excessive windfall awards.

SUMMARY OF ARGUMENT

Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a) (hereinafter "Section 35(a)") does not require evidence of willfulness in all cases as a prerequisite to an award of profits. Rather, all equitable principles must be considered, and courts may not rigidly require evidence of willfulness to the exclusion of other equitable factors. This conclusion flows from an appreciation of the overall network of remedies under the Lanham Act, which expressly requires intentional deception with respect to specific categories of liability, such as printers and publishers who prepare or distribute for others materials that infringe. It would be anomalous to require willfulness as a precondition broadly applicable to the entire genus of trademark infringement given Congress's explicit requirement of intentional deception as to certain species.

This conclusion also flows from the legislative history of Section 35(a). When Congress made the right to recover an infringer's profits "subject to principles of equity," it expressed no intention to narrowly focus on willfulness, but rather to make it "clear that the normal principles of equity in respect of allowance of and defenses to an accounting of profits and the recovery of damages are not affected by this bill."[3] The decisions of this Court and other courts prior to the passage of the Lanham Act reveal that those "normal principles of equity," were not limited to willfulness, but were instead broad and flexible, and included absence of fraudulent intent, degree of competition between the products, laches, acquiescence, and unclean hands; on occasion the courts awarded profits when there was no evidence of fraud or deceit. For these reasons, willfulness is not a precondition to an award of profits.

While INTA agrees that Section 35(a) does not require a threshold finding of willfulness for an award of profits, it disagrees that this conclusion depends on inferences drawn from Congress's 1999 amendment of Section 35(a) to add a willfulness requirement as a condition to recovering profits in a dilution case. In context, it is clear that Congress only intended this amendment to correct a drafting error and that there was no intention to resolve conflicting circuit court decisions.

Awarding profits only after consideration of a broad and flexible set of equitable principles is the

[3] *Trade-marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 228 (1941) (Letter from Milton Handler).

best way to balance competing policy objectives. A wooden insistence on evidence of willfulness may deprive plaintiffs of a remedy and fail to deter infringement and result in unjust enrichment. With that said, Section 35(a) gives the courts wide latitude to assign extra weight to the willfulness factor. Thus, depending on the circumstances of the particular case, courts have discretion to find that the presence or absence of willfulness evidence is the determining factor. Although plaintiffs should be free to argue that factors other than willfulness justify an award of profits, Section 35(a) should not restrict the court's discretion to give determinative weight to the defendant's willfulness or good faith.

PROCEDURAL HISTORY

INTA adopts the Petitioner's Procedural Statement.

ARGUMENT

1. SECTION 35(a) ALLOWS COURT BROAD DISCRETION TO CONSIDER DIVERSE EQUITABLE FACTORS, BUT IT DOES NOT MAKE WILLFULNESS A PRECONDITION

Congress gave [4] the federal courts broad discretion to consider all evidence when deciding whether to award the infringer's profits. Section 35(a) [5] provides that a winning plaintiff "shall be

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[4] Interpretation of recovery of profits under the Section 35(a) "begins where all such inquiries must begin: with the language of the statute itself." *United States v. Ron Pair Enter., Inc.*, 489 U.S. 235, 241 (1989).

[5] Section 35(a) provides in full:

> 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 the court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for

entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover . . . defendant's profits," but Congress did not define those "principles of equity." 15 U.S.C. § 1117(a). Congress did not attempt to alter the basic rules of recovery that existed under the 1905 Trade Mark Act or limit the courts' right and ability to draw on the vast body of equity jurisprudence to decide in each case whether an award of profits was just. On the contrary, Congress further emphasized the courts' broad discretion by including in Section 35(a) the additional proviso that: "If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case . . . ." 15 U.S.C. § 1117(a). The only limitation is that "[s]uch sum in either of the above

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> any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a).

circumstances shall constitute compensation and not a penalty." *Id.*

The statutory text does not on its face require that a plaintiff prove that the defendant's infringement was willful, but neither does it limit the district court's discretion "according to the circumstances of the case" to assign extra weight to the presence or absence of evidence of willfulness. As explained below (*see* section 3.5, *infra*), most courts, including those that require consideration of multiple equitable factors, consider the presence (or absence) of willful infringement to be one of the more important factors based upon the deterrence doctrine. *See*, *e.g.*, *Monsanto Chem. Co. v. Perfect Fit Prods. Mfg.*, 349 F2d 389, 393 (2d Cir. 1965).

