No. 23-900

IN THE

Supreme Court of the United States

DEWBERRY GROUP, INC., FKA DEWBERRY CAPITAL CORPORATION,

Petitioner,

v.

DEWBERRY ENGINEERS INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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

THOMAS A. AGNELLO
MICHAEL BEST
& FRIEDRICH LLP
790 North Water Street,
Suite 2500
Milwaukee, WI 53202

JOHN W. CRITTENDEN
101 Lombard Street, #801W
San Francisco, CA 94111

MEGAN K. BANNIGAN
Counsel of Record
JARED I. KAGAN
CLARA CORREA
CHRISTOPHER ZHENG
JACOB HOCHBERGER
DEBEVOISE & PLIMPTON LLP
66 Hudson Boulevard
New York, NY 10001
(212) 909-6000
mkbannigan@debevoise.com

Counsel for Amicus Curiae the International Trademark Association

331973

COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

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INTEREST OF *AMICI CURIAE*[1]

Founded in 1878, *amicus curiae* The International Trademark Association (INTA) is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual-property concepts as essential elements of trade and commerce. INTA has more than 7,200 members in 191 countries. Its members include trademark owners as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their 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.

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the 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 legislation. INTA has participated as *amicus curiae*

[1] This brief was authored solely by INTA and its counsel. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, and its counsel made such a monetary contribution to its preparation or submission. *See* S. Ct. R. 37.6.

in numerous cases involving significant trademark issues.[2] INTA members are frequent participants in licensing arrangements, and are often parties in trademark-related litigation as both plaintiffs and defendants.

This case presents the question of whether an award of "defendant's profits" under 15 U.S.C. § 1117(a) can include an order for a defendant to disgorge the distinct profits of legally separate non-

[2] Cases in which INTA has filed *amicus* briefs include: *Vidal v. Elster*, 602 U.S. 286 (2024); *Jack Daniel's Properties, Inc. v. VIP Prod. LLC*, 599 U.S. 140 (2023); *Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 600 U.S. 412 (2023); *United States Pat. & Trademark Off. v. Booking.com B. V.*, 591 U.S. 549 (2020); *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. 212 (2020); *Peter v. Nantkwest, Inc.*, 589 U.S. 23 (2019); *Iancu v. Brunetti*, 588 U.S. 388 (2019); *Mission Prod. Holdings, Inc. v. Tempnology, LLC*, 587 U.S. 370 (2019); *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 138 S. Ct. 2707 (2018); *Matal v. Tam*, 582 U.S. 218 (2017); *Hana Fin., Inc. v. Hana Bank*, 574 U.S. 418 (2015); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138 (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, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *see also, e.g.*, *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).

party corporate affiliates. INTA and its members have a particular interest in this case because the Fourth Circuit's decision has the potential to provide plaintiffs with an end run around corporate forms to obtain a recovery from distinct entities without either naming all potential defendants or satisfying the legal requirements for piercing the corporate veil. Members of INTA and other trademark owners often have to defend against bad faith Lanham Act claims, and the Fourth Circuit's opinion—if allowed to stand—could allow judgments against trademark owners who do not have an opportunity to defend themselves.

The Fourth Circuit's decision affirmed a disgorgement award that included the profits of distinct entities that were not named defendants and without the Respondent seeking to pierce the Petitioner's corporate veil. The decision would permit the proliferation of these types of disgorgement awards. INTA respectfully submits that the Lanham Act limits disgorgement to the profits of the ***defendant*** and that, for a plaintiff to recover profits from other entities, those entities must be named as defendants or the plaintiff must pierce the defendant's corporate veil.

The question presented, which could have significant ramifications, is "[w]hether an award of the 'defendant's profits' under the Lanham Act, 15 U.S.C. § 1117(a), can include an order for the defendant to disgorge the distinct profits of legally separate non-party corporate affiliates."

Vacatur of the Fourth Circuit's decision would protect the corporate form, ensure clarity on corporate liability, stem forum shopping and intrusive discovery, and prevent a slippery slope of expansive litigation. In INTA's experience, clarity in trademark law benefits commerce by removing uncertainty in how brand owners can conduct themselves in the marketplace. Since the Lanham Act's enactment nearly 80 years ago, INTA has on countless occasions advocated to that end to Congress and the courts.

