No. 23-900

IN THE

Supreme Court of the United States

DEWBERRY GROUP, INC.,

Petitioner,

v.

DEWBERRY ENGINEERS INC.,

Respondent.

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

BRIEF FOR INTELLECTUAL PROPERTY SCHOLARS SUNEAL BEDI, MIKE SCHUSTER, AND JAKE LINFORD AS AMICI CURIAE IN SUPPORT OF RESPONDENT

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INTEREST OF *AMICI CURIAE*[1]

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[1] No counsel for any party authored this brief in any part, and no person or entity other than *amici* or *amici*'s counsel made a monetary contribution to fund its preparation or submission.

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focus on theoretical and empirical justifications for trademark law.

Amici have an interest in the Lanham Act remedies set out in 15 U.S.C. § 1117 being interpreted in line with the real-world empirical effects of brand use.

INTRODUCTION & SUMMARY OF ARGUMENT

Dewberry Engineers has explained why the text of the Lanham Act permits courts to consider benefits to a defendant's affiliates when fashioning a disgorgement remedy for trademark infringement. Where "the amount of recovery based on profits is … inadequate," the Act allows the court "in its discretion" to award "such sum as the court shall find to be just, according to the circumstances of the case." 15 U.S.C. § 1117(a). That express and broad grant of authority includes the power in appropriate situations to examine profits derived from infringement beyond those sitting in the defendant's own accounts.

What *Amici* intend to show is that this reading is also supported by the unique statutory subject matter of trademark. For many assets, determining the amount and location of ill-gotten gains from their unlawful use is straightforward: the profits of patent infringement are usually with the infringer, and the same goes for copyright. But trademarks are different. Their value is often amorphous, and when used (lawfully or not), that value tends to spill over to the user's affiliates. Congress recognized as much, and it made the remedies for trademark infringement appropriately flexible. Reading the Lanham Act as Dewberry Group (DG) contends would divorce the statute from the particular asset at issue, and the

reality that trademarks often bestow value beyond the specific ledgers of the infringer.

A. Trademarks exist in large part to protect brand reputation. A brand is made up of how customers think and feel about a business or product—an inherently amorphous asset, but one that can be highly valuable to a company. Trademarks are *part* of a brand to the extent they contribute to consumer impressions about it. More importantly, trademarks *protect* a brand by helping ensure that its owner—rather than competitors—reaps the financial rewards of a product's good reputation.

B. While the benefits of a strong brand usually accrue first to the company holding the relevant trademarks, they routinely spill over to affiliates. Customers expect that affiliated products will have similar qualities. And companies seek to leverage that spillover effect. At bottom, spillover of brand reputation to and from affiliates—whether positive or negative—is a fact of life.

Companies employ various methods for leveraging brand value, often called brand architecture strategies. The "branded house" strategy affixes a principal brand to multiple related products in hopes that goodwill and reputation from each will flow to the others. That is essentially what DG did here, affixing the (infringing) "Dewberry" mark to a number of new sub-brands. The "house of brands" approach, by contrast, uses independent brands for each product. And "co-branding" combines two extant brands into a new product with an eye toward mutual spillover. These strategies are simply natural consequences of the reality that a brand can bring value to related entities

beyond the original trademark owner. The important point for this Court is that spillover of brand value is inherent in trademark use, and companies regularly leverage their brands to maximize that spillover value for affiliates and for themselves.

C. The ubiquity of brand architecture strategies and the broad value a brand can bring beyond a single company's ledgers confirm the soundness of the lower courts' approach consistent with § 1117(a) of the Lanham Act: when faced with an infringing defendant with zero claimed profits, the most natural place to look for the infringer's ill-gotten gains is its affiliates. This case is illustrative. While DG used a "branded house" strategy by affixing the "Dewberry" mark on a number of sub-brands, it left its affiliates to reap the profits. The obvious place to look to determine a "just" sum for disgorgement is in the accounts of the affiliates who were in DG's "branded house." Courts need not always consider affiliate profits, but the reality of brand value spillover shows they should be permitted to on facts like these.