2. THERE IS NO STATUTORY BASIS FOR REQUIRING WILLFULNESS AS A PRECONDITION TO AN AWARD OF PROFITS

2.1 Statutory Construction: Congress Expressly Required Specific States of Mind in Other Sections

Section 35(a) makes recovery of monetary awards subject not only to "principles of equity" but also to Section 32, 15 U.S.C. §1114, (hereinafter "Section 32") which defines the terms for liability for infringing registered trademarks and provides exemptions for relief against certain categories of defendants who engage in infringing behavior or acts of unfair competition. Analysis of Section 32 shows that when Congress intended to require a certain state of mind as a condition for an award of profits, it said so explicitly.

Section 32 imposes liability on two types of infringers. Section 32(1)(a) imposes liability on those who *use* an infringing mark to sell goods or services in commerce if "such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a). This section, which applies in most trademark infringement cases, does not include any intent requirement. "Thus, in modern law, emphasis is placed on the objective facts of likely customer confusion, rather than upon the subjective mental state of the infringer." J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:104 (5th ed. 2017).[6]

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[6] *But see* McCarthy § 30:58:

> Perhaps one explanation for judicial uncertainty as to monetary awards in these cases is the view that while injunctive relief is largely a matter of strict liability, monetary relief should require "something more." That is, injunctive relief is generally granted upon a strong showing of a 'likelihood of confusion' and neither proof of actual confusion nor proof of intent or willfulness is

Section 32(1)(b), on the other hand, imposes liability on those who prepare infringing materials, such as labels, packaging materials, and advertisements, to be used on or in connection with the sale of goods or services in commerce.[7] 15 U.S.C. § 1114(1)(b). With respect to these actors, "the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(b). This language, which comports with a common definition of

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> required. However, when it comes to making an award of monetary relief for past acts of infringement, judges are hesitant to do so, whether it is labelled "damages," "profits" or "attorney's fees," without that indefinable "something more." Monetary liability in trademark cases without fault or knowingly performing illegal acts seems to give most judges considerable pause.

[7] More specifically, section 32(1)(b) reaches those who

> reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

15 U.S.C. § 1114(1)(b).

willfulness, i.e., intention to confuse or deceive, has appeared in the Lanham Act since the Act's enactment in 1946.

Two other subsections of Section 32 also direct courts to address the infringer's intent in determining the availability of profits and other monetary relief against specific classes of infringers. Section 32(2)(A) provides that "[w]here an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator" the prevailing registrant is not entitled to monetary relief. 15 U.S.C. § 1114(2)(A). Section 32(2)(B) provides similar protection to publishers and distributors of "paid advertising matter," providing that monetary relief is not available against publishers or distributors of such material who are "innocent infringers and innocent violators." 15 U.S.C. § 1114(2)(B). Notably, these equitable exemptions from monetary relief against printers and publishers apply not only to trademark infringement claims brought under Section 32, but also to unfair competition and false advertising claims brought under Section 43(a). 15 U.S.C. §§ 1114(2)(A), (B).

The specific requirement of a showing of intention to deceive as a prerequisite to an award of profits (or other monetary relief) under Section

32(1)(b) and the specific prohibition on profit awards against "innocent" printers and publishers under Section 32(2) stand in sharp contrast to the absence of any such prerequisite or exemption with respect to the category of infringers covered by Sections 32(1)(a) and 43(a). Clearly, Congress meant to impose specific state-of-mind considerations for liability of those who prepare materials to be used in commerce by others, and, just as clearly, *not* to impose such a requirement on actors who themselves use infringing marks to cause confusion or to deceive. *See Russello v. United States*, 464 U.S. 16, 23 (1983) ("[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." (citation omitted)); *see also Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) (noting the "duty to refrain from reading a phrase into the statute when Congress has left it out").