SUMMARY OF ARGUMENT

The text of the Lanham Act is clear that, when a violation of the Lanham Act is established, a plaintiff is entitled, "***subject to the principles of equity, to recover (1) defendant's profits . . . in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed,***" among other remedies. This plain language means that only a ***named*** defendant shall be liable. A plaintiff that wishes to hold other entities liable or to recover their profits is free to add them as defendants, or may attempt to pierce the corporate veil. These avenues for ensuring comprehensive recovery buttress the bedrock principles of the corporate form—freedom to attract capital, launch enterprises, and limit risk—because a named defendant will have certainty regarding the extent of its potential liability and will have opportunities to defend itself against improper overreach. In other words, guardrails already exist to afford plaintiffs the opportunity for comprehensive recovery, and those guardrails prevent—and should continue to prevent—abuse by litigants in future cases.

Under the Lanham Act, 15 U.S.C. § 1117(a), a corporation is only liable to disgorge its own profits if it is found liable for trademark infringement, and it is subject to well-established rules for when it can be held responsible for the acts of others. However, in the decision below, the Fourth Circuit upended these bedrock principles when it calculated a disgorgement award based on the profits of a defendant's unrelated affiliates, even though those affiliates were not named in the lawsuit and the plaintiff did not attempt to pierce the corporate veil. This decision runs contrary to the Lanham Act's plain text, and this Court should hold that an award of disgorgement of profits cannot include a non-party affiliate's revenues and profits, absent a piercing of the corporate veil.

When the Fourth Circuit affirmed the District Court's reliance on the equities to calculate a disgorgement award to Petitioner based on the profits of non-party affiliates, it sidestepped the need to pierce the corporate veil or join additional defendants. The Fourth Circuit's decision has the potential to open the floodgates for plaintiffs to rely on third-parties' revenues and profits as a pretense to embark on fishing expeditions, conduct overly burdensome discovery, and use the threat of disgorgement as leverage.

Allowing the Fourth Circuit's decision to stand would contravene the text and purpose of the Lanham

Act, as well as this Court's precedent. The Fourth Circuit's decision unduly expands the principles of equity beyond the limits this Court has carefully prescribed. This Court has explained that principles of equity do not provide limitless discretion, and any decision grounded in that discretion must also consider other equitable principles, including, for example, respecting corporate separateness.

INTA urges the Court to clarify that the profits of a defendant's affiliates may not be considered under the Lanham Act's disgorgement remedy where there has been no veil piercing and where the affiliated entities are not parties to the lawsuit.

ARGUMENT

I. The text of the Lanham Act does not support the Fourth Circuit's disgorgement award.

The Lanham Act provides, in relevant part, that when a party establishes a violation, that party 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 . . . In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed . . . 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.

15 U.S.C. § 1117(a) (emphasis added).

The district court below held that a disgorgement of $42,975,725.60 of "Petitioner's profits" was appropriate. *Dewberry Eng'rs, Inc. v. Dewberry Grp., Inc.*, No. 1:20-CV-00610, 2022 WL 1439826, at *14 (E.D. Va. Mar. 2, 2022). Petitioner had presented evidence from its tax returns that it generated no profits, but the court calculated the award by taking into account the revenues and profits of entities affiliated with the Petitioner. Though the court had previously acknowledged that the affiliates were "third parties, separated by the corporate veil," the court found that, but for the revenue generated by the affiliate entities, Petitioner as a single tax entity would not exist. *Id.* at *9.

A divided panel of the Fourth Circuit affirmed, holding that, because a district court's disgorgement award is "subject to the principles of equity," the district court in this instance weighed the equities of the dispute and appropriately exercised its discretion to hold Petitioner to account. *Dewberry Eng'rs Inc. v. Dewberry Grp., Inc.*, 77 F.4th 265, 293 (4th Cir. 2023). The Fourth Circuit further held that the district court properly exercised its equitable discretion to hold Petitioner to account for affiliates under common ownership. The court took the position that, from a public policy perspective, this holding was necessary to prevent trademark infringers from using corporate formalities to insulate their infringement from financial consequences and shirk legal accountability.