D. The reality of brand value spillover demonstrates flaws in DG's other arguments, too. DG insists the only ways a court could even consider profits logged in its affiliates' books would be for Dewberry Engineers to sue each affiliate or pierce the corporate veil. But because companies will almost always leverage brand value to benefit their affiliates and themselves, it makes little sense to think Congress intended trademark holders to pursue every affiliate every time. And courts can respect the corporate form while still examining affiliate profits to identify all the ill-gotten gains from infringement. Finally, seeking disgorgement of an infringer's hidden

profits from affiliates themselves will not always be practical because, unlike the infringer, they will not always have had an intent to confuse or deceive.

ARGUMENT

A DISGORGEMENT REMEDY UNDER THE LANHAM ACT MAY ACCOUNT FOR BENEFITS TO A DEFENDANT'S AFFILIATES BECAUSE THOSE BENEFITS ARE INHERENT TO TRADEMARK AND A NATURAL CONSEQUENCE OF BRAND ARCHITECTURE STRATEGIES.

Amici agree with Dewberry Engineers on the plain text of the Lanham Act. The power to award a "just" sum "according to the circumstances of the case" permits courts to look at profits earned by a defendant's affiliates (*i.e.*, other companies under common ownership) in appropriate cases, including this one. 15 U.S.C. § 1117(a); *see* Resp. Br. 20–35. That conclusion should not be surprising given the breadth of the Act's language. But it should come as no surprise for another reason: trademarks, *by their very nature*, tend to benefit affiliates, and in practice, using valuable marks—and the brands they protect—to benefit affiliates is simply *what companies do*. DG's approach would have courts shut their eyes to those realities, even where—as here—the defendant claims to have no profits of its own. This Court should interpret the Lanham Act consistent with the nature of trademarks and how companies actually make use of valuable brands.

A. Trademarks—And The Brands They Protect—Are Valuable Assets.

A company's brand is its "most valuable intangible asset." Jungju Yu, *A Model of Brand Architecture Choice: A House of Brands vs. A Branded House*, 41 Marketing Science 147 (2021). Defined broadly, a "brand" is "all the expectations and associations evoked from experience with a company or its offerings … how customers think and feel about what the business, product or service does." Michael Petromilli et al., *Brand Architecture: Building Brand Portfolio Value*, 30 Strategy & Leadership 22, 23 (2002). Brands and brand reputation are "incredibly important to protect," as strong brands are linked to "strong sales and strong customer loyalty." Suneal Bedi & David Reibstein, *Measuring Trademark Dilution by Tarnishment*, 95 Ind. L. J. 683, 696 (2020) (footnotes omitted).

Trademarks are both *part of* a company's brand and a mechanism for *protecting* that brand. Trademarks can themselves contribute to impressions about a product, by "catch[ing] a consumer's eye, appeal[ing] to his fancies, and convey[ing] every manner of message." *Jack Daniel's Properties, Inc. v. VIP Products LLC*, 599 U.S. 140, 146 (2023). But more importantly, trademarks protect brands by distinguishing one product's source from another's. *Id.* By accurately identifying the source of a quality product, marks "ensure that the producer itself—and not some 'imitating competitor'—will reap the financial rewards associated with the product's good reputation." *Id.*; *see* S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946) (Senate Report) (reasoning trademark protects owner's investment in presenting product to

the public "from its misappropriation by pirates and cheats").

For that reason, this Court has long recognized the "significant value" of that protective function for mark holders. *Jack Daniel's*, 599 U.S. at 146; *see Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003) (noting "famous mark" was "unquestionably valuable"). Trademarks channel customers to products by their reputation, and the availability of a civil remedy works to "mak[e] infringement and piracy unprofitable." Senate Report 3.

B. Companies Leverage Valuable Marks To Benefit Affiliates Using Brand Architecture Strategies.

That much is straightforward: strong brands (and the trademarks that signify them) are extremely valuable for the companies that have them. But the benefits of a strong brand usually do not stay only with those companies. When interacting with a particular brand, consumers naturally call to mind that brand's various associations, including products they view as related to it. Suneal Bedi & Mike Schuster, *Towards an Objective Measure of Trademark Fame*, 54 U.C. Davis L. Rev. 431, 440–47 (2020). So part of the value of a *strong* brand (and trademark) is the possibility of "extend[ing]" its reputation into other areas. Bedi & Reibstein, 95 Ind. L. J. at 695. And conversely, part of the harm of infringement and dilution is hampering a trademark holder's ability to make those extensions. *Id.* at 688–91.