This distinction disappears if Section 35(a) is interpreted to require evidence of willfulness in all cases. To interpret the "subject to principles of equity" clause of Section 35(a) as requiring willfulness for recovery of profits for *all* Section 32(a) and 43(a) violations would render the distinctions between Sections 32(1)(b) and 32(2) superfluous, contrary to "a cardinal principle of statutory construction" that courts should "give effect to every clause and word of a statute." *TRW Inc. v. Andrews*, 534 U.S. 19, 31 (2001) (citation and internal quotation marks omitted); *see also Cooper Indus., Inc. v. Aviall Servs., Inc.*, 543 U.S. 157, 166 (2004) (stating that the Court is "loath" to interpret statutes in a way that "would render part of the statute entirely superfluous").

Consequently, the clause "subject to principles of equity" should be interpreted to mean *something different* from the explicit state-of-mind requirements applicable under Sections 32(1)(a) and 32(2). That difference is easily identified—"principles of equity" is broader, and includes not only willfulness but all other evidence traditionally considered in equity.

2.2 The Legislative History Supports a Multi-Factor Approach

It is well-established that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) (construing Lanham Act provision). Thus, "[a]bsent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive." *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980). With that said, "[l]egislative history can be particularly helpful when a statute is ambiguous or deals with especially complex matters." *Dig. Realty Tr., Inc. v. Somers*, 138 S. Ct. 767, 783 (2018) (Sotomayor, J., concurring). As such, "even when . . . a statute's meaning can clearly be discerned from its text, consulting reliable legislative history can still be useful, as it enables [the Court] to corroborate and fortify [its] understanding of the text." *Id.*

As discussed above, it is clear that Section 35(a) does not require willfulness as a prerequisite to an award of profits. But to the extent review of the legislative history of the Lanham Act is warranted, that review corroborates this view.

The Lanham Act's legislative history does not expressly discuss the reasons for adding the phrase "subject to principles of equity" in the final draft of the Lanham Act. Nevertheless, it is telling that such language cannot be found in the monetary recovery provisions of the 1905 Trade Mark Act. As the Second Circuit noted in *Getty Petroleum Corp. v. Bartco Petroleum Corp.*:

> [T]he drafters of Sec. 35 of the Lanham Act embellished upon the 1905 Act's recovery provisions in two significant ways. First, added

> to the provisions for increasing recovery was the caveat that a court's enhancement of a damage award or adjustment of profits awarded "shall constitute compensation and not a penalty.'" Second, all monetary recovery under Sec. 35 is "subject to the principles of equity."

858 F.2d 103, 110 (2d Cir. 1988); s*ee also Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 130–31 (1947) (discussion of cases applying rules governing an accounting of profits under 1905 Trade Mark Act and equitable considerations such as laches, good faith of defendant or where injunctive relief will satisfy the equities of the case).

The Second Circuit further specifically noted that the "only explanation" in the legislative history for the addition of "subject to principles of equity" is found in a 1941 letter from Columbia University Law School Professor Milton Handler to Representative Lanham. *Getty Petroleum Corp.*, 858 F.2d at 111. Professor Handler's letter stated:

> Section 36 of the committee print [which became Section 35(a) of the Lanham Act] has to do with the recovery of damages, profits, and costs. In view of the language of section 35 [which authorized injunctive relief] and the fact

> that sections 35 and 36 are derived in the main from the present act, it seems clear that the normal principles of equity in respect of allowance of and defenses to an accounting of profits and the recovery of damages are not affected by this bill.

Trade-Marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-Marks of the House Comm. On Patents, 77th Cong., 1st Sess. 228 (1941) (Letter from Milton Handler) (hereinafter, "1941 Hearing"); *see also* James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 TMR 458, 485 (1982). Professor Handler's letter urged that the words "according to the principles of equity" be inserted in Section 35(a) immediately following the words "he shall be entitled" and preceding the words "to recover" in the first sentence of the section to "effectuate the intentions of the draftsmen and in the interests of clarity." 1941 Hearing at 228. The letter does not mention nor evince Congressional purpose with respect to the equitable factor of "willfulness" as a prerequisite to the recovery of profits nor is there any basis to assume that the addition of the language "according to the principles of equity" was intended to restrict a court's consideration of the equitable considerations underlying the recovery of profits in the first instance solely to proof of willfulness.

2.3 This Court's Precedent Immediately Before and After Enactment of the Lanham Act Shows That the Applicable "Principles of Equity" Include Multiple Equitable Factors

This Court applied equitable principles in several decisions prior to and immediately following the passage of the Lanham Act in 1946. These decisions show that this Court did not consider willfulness to be the sole relevant factor—indeed, the words "willful" or "willfulness" do not appear in any of the Court's decisions on trademark profits.