The text of the Lanham Act, however, does not support the district court's and Fourth Circuit's decision to consider non-party affiliate profits as Petitioner's profits for purposes of a disgorgement award under the Lanham Act given that the affiliates were not named as defendants and the court did not go through the analysis to pierce the corporate veil.

A. The Lanham Act's disgorgement remedy only contemplates defendant's profits; including nonparties' profits in the calculation is improper.

The unambiguous text of the Lanham Act provides that a plaintiff is entitled to recover a disgorgement award of "***defendant's*** profits." *See* 15 U.S.C. § 1117(a) (emphasis added). According to this plain text, the profits of Petitioner's affiliates—who were not named as defendants in the action—should not have been considered as part of the disgorgement award. Judge Quattlebaum dissented from the Fourth Circuit majority, observing that § 1117(a) "speaks to the infringers profits," and by only naming Petitioner as the sole defendant, Respondent effectively "alleges that [Petitioner,] not third parties, was the infringer." *Dewberry Eng'rs Inc.*, 77 F.4th at 300 (Quattlebaum, J., dissenting).

Limiting disgorgement to the defendant's profits not only makes logical sense, but also effectuates congressional intent. In discussing what would later become § 1117(a) in the House of Representatives' Committee on Patents' Subcommittee on Trademarks, the drafters referred, on numerous occasions, to the ***defendant*** itself, rather than any affiliated or non-party entities, when considering how to properly draft the damages clause. *See, e.g.*, *Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of H. Comm. on Pats.*, 77th Cong. 204–205 (1941) ("A man recovers either the profits that he would have made if he had sold what ***the defendant*** did sell, that is one thing, or what ***the defendant*** actually made."); *id.* at 205 ("I think limiting it to the amount of ***the defendant's business*** is fair.") (emphasis added).

Accordingly, in the absence of any evidence in either the statute's text or its legislative history supporting the position that disgorgement can extend beyond the named defendant, a textual analysis should compel this Court to limit disgorgement awards accordingly. *See Iowa Mut. Ins. Co. v. LaPlante*, 480 U.S. 9, 10 (1987) (when "[n]othing in the [] statute [] or its legislative history suggests [] intent . . . the absence of any indication of such an intent" counsels in favor of deference to the statute's plain language and precedent).

B. The principles of equity do not permit courts to ignore the corporate form.

Section 1117(a) of the Lanham Act provides that disgorgement awards are "subject to the principles of equity." Although courts have interpreted the "principles of equity" broadly, *see, e.g., Romag Fasteners, Inc.*, 590 U.S. at 217, that broad reading does not provide courts with limitless discretion. For example, in *Liu v. SEC*, this Court explained that:

> statutory references to a remedy grounded in equity 'must, absent other indication, be deemed to contain the limitations upon its availability that equity typically imposes . . . Accordingly, Congress' own use of the term 'disgorgement' in assorted statutes did not expand the contours of that term beyond a defendant's net profits—a limit established by longstanding principles of equity.

591 U.S. 71, 87 (2020). In other words, courts cannot disregard other equitable principles, such as respecting corporate separateness, in calculating a disgorgement award. *See EPLET, LLC v. DTE Pontiac N., LLC*, 984 F.3d 493, 499 (6th Cir. 2021); *Clientron Corp. v. Devon IT, Inc.*, 894 F.3d 568, 576 (3d Cir. 2018); *Int'l Fin. Servs. Corp. v. Chromas Techs. Canada, Inc.*, 356 F.3d 731, 737 (7th Cir. 2004) (all finding state law presumes that the corporate form will be respected, and piercing the corporate veil is itself a sparingly used equitable remedy).

In balancing the equities, the corporate form is entitled to substantial deference, and it "may [only] be disregarded in the interests of justice where it is used to defeat an overriding public policy." *Bangor*

Punta Operations, Inc. v. Bangor & Aroostook Railroad Co., 417 U.S. 703, 713 (1974). Thus, "considerable weight is attached to the respect given the corporate form" such that there must be "injustice or inequity" from upholding the form to overcome the presumption against disregarding it. *United States v. Van Diviner*, 822 F.2d 960, 965 (10th Cir. 1987).