In short, because customers build relationships with brands "through both direct *and indirect* experience, often within the context of exposure to another,

related brand," brands have spillover effects beyond the single company holding the relevant trademarks. Petromilli et al., 30 Strategy & Leadership at 23 (emphasis added). Those spillover effects can be positive or negative, depending on the reputation of the particular brand. But where a brand has a strong reputation, spillover effects lead to opportunities.

In particular, companies use an array of strategies to leverage their brands' value to broadly benefit their own business enterprise, which can include affiliates using their trademarks. Those methods—referred to as "brand architecture strategies" in the literature—take a number of forms.

The "branded house" approach, for example, "employs a single (master) brand to span a series of offerings that may operate with descriptive sub-brand names." *Id.* "Through the common brand name, consumers can easily associate the firm's different products with one another." Yu, 41 Marketing Science at 147; *see* Bedi & Reibstein, 95 Ind. L. J. at 695 (noting brand and trademark reputation help companies "extend [their] products to neighboring categories (so-called brand extensions)"). The extent of a branded house's reputational spillover to affiliates (and back to the master brand owner) usually depends on how related the particular products are that bear the same brand. Yu, 41 Marketing Science at 148; *see* Daniel A. Sheinin, *Sub-brand Evaluation and Use Versus Brand Extension*, 6 J. Brand Mgmt. 113, 114 (1998) (noting the same dynamic for parent and subsidiary companies).

Crest, for example, offers Crest toothpaste, Crest mouthwash, and Crest white strips, building both the

brand value of each oral-health affiliate using its name and the value of the original brand itself. Here, DG employed something like a "branded house" approach by affixing Dewberry Engineers' trademark to sub-brands "Dewberry Living," "Dewberry Office," and "Studio Dewberry." Pet. App. 7a. That strategy allowed DG to extract value from any increase in reputation of the overall "Dewberry" brand, as well as from any profits it effectively assigned to its affiliates' books or received from their common owner. *See* Resp. Br. 42–43 (explaining ways DG may have hidden profits off its own books); U.S. Amicus Br. 18–22 (same); Pet. App. 39a–40a (recounting how DG and its employees "promoted, managed, and operated all of the properties owned by the affiliates, and did so using the Infringing Marks").

Not all brand architecture strategies rely on spillover of reputational value. Where the products offered by two affiliates serve meaningfully *different* markets, companies often take a "house of brands" approach. That strategy makes each affiliate's product a standalone brand, in hopes that "the sum performance of the range of independent brands will be greater than if they were managed under the banner of a single master brand." Petromilli et al., 30 Strategy & Leadership at 23; *see* Sheinin, 6 J. Brand Mgmt. at 121 (recommending companies "decrease[] the parent brand's salience relative to the other brand's name" where the two products have "poor fit"). Procter & Gamble, which has several distinct brands like Dove, Lipton, and Hellmann's, has used this strategy.

Another approach is to combine two existing brands in a new product. That "co-branding" strategy in

theory risks spillover in both directions. Judith H. Washburn et al., *Co-Branding: Brand Equity and Trial Effects*, 17 J. Consumer Marketing 591, 595 (2000). But in practice, it has been found to help low-value brands without harming high-value brands. *Id.* at 600. Ford offering an Explorer with an Eddie Bauer interior is one example of co-branding. *Id.* at 591.

Still more strategies exist. *See* Petromilli et al., 30 Strategy & Leadership at 25–27. But the important point for this Court is that spillover of brand value to and from affiliates is part of what it means to have a brand and a trademark. And companies routinely leverage that spillover to benefit both themselves and their affiliates.

C. An Award Of A "Just" Sum For Infringement Appropriately Accounts For Brand Architecture Strategies.

Since brand architecture strategies are a fact of life, courts should consider them when fashioning disgorgement remedies for trademark infringement. Congress sought to give trademark registrants "the greatest protection that can be given them." Pet. App. 45a (quoting *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1985)). Congress's purpose would be thwarted if courts were forbidden from looking to the most obvious place where ill-gotten gains may lie: with a defendant's affiliates. That sort of rule would also hardly "take all the economic incentive out of trademark infringement." *Id.* (quoting *Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 340 (5th Cir. 2008)).