In the decision below, the Federal Circuit noted that the closest this Court has come to addressing whether proof of willfulness is required as a matter of traditional equitable principles to recover an infringer's profits was in two pre-Lanham Act decisions: *Saxlehner v. Siegel-Cooper Co.,* 179 U.S. 42 (1900) and *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U.S. 251 (1916). *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 785 (Fed. Cir. 2016). In *Saxlehner,* the Court considered appeals from judgments concerning three retailers who had been accused of unlawfully selling "bitter water" under trademarks and trade dress that mimicked the Plaintiff's. This Court found that all three retailers should be enjoined from such conduct, but that none of them should be forced to disgorge their profits, explaining as follows:

> We think that an injunction should issue against all these defendants, but that, as the Siegel-Cooper Company appears to have acted in good faith, and the sales of the others were small, they should not be required to account for gains and profits.

179 U.S. at 42–43. Thus, the Court considered not only one defendant's good faith, but also the other defendants' meager sales as justification for not awarding profits.

In *Hamilton-Brown Shoe Co.*, this Court affirmed an accounting of the infringer's profits in a case in which a rival seller infringed the plaintiff's THE AMERICAN GIRL trademark for shoes by selling competing shoes under the AMERICAN LADY trademark. In sustaining the award of profits, the Court noted "that [the] defendant [did] not stand as an innocent infringer"; rather, "the findings of the court of appeals, supported by abundant evidence, show[ed] that the imitation of complainant's mark was fraudulent." 240 U.S. at 261. While both of these decisions considered the defendant's level of culpability to be relevant in determining whether to award profits in the cases before the Court, neither *Saxlehner* nor *Hamilton-Brown Shoe Co.* purported to set forth a rule that a finding of willfulness or intentional deception is a *prerequisite* for recovery.

Moreover, the Federal Circuit's historical study of this Court's jurisprudence stopped a few decades short. Two later opinions of this Court support a holding that profit recovery in trademark cases is subject to various equitable principles, not just the defendant's level of culpability.

First, in *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942), decided within one year of the hearings before Congress on the Lanham Act and less than four years before the 1946 Act was enacted, this Court found that the lower courts had erred by limiting a successful plaintiff's recovery in a trademark infringement action to the defendant's "profits made from sales 'to purchasers who were induced to buy because they believed the [defendant's products] to be those of plaintiff and which sales plaintiff would otherwise have made.'" 316 U.S. at 204. In reversing the lower courts' judgment, the Court explained that actual confusion was not required for entitlement of profits, that the plaintiff merely needed to show proof of the defendant's sales, and that the burden was on the defendant to prove that its profits were attributable to factors other than its infringement. *Id.* at 206–07. Significantly, over the objection of dissenting Justices, the Court sustained the award of profits—and remanded to the district court to determine whether additional profits should be awarded—despite the fact that the defendants' infringement had been "found by both courts below to have been without fraudulent intent." *See id.* at 208–09 (Black, J., dissenting).

A few years later, within ten months of the 1946 Act's enactment but still applying the 1905 Act, this Court again considered recovery of profits in *Champion Spark Plug*, a trademark infringement and unfair competition case involving reconditioned spark plugs. 331 U.S. 125. In affirming the lower courts' decision not to award profits, the Court cautioned that while *Mishawaka Rubber & Woolen Mfg. Co.* "states the rule governing an accounting of profits where a trade mark has been infringed and where there is a basis for finding damage to the plaintiff and profit to the infringer," "it does not stand for the proposition that an accounting will be ordered merely because there has been an infringement." *Id.* at 131. Rather, the Court observed that "[u]nder the Trade Mark Act of 1905, as under its predecessors, an accounting has been denied where an injunction will satisfy the equities of the case." *Id.* (citations and footnotes omitted). The Court then observed that "there [was] no showing of fraud or palming off," that the defendants had been complying with an FTC order requiring them to label the spark plugs as "used or second-hand," and "that the likelihood of damage to petitioner or profit to respondents due to any misrepresentation seem[ed] slight." *Id.* at 131–32. Thus, the Court concluded that "[i]n view of *these various circumstances*" an injunction would "satisfy the equities of the case" such that profits need not be awarded. *Id.* at 132 (emphasis added).