Limiting the scope of equitable discretion is consistent with the Lanham Act's legislative history. In discussing a court's discretion to adjust recovery that is either inadequate or excessive, the drafters stated that:

> there ought to be somewhere some discretion in the hands of the court under the circumstances of the particular case either to increase or to decrease the recovery; if in one case it is excessive, it ought to be decreased, and if, on the other hand, it is not enough, ***a reasonable sum in the way of ordinary damages ought to be awarded.***

Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of H. Comm. on Pats., 77th Cong. 205 (1941) (emphasis added).

Thus, while ensuring the Act provided for "just" recovery, cabined by the "principles of equity," that "constitute[d] compensation and not a penalty," 15 U.S.C. § 1117(a), the drafters gave "a thing that is now inflexible[] a certain flexibility and rely on good judgment of the court to see that the recovery was not excessive but was at least adequate." *Hearings on*

H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of H. Comm. on Pats., 77th Cong. 206 (1941). Courts have recognized as much and used that flexibility to increase an award, for example, when a jury miscalculated the amount such that recovery would be inadequate. *See Classroomdirect.com, LLC v. Draphix, LLC*, 992 So. 2d 692 (Ala. 2008) (re-adding defendant's attorneys' fees and costs to jury's calculation of defendant's profits to be disgorged, finding that deducting these amounts from plaintiff's award did not accomplish the Lanham Act's mandate).

Given that the principles of equity and courts' discretion is not unbounded, it cannot be said that the drafters intended for courts to expand the scope of recovery beyond the profits of a defendant to non-party affiliates. Accordingly, absent a piercing of the corporate veil, neither the text of the Lanham Act nor equitable principles provide for the inclusion of third-party profits in the calculation of a disgorgement award.

II. Plaintiffs have other means to recover damages without implicating nonparties.

As Judge Quattlebaum recognized in his dissent, there are several ways that the district court could have respected corporate formalities and still have brought Petitioner's affiliates within the reach of the Lanham Act in this case, including:

1. Remedies including a permanent injunction properly covering activities of non-

defendant affiliates and an attorneys' fees award under the Lanham Act provision permitting a prevailing party to recover its attorneys' fees in exceptional circumstances, which could include bad faith corporate structuring;

2. Respondent could have named the affiliate entities as co-defendants, entitling it to directly seek disgorgement of the affiliates' profits; and

3. Respondent could have requested that the court pierce the corporate veil in order to make affiliate profits available as appropriate disgorgement.

Given these options, the "principles of equity" simply did not require or permit the district court's expansive view of disgorgement.

A. The Lanham Act's broad remedies for trademark holders mitigate the need to expand profit recovery to nonparties.

"When it comes to remedies for trademark infringement, the Lanham Act authorizes many." *Romag Fasteners*, 590 U.S. at 213. Such remedies include injunctive relief, actual damages, disgorgement of defendant's ill-gotten profits, costs, and attorneys' fees. *Id.*; 15 U.S.C. § 1117(a). Under appropriate circumstances, courts may order each of these remedies to compensate plaintiffs and to deter defendants from engaging in the precise conduct at issue in this case, including the alleged conduct by the non-party affiliate entities.

For instance, among other remedies, injunctions issued for trademark infringement may bind non-parties, including "when (1) the nonparty aids or abets a party to the case who is violating the injunction, or (2) the nonparty is in a close legal relationship with a party to the suit." McCarthy on Trademarks and Unfair Competition, § 30.14 (5th ed. 2024); *see Nat'l Spiritual Assembly of Baha'is of U.S. Under Hereditary Guardianship, Inc. v. Nat'l Spiritual Assembly of Baha'is of U.S., Inc.*, 628 F.3d 837 (7th Cir. 2010); *see also Regal Knitwear Co. v. N.L.R.B.*, 324 U.S. 9, 14 (1945) (noting "defendants may not nullify a decree by carrying out prohibited acts through aiders and abettors, although they were not parties to the original proceeding").