The facts of this case highlight the absurdity of ignoring brand architecture strategies. Again, DG

essentially employed a "branded house" approach, but rather than reap the benefits of the infringing sub-brands itself, DG allowed its affiliates to extract those profits. Pet. App. 39a. DG's affiliates—and affiliates in general—are not bystanders who benefit from spillover effects by chance. It is nonsensical for a court to blind itself from the ill-gotten gains flowing from spillover strategies that are part and parcel of a branded house approach. As the court below put it, taking into account the profits of DG's affiliates served "the purpose of calculating revenues and profits generated by Dewberry Group's use of the infringing marks," Pet. App. 40a—precisely what § 1117(a) aims to calculate and reflecting the economic reality of a branded house like DG's.

While DG here may have used accounting practices to effectively assign the benefits of the "Dewberry" brand entirely to its affiliates' books, those benefits to DG could in theory be demonstrated in other ways. The point, though, is that an examination solely of DG's books—as would be true of many companies leveraging brand value—gives an incomplete picture of the benefits gained from its infringement.

That is not to say a court *must* use affiliate profits as the measure of disgorgement, or even that it should do so in most cases. Where an infringer uses a "house of brands" approach, there is usually less reputational spillover, so affiliates may be less likely to have profited off the infringement. Spillover can sometimes even *hurt* overall profits where a brand has a negative reputation. Or, as the United States points out, in a different branded house case an affiliate might pay a defendant top-dollar for branding benefits such that the profits of infringement are all in the defendant's

hands. *See* U.S. Amicus Br. 21. But that is not what happened here. And an award of $0—to use DG's view of its own profits—is plainly "inadequate." 15 U.S.C. § 1117(a).

Where the United States errs is in seeking to penalize Dewberry Engineers for the uncertainty about how much DG could have been charging its affiliates. U.S. Amicus Br. 31–32. It is often "impossible to isolate the profits which are attributable to the use of the infringing mark." *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 207 (1942). But the answer in that situation is not to "give the windfall to the wrongdoer." *Id.* Rather, "it promotes honesty and comports with experience" to treat difficult-to-attribute profits as having derived from infringement. *Id.* The district court's use of affiliate profits as a measure for disgorgement on these facts was proper. *See* Resp. Br. 45–46.

D. The Economic Reality Of Brand Architecture Strategies Demonstrates Flaws In DG's Other Arguments.

DG contends that Dewberry Engineers' only options for having a court even consider affiliate profits was to sue the affiliates or pierce the corporate veil. Pet. Br. 4, 19. As Dewberry Engineers notes, affiliates will not always be in the same jurisdiction as the infringer such that they can be joined as co-defendants. Resp. Br. 28 & n.5. And veil-piercing is a red herring where affiliate profits are used to approximate the infringer's *own* gain. *Id.* at 36.

The economic reality of brand value spillover makes the exclusivity of DG's alternatives even more

untenable: brand reputation (whether positive or negative) will almost *always* spill over to and from affiliates, and companies will almost *always* leverage that spillover. It makes no sense to force a plaintiff to prove up infringement affiliate by affiliate where an infringing company has simply done what all companies do by leveraging their brands.

For the same reasons, corporate identity does not set the boundary on the Lanham Act's remedies. Congress understood the subject matter it was regulating. Trademarks by nature tend to extend benefits to affiliated products, and the Lanham Act aims to make "infringement and piracy unprofitable." Senate Report 3. Congress therefore granted courts flexible powers in the "just" sum remedy to target substance, not just form. That remedy still respects the corporate form when courts consider affiliate profits as evidence of an infringer's *own* gain, as the courts did below. Resp. Br. 35–39.

Moreover, the fact that brand leveraging is ubiquitous makes piecemeal litigation against affiliates—for a remedy directed at recovering the *infringer's own gain*—impractical. Affiliates will not necessarily have had an "intent to confuse or deceive," which, at least in the Circuit below, is the first factor courts assess when considering disgorgement. Pet. App. 77a (quoting *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006)). DG's approach could leave trademark holders with *no* disgorgement remedy where an infringer has hidden its gains with an affiliate unless the trademark holder can pierce the corporate veil. The Lanham Act does not require that counterintuitive result.

CONCLUSION

For the foregoing reasons, the Court should affirm the decision below.

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