If traditional "principles of equity" required a showing of willfulness—or any other state of mind, such as fraudulent intent—as a prerequisite to recovery of profits for trademark infringement under the 1905 Trade Mark Act, one would think that this Court would have said so. Yet profits were awarded in *Mishawaka Rubber & Woolen Mfg. Co.*, in which no fraudulent intent was found. And the Court's analysis of the equitable factors in *Champion Spark Plug Co.* did not end with its determination that there was "no showing of fraud or palming off"; rather, the Court also considered other factors such as "the likelihood of damage to petitioner or profit to respondents due to any misrepresentation" and whether "the injunction will satisfy the equities of the case." *See Champion Spark Plug Co.*, 331 U.S. at 131. These cases, decided in close proximity to passage of the Lanham Act, therefore indicate that the defendant's state of mind was not a threshold factor for an award of profits under the 1905 Trade Mark Act and was not intended to be a threshold factor for profits by the drafters of the 1946 Lanham Act.

2.4 Courts Have Discretion to Consider Many Equitable Factors Other Than Willfulness

Section 35(a) requires a court to consider "principles of equity," but it does not define those principles. It is left to the courts to identify the relevant equity principles and to assess the relative weight given to any factor.

General equitable considerations have been considered both before and after passage of the Lanham Act. *Compare Champion Spark Plug Co.*, 331 U.S. at 130–31 *with Pebble Beach Co. v. Tour 18 Ltd.*, 15 F.3d 526, 554 (5th Cir. 1998); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) ("Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer willfully infringe the trade dress to justify an award of profits.").

For example, in *Pebble Beach*, the Fifth Circuit observed,

> [w]hile this court has not required a particular factor to be present, relevant factors to the court's determination of whether an award of

> profits is appropriate include, but are not limited to, (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off."

15 F.3d at 554; *see also Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) (same factors). Other circuits have used similar factors. *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175–76 (4th Cir. 2006) (quoting *Quick Techs/Pebble Beach* factors: "a trial court, in assessing the issue of damages under 15 U.S.C. § 1117(a), should weigh the equities of the dispute and exercise its discretion on whether an award is appropriate and, if so, the amount thereof. . . . [A]lthough each trademark dispute is fact specific, the foregoing factors, as well as others that may be relevant in the circumstances, should guide a court's consideration of the damages issue."); *see generally* 72 TMR at 496–505.

2.5 Most Circuits Agree That Willfulness Is an Important Factor

Circuit courts considering the equitable considerations relevant to a Section 35(a) award of profits agree that evidence of willfulness is an important equitable factor. This is true even for those courts that have not required proof of willfulness as a precondition to an award of profits.

So long as the court does not exclude evidence relevant to any equitable factor, a court considering Section 35(a) profits award should be free to weight willfulness as it sees fit under the factual circumstances of the case at bar.

The courts that have considered willfulness a precondition to a profits award have not done so because the text of Section 35(a) so dictates. Rather, these courts have reviewed the decades of equity jurisprudence and concluded, as did the Second Circuit in *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992), that age-old "principles of equity" support prioritizing willfulness. As the Second Circuit observed, "[i]n varying degrees, a finding of defendant's intentional deceptiveness has always been an important consideration in determining whether an accounting was an appropriate remedy." 968 F.2d at 1539–40.

The American Law Institute reviewed the equity jurisprudence relating to accounting for trademark infringement and concluded:

> One who is liable to another for deceptive marketing . . . or for infringement of the other's trademark . . . is liable for the net profits earned on profitable transactions resulting from the unlawful conduct, *but only if*: (a) the actor engaged in the conduct with the intention of causing confusion or deception.

Restatement (Third) of Unfair Competition § 37 (Am. Law Inst. 1995) (emphasis added). The Restatement further observes: "Although the victim of an innocent infringement may ordinarily enjoin future infringements and recover proven losses . . . courts *generally* require proof of intentional misconduct as a prerequisite to an accounting of the defendant's profits." *Id*. at cmt. e (emphasis added).