Rule 65(d)(2) of the Federal Rules of Civil Procedure expressly authorizes binding "(A) the parties; (B) the parties' officers, agents, servants, employees, and attorneys; and (C) other persons who are in active concert or participation with [the parties or their officers, agents, servants, employees, and attorneys]" when such nonparties received actual notice of the injunction "by personal service or otherwise." This may include persons or entities in "privity" with an enjoined party, including successors in interest, assigns, and persons "legally identified" with an enjoined party. *Nat'l Spiritual Assembly*, 628 F.3d at 840–41.

Orders enjoining infringement also may be enforceable against entities to whom the defendant's business may have been transferred, whether "as a means of evading the judgment or for other reasons." *Walling v. James V. Reuter, Inc.*, 321 U.S. 671, 674 (1944); *see also Computer Searching Serv. Corp. v. Ryan*, 439 F.2d 6 (2d Cir. 1971) (copyright infringement); *Chanel Indus. v. Pierre Marche, Inc.*, 199 F. Supp. 748 (E.D. Mo. 1961) (trademark infringement).

Here, the district court permanently enjoined Petitioner and appropriately included "any others in active concert or participation with [Petitioner], from continuing the unlawful infringement." *Dewberry Eng'rs, Inc.*, 2022 WL 1439826, at *2 (citing Dkt. 229, at 9). Such an injunction binds non-parties meeting the above-referenced criteria.

Similarly, the Lanham Act's fee-shifting provision also may serve to compensate prevailing plaintiffs and deter defendants from engaging in bad faith conduct intended to insulate their profits from disgorgement. Under the Lanham Act, courts may award reasonable attorney fees to the prevailing party "in exceptional cases." 15 U.S.C. § 1117(a). Under *Octane Fitness*, district courts exercise discretion on a case-by-case basis to deem a case "exceptional" if it "stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014).

The "nonexclusive" factors considered include "frivolousness, motivation, *objective unreasonableness* (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* (emphasis added). Applying these factors, a non-prevailing defendant's intentional, bad-faith corporate structure as an attempt to evade liability or insulate profits could be considered an unreasonable tactic meriting an attorney fee award for compensatory and deterrent purposes. [3] Here, the district court awarded $3,762,088.25 in attorneys' fees and $153,592.09 in costs (Dist. Ct. Dkt. 311).

B. Respondent's failure to name the non-party affiliates as defendants does not necessitate a doctrinal change.

A plaintiff in Respondent's position can seek disgorgement of all infringers' profits by suing every infringing entity or individual.[4] The Fourth Circuit's

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[3] A court cannot, however, award attorneys' fees to a prevailing plaintiff as a substitute for unascertainable or unrecoverable damages or profits. *See Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.3d 595, 607 (6th Cir. 1991).

[4] An officer who is the "central figure" of a corporation may be held jointly and severally liable for trademark infringement when the officer personally participates in infringing activities or specifically orders employees to take part. McCarthy § 25.24; *Donsco, Inc. v. Casper Corp.*, 587 F.2d 602, 606 (3d Cir. 1978)

opinion indicated that Petitioner essentially conceded that the nonparty affiliates infringed Respondent's trademark. *Dewberry Eng'rs Inc.*, 77 F.4th at 290 ("According to Dewberry Group . . . it produces infringing branding for its affiliates, who in turn generate profits using that branding on their lease, loan, and other promotional materials"). Accordingly, Respondent could have named those affiliates as co-defendants and sought disgorgement of their profits under § 1117(a).

In circumstances where a plaintiff justifiably does not learn of infringement by a defendant's nonparty affiliates until after filing suit, plaintiff may amend its complaint upon learning of such infringement. Rule 15 of the Federal Rules of Civil Procedure contemplates such a scenario by establishing a liberal amendment policy, requiring that courts "should freely give leave [to amend] when justice so requires," including "during and after trial," and allowing a party to move "at any time, even after judgment – to

("This liability is distinct from the liability resulting from the 'piercing of the corporate veil'"). Managing employees can also be personally liable if they are the "principal architect" or driving force behind the corporation and its infringement. *See Brittingham v. Jenkins*, 914 F.2d 447, 458 (4th Cir. 1990) (holding officer who was "principal architect" of the infringement personally liable); *Bambu Sales, Inc. v. Sultana Crackers, Inc.*, 683 F. Supp. 899, 913 (E.D.N.Y. 1988) (personal liability for trademark infringement established if officer is a "moving, active conscious force behind the defendant corporation's infringement").

amend the pleadings to conform them to the evidence and to raise an unpleased issue." Fed. R. Civ. P. 15.