Courts that have not required willfulness as a precondition for an award of the infringer's profits consider other equitable factors and the public interest in deterring infringement and the need to prevent unjust enrichment. These traditional factors are important and a plaintiff should be free to offer evidence, even in the absence of willfulness, in support of an award of profits.

Nonetheless, in most cases, courts that consider the public interest in deterrence or the need to prevent unjust enrichment presuppose some degree of wrongful intent. "Thus, it would seem that for the defendant's enrichment to be 'unjust' in terms of warranting an accounting, it must be the fruit of willful deception." *George Basch Co.*, 968 F.2d at 1538; *see also Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc.*, 951 F.2d 684, 695 (5th Cir. 1992) ("While [palming off] is not a prerequisite to finding unjust enrichment, it is an important circumstance bearing on the determination." (citing *Champion Spark Plug Co.*, 331 U.S. at 130). As the Restatement observes, the courts applying equitable principles have awarded an accounting for profits to deter deliberate infringement and prevent unjust enrichment, but: "The deterrence justification also suggests that an award of profits is inappropriate in cases of innocent infringement." Restatement (Third) of Unfair Competition § 37 cmt. b.

In most cases it is difficult to base a profits award on the need for deterrence if the defendant acted innocently or in good faith. *See, e.g.*, *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123 (9th Cir. 1968) (when the infringement is "entirely innocent" an injunction satisfies the equities of the case); *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 726 F. Supp. 25, 29 (E.D.N.Y.1989) ("unjust enrichment" rationale does not authorize profits against a good faith infringer); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992) (an award of profits against a defendant who had no knowledge of the plaintiff's mark would not be "equitable").

3. THE 1999 AMENDMENTS ARE NOT DETERMINATIVE

In 1996, Congress amended the Trademark Act to add a new cause of action for trademark dilution, specifying that a prevailing plaintiff would be entitled only to injunctive relief unless a defendant also "willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." 15 U.S.C. § 1125(c)(2). A plaintiff who made that showing would also "be entitled to the [monetary] remedies set forth in section 1117(a) . . . subject to the discretion of the court and the principles of equity." *Id.* § 1125(c)(5).

Congress failed, however, to amend Section 35(a) to reference the new dilution cause of action. As Congress explained, it therefore amended the statute again in 1999:

> The language of the [1996 amendment] presented to the President for signing did not include the necessary changes to [Section 1117(a)] . . . . Therefore, in an attempt to clarify

> Congress' intent and to avoid any confusion by courts trying to interpret the statute, section three makes the appropriate changes to [Section 1117(a)] to allow for . . . damages.

H.R. Rep. No. 106-250, at 6 (1999).

The 1999 amendment altered Section 35(a) as follows (added text in italics):

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, ~~or a violation under section 43(a)~~, *a violation under section 43(a), or a willful violation under section 43(c)*, shall have been established in any civil action arising under this Act, 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.

Id. at 15.

As noted above, even before the 1999 amendment, different circuits came to different conclusions as to whether willfulness was a prerequisite for a disgorgement of profits for infringement and false designation. After the amendment, the split remained, with some circuits holding that, to the extent willfulness previously was a prerequisite, the 1999 amendment clarifying that monetary recovery under Section 35(a) was available for "willful violation under section 1125(c)" eliminated any willfulness requirement for claims under Sections 1114 and 1125(a).

INTA shares the Federal Circuit's skepticism[8] that Congress intentionally meant to resolve the existing circuit split as to whether proof of willfulness is required to recover profits under Sections 1114(1)(a) and 1125(a). If Congress were aware of the circuit split and intended to resolve it, then INTA assumes Congress would have done so in clear, direct terms, not by mere implication. Moreover, there is nothing in the legislative history of the 1999 amendments suggesting that Congress had the circuit split on its mind, much less sought to resolve it, by adding "or a willful violation of Section 1125(c)" to Section 35.

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[8] INTA has been unable to find any indication that Congress considered the split between the circuits when it passed the 1999 amendment to Section 35(a). Congress has previously acknowledged INTA's role in guiding and advocating legislation relating to trademarks. *See, e.g.*, S. Rep. No. 100-515, at 2–3 (1988) (acknowledging role of INTA's predecessor in guiding passage of 1988 Trademark Revision Act). INTA, which supported the amendment, did not advocate for the 1999 amendments as a way to resolve the circuit split.

To the extent the 1999 amendment's express willfulness requirement has any significance on the issue before the Court, it is because it provides another example of Congress' use of precise words to identify specific equitable factors that courts must consider under certain circumstances. (*See* discussion of Section 1114(1)(b) and Section 1114(2), *supra*.) Again, when Congress has wished to restrict courts' discretion of equitable considerations for monetary relief, including an award of profits, it has done so using clear, unambiguous, and precise language—"intended to be used to cause confusion," "innocent infringer," "willful violation." But INTA submits that it would be error to claim that the 1999 amendments show Congress' intentional resolution of the existing circuit split.

4. COMPETING POLICY OBSERVATIONS

4.1 Overview

Allowing courts to consider diverse equitable factors best addresses the diverse policy objectives of the trademark community.

4.2 Requiring Willfulness as a Prerequisite to an Award of Profits Is Not Consistent with the Overall Purpose of the Lanham Act.

This Court discerns the statute's meaning by looking to the purpose and "broader context of the statute as a whole." *Robinson v. Shell Oil Co.*, 519 U.S. 337, 341 (1997). As this Court has observed, a Senate Report accompanying the Lanham Act in 1946 stated that the Lanham Act has two goals:

> One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 782 n.15 (1992) (Stevens, J., concurring) (quoting S. Rep. No. 79-1333, at 3 (1946)). To require willfulness for an award of profits would only stymie these goals.

In many cases, an injunction alone cannot compensate a trademark owner for the injuries it has incurred. Moreover, in the wake of the Supreme

Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), it has become increasingly difficult for trademark owners to obtain injunctive relief, whether preliminary or permanent. *See, e.g., Herb Reed Enter., LLC v. Florida Entm't Mgmt., Inc.,* 736 F.3d 1239 (9th Cir. 2013) (actual proof of irreparable harm needed to obtain preliminary injunction); *Active Sports Lifestyle USA, LLC v. Old Navy, LLC*, No. SACV 12–572 JVS (Ex), 2014 WL 1246497 (C.D. Cal. March 21, 2014) (applying *Herb Reed* standard to deny permanent injunction to prevailing defendant in trademark infringement case).

Furthermore, because a plaintiff's actual damages are typically difficult to measure, an award of an infringer's profits may in some cases be the only significant monetary relief that a mark owner can obtain. Indeed, many courts require proof of actual confusion as a prerequisite for recovering damages. *See, e.g., Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 525 (10th Cir. 1987) ("Although damages may be awarded, . . . [l]ikelihood of confusion is insufficient; to recover damages plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation."). This precludes damages in many cases because actual confusion is often extremely difficult to prove.

These barriers to remedies for trademark infringement devalue trademarks and create a real possibility that in some cases, proven trademark infringement will be a wrong without a remedy. They also deprive the public of an effective deterrent against future infringements. To erect willfulness as yet another artificial barrier to relief would only further frustrate the dual purpose of the Lanham Act.

4.3 Consideration of All Equitable Factors Does Not Give Plaintiff a Windfall

Many practitioners prefer willfulness as a precondition to profits because of the relative certainty it brings to litigation. As the Second Circuit explained in *George Basch Co.*:

> While damages directly measure the plaintiff's loss, *defendant's* profits measure the defendant's gain. Thus, an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense. . . .
>
> So as to limit what may be an undue windfall to the plaintiff, and prevent the potentially inequitable treatment of an "innocent" or "good faith" infringer, most courts require proof of

> intentional misconduct before allowing a plaintiff to recover the defendant's profits.

968 F.2d at 1540 (emphasis in original). But a requirement that courts consider all equitable factors does not stop a court from assigning extra, even determinative, weight according to the facts of any given case. Accordingly, INTA requests that the Court make clear that courts are free to exercise their discretion to elevate the importance of willfulness or good faith evidence and to avoid any impression that the standards for awarding profits have been loosened.

CONCLUSION

INTA urges the Court to reverse and hold that willfulness is not a precondition to an award of profits under Section 35(a). Instead, all equitable factors should be weighed, acknowledging the courts' discretion to assign extra weight to the defendant's state of mind according to the circumstances of the case. INTA does not, however, mean to support an ultimate finding in favor of Petitioner, and expresses no opinion about which party should prevail once all principles of equity are considered.

Respectfully submitted,

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