The court in *A.V. by Versace, Inc. v. Gianni Versace S.p.A.*, 87 F. Supp. 2d 281 (S.D.N.Y. 2000) recognized this, holding that granting leave to amend a trademark infringement complaint to add additional corporate defendants would not unduly prejudice defendants when no trial date had yet been set, discovery had not been completed, the claims against the additional defendants did not raise factual claims unrelated to events in the original complaint, and the parties "vigorously dispute[d] the legitimacy of A.V.'s corporate formalities" such that the court was unsure whether a basis would exist for "piercing the corporate veil." *Id.* at 299.

The federal rules governing joinder provide further guidance in this scenario. Fed. R. Civ. P. 19 requires that a person "must be joined as a party if . . . in that person's absence, the court cannot accord complete relief among existing parties" and Fed. R. Civ. P. 21 allows a court, either through motion or *sua sponte*, to "at any time, on just terms, add or drop a party." *See also Transparent Energy, LLC v. Premiere Mktg., LLC*, No. 3:19-cv-3022, 2021 WL 5920722, at *2–3 (N.D. Tex. Dec. 14, 2021) (granting motion to join additional parties in trademark infringement case after documents produced during discovery revealed that proposed defendants controlled and directed defendant's infringing activities). If full relief would require a disgorgement of an affiliate's profits, it is necessary to join that affiliate as a co-defendant.

C. Respondent could have followed established procedures and attempted to pierce the corporate veil.

A parent corporation and its subsidiaries generally are treated as separate legal entities, such that only the parent corporation's assets and not those of its subsidiaries are available for purposes of a profits disgorgement award under the Lanham Act. To reach the assets of the subsidiaries, a plaintiff can try to pierce the corporate veil. Although requirements differ by state, piercing generally requires a plaintiff to demonstrate that the subsidiary is either the parent company's alter ego or agent.

Under the alter ego theory, a plaintiff generally must prove that the (1) parent company dominated and controlled the subsidiary to such extent that the subsidiary primarily conducted business for the parent and ceased to exist as a separate legal entity, and (2) an injustice or wrong to the plaintiff likely will result in absent piercing.

Factors considered by courts include whether the corporation is adequately capitalized; whether there is overlap in ownership, officers, directors, and personnel; whether the entities share a common office space, address, and telephone number; the amount of business discretion displayed by the allegedly dominated corporation; whether the alleged dominator engages in arm's length dealings with the alleged dominated corporation; whether the corporation is treated as an independent profit center; whether others pay or guarantee the corporation's debts; whether the corporation had property used by the alleged dominator as if it were its own; and whether the corporate entity is used "to evade a personal obligation, to perpetrate fraud or a crime, to commit an injustice, or to gain an unfair advantage."[5] *Dana v. 313 Freemason*, 587 S.E.2d 548, 553–54 (2003) (citing *O'Hazza v. Exec. Credit Corp.*, 431 S.E.2d 318, 321 (1993)); *Passalacqua Builders, Inc. v. Resnick Devs. S., Inc.*, 933 F.2d 131, 139 (2d Cir. 1991). Under the agency theory, a plaintiff generally must prove that the parent company authorized the subsidiary to act on its behalf and the subsidiary agreed to act as the parent's agent, and the parent exercised total control over the subsidiary.

The corporate veil has been pierced in Lanham Act cases when evidence showed that a defendant fraudulently conveyed assets to a wholly owned subsidiary "in order to prevent [plaintiff] from recovering the debt owed by [defendant]," when defendant controlled or dominated the subsidiaries, funds of the companies were commingled, the companies routinely paid each other's debts, the companies shared offices, personnel, and telephone numbers, the parent corporation made key company decisions, representations to the public suggested a single entity, or there was a unity of interest and ownership between the individual and entity at issue. *Sea-Roy Corp. v. Parts R Parts, Inc.*, 173 F.3d 851, at *4 (4th Cir. 1999) (unpublished); *see Newport News*

[5] The District Court here applied Virginia law per the terms of the prior settlement agreement between the parties.

Holdings Corp. v. Virtual City Vision, Inc., 650 F.3d 423, 434 (4th Cir. 2011); *Edwin K. Williams & Co., Inc. v. Edwin K. Williams & Co.-East*, 542 F.2d 1053, 1063–64 (9th Cir. 1976).

III. Leaving the Fourth Circuit's ruling undisturbed would create bad public policy and would pose significant consequences for corporate defendants.

Public policy interests strongly weigh against allowing courts to include the profits of a defendant's affiliates in a profits award where there has been no veil piercing and where the affiliated entities are not parties to the lawsuit. To allow the Fourth Circuit's ruling to stand would undermine the bedrock rule of corporate separateness. As this Court acknowledged in *U.S. v. Bestfoods*, 524 U.S. 51, 61 (1998), "it is a general principle of corporate law deeply 'ingrained in our economic and legal systems' that a parent corporation . . . is not liable for the acts of its subsidiaries." This is because "[t]he properties of two corporations are distinct, though the same shareholders own or control both." *Dole Food Co. v. Patrickson*, 538 U.S. 468, 475 (2003) (quoting 1 W. Fletcher, Cyclopedia of the Law of Private Corporations § 31 (rev. ed. 1999)).

To allow the property of separate corporate affiliates—let alone those not named as defendants in the instant action—to be included as part of a separate affiliate's disgorgement remedy contravenes the purpose of corporate insulation from liability.

Corporations have long attracted capital and launched enterprises based on liability protections guaranteed by the corporate form. *See Anderson v. Abbott*, 321 U.S. 349, 362 (1944) ("Limited liability is the rule not the exception; and on that assumption large undertakings are rested, vast enterprises are launched, and huge sums of capital attracted"). Without such assurances, corporations would be harmed by the lack of clarity on the extent of their liability and would be subject to risks based on the acts of affiliates over which they lack control and access to information.

Further, a rule that permits non-parties' profits to be considered as part of a disgorgement remedy under the Lanham Act risks an unnecessary and unduly burdensome expansion of the scope of discovery in U.S. litigation, which is already sufficiently broad.

For example, there is a risk that the Fourth Circuit's opinion could be exploited to suggest an automatic or expected basis to drag third parties into litigation under the guise of requiring information about those third parties' profits and revenues when the real goal is to create litigation leverage or go on unwarranted fishing expeditions. It could also create the risk of needlessly ensnaring entities outside of the corporate family tree, including related licensee/licensors, joint owners, joint ventures, or other related parties.

While in any particular case there may be legitimate reasons for discovery related to third-parties, those reasons are fact-dependent and must be assessed individually; any categorical rule that third-party profits may be disgorged creates a slippery slope that could expand the scope, duration, and expense of litigation.

CONCLUSION

Because the decision under review misinterprets the Lanham Act and may cause disorder in trademark disputes, the Court should clarify that the remedy of disgorgement is subject to longstanding guardrails such as piercing the corporate veil or bringing and proving additional claims against the third parties. The Court should make clear that the Lanham Act does not support a disgorgement award based on non-parties' revenues and profits absent piercing the corporate veil.

Respectfully submitted,

Megan K. Bannigan
Counsel of Record
Jared I. Kagan
Clara Correa
Christopher Zheng
Jacob Hochberger

DEBEVOISE & PLIMPTON LLP
66 Hudson Boulevard
New York, NY 10001
(212) 909-6000
mkbannigan@debevoise.com

Thomas A. Agnello
MICHAEL BEST & FRIEDRICH
LLP
790 N Water Street, Suite 2500
Milwaukee, WI 53202

John Crittenden
101 Lombard Street, #801W
San Francisco, CA 94111

COUNSEL FOR AMICUS CURIAE
THE INTERNATIONAL TRADEMARK
ASSOCIATION

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