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.,

Respondents.

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

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING PETITIONER

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QUESTION PRESENTED

Whether Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), requires willful infringement as a prerequisite to award a trademark infringer's profits.

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INTEREST OF THE *AMICUS CURIAE*

Amicus curiae the American Bar Association ("ABA") submits this brief in support of petitioner.[1]

The ABA is the largest volunteer association of attorneys and legal professionals in the world. Membership includes attorneys in private practice, government service, corporate law departments, and public interest organizations. ABA members also include judges, legislators, law professors, law students, and nonlawyer associates in related fields, and represent the full spectrum of public and private litigants.[2]

The ABA Section of Intellectual Property Law ("IPL Section"), established in 1894, is the world's oldest organization of intellectual property professionals. The IPL Section's membership includes attorneys who represent trademark owners, accused infringers, small corporations, universities, and research institutions across a wide range of industries. The expertise of the ABA's large and diverse

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[1] The ABA certifies that no counsel for a party authored this brief in whole or in part and that no such counsel or party made a monetary contribution to the preparation or submission of this brief. No person or entity other than the ABA, its members, and its counsel made a monetary contribution to the preparation or submission of this brief. *See* Sup. Ct. R. 37.6. All parties have provided their written consent to the filing of amicus briefs.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the ABA. No inference should be drawn that any member of the Judicial Division Council participated in the adoption or endorsement of the positions here. This brief was not circulated to the Judicial Division Council before filing.

membership enables it to develop, through a collaborative process, policy positions that reflect those of the broader intellectual property community. Based on those policy positions, the ABA promotes the development and improvement of intellectual property law, taking an active role in proposed legislation, administrative rule changes, and international initiatives.

Through its collaborative process, the ABA developed a position on trademark law principles relevant to the question presented in this case. The ABA supports an interpretation of Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), that proof of willfulness is not required, but may be considered among other equitable factors, in determining whether to award a trademark infringer's profits. The ABA supports that reading as both a matter of statutory interpretation and sound public policy.

SUMMARY OF THE ARGUMENT

Though it has managed to divide the circuits for years, the question presented has a clear statutory answer. Nothing in 15 U.S.C. § 1117(a)—or anywhere else in the Lanham Act—requires proof of willful infringement to award a trademark infringer's profits. That judicially created prerequisite conflicts with § 1117(a)'s plain language and its purpose.

By its own terms, § 1117(a) gives courts broad discretion to award profits "subject to the principles of equity." Yet in the circuits requiring willfulness, courts lose much of that discretion. Those courts must focus exclusively on willfulness as a threshold issue, without the ability to consider how other facts may impact the equities. Only after finding willfulness may the court proceed to the broader equitable analysis demanded by the statute, but if the court finds no willfulness, that finding alone terminates the analysis before all other equities have even been considered. That is not what § 1117(a) says, and it defies the well-established principle that equity should not be reduced to a rigid formula.

Inflexibly requiring willfulness before awarding profits also conflicts with how trademark law usually operates. Most trademark issues warrant flexible, case-by-case consideration. Absolute rules are relatively rare. In the few places they do exist, it is typically because Congress has enacted them with clear legislation. None of this is to say, however, that willfulness is irrelevant to awarding profits. *Every* circuit agrees that the infringer's intent is at least relevant. But currently, courts in some parts of the country have authority to consider that intent alongside the other equities, while other courts do not. The ABA believes all courts nationwide have authority under § 1117(a) to consider the complete equities of the case—an authority Congress has plainly given them.

ARGUMENT

I. Section 1117(a) Does Not Require Willfulness To Award A Trademark Infringer's Profits

The court of appeals' decision rests on a rule the Lanham Act does not support. When a plaintiff proves trademark infringement,[3] § 1117(a) gives the court

[3] The ABA notes two things about the Lanham Act and its terminology. First, courts and litigants often use different labels

broad discretion to award (or not to award) the infringer's profits. Although some circuits have restricted that discretion by requiring a threshold showing of willful infringement—including the Second Circuit, whose law governed here—that requirement did not come from Congress.

A. The Statute's Plain Language Does Not Require Willfulness

Statutory interpretation begins, of course, with the plain language. *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 251 (2010) ("We must enforce plain and unambiguous statutory language

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for infringement claims under 15 U.S.C. § 1125(a)—e.g., *trademark infringement*, *federal unfair competition*, *false designation of origin*, or *false association*, to name a few. Labels aside, all of these claims are the same. *See* 5 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 27:14 (5th ed. 2018) ("Section [1125(a)] is a federal claim for infringement of unregistered marks"). For consistency, this brief will use the blanket term "trademark infringement."

Second, petitioner's question presented mentions only § 1125(a), but the Court's holding here will also necessarily govern profits awards for trademark infringement under 15 U.S.C. § 1114. Both statutes create the same infringement claim, the only difference being that § 1114 requires the plaintiff to own a federal registration, while § 1125(a) does not. *See Matal v. Tam*, 137 S. Ct. 1744, 1752 (2017) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)). Section 1117(a) makes no substantive distinction between the two infringement claims. *See* § 1117(a) (authorizing profits awards for "violation[s] . . . of a mark registered with the Patent and Trademark Office [§ 1114]" and for "violation[s] under [§] 1125(a)"). Petitioner brought infringement claims under both statutes, Compl. ¶¶ 29–40, and it won a verdict on both, Pet. App. 106a–107a.

according to its terms."). And in the case of § 1117(a), the Court's analysis can end there too.

The text of § 1117(a) does not require willfulness to award a trademark infringer's profits. The only place § 1117(a) mentions willfulness (or any similar concept) comes in a clause covering trademark *dilution* claims under § 1125(c), not infringement claims. *See* § 1117(a) ("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 . . . ." (emphasis added)).

This textual difference shows that, when Congress wants to require willfulness, it knows how to do so. *See Hardt*, 560 U.S. at 252 ("The contrast between these two paragraphs makes clear that Congress knows how to impose express limits on the availability of [a monetary remedy]."). In fact, it has done so in many other places throughout the Lanham Act. *E.g.*, § 1117(c)(2) (requiring willfulness to trigger the highest level of statutory damages for counterfeiting); § 1118 (requiring willfulness to order the destruction of materials diluting a mark under § 1125(c)); § 1125(c)(5)(B) (requiring willfulness for a dilution plaintiff to access the remedies in § 1117(a) and § 1118); *see also, e.g.*, § 1114(2)(D)(iii) (requiring "bad faith intent to profit" to hold a domain name registrar or registry liable for damages); § 1117(b)(1) (requiring "intentional[]" use of a known counterfeit mark to trigger mandatory trebling of profits or damages); § 1125(d)(1)(A)(i) (requiring "bad faith intent to profit" for a cyber-piracy claim).

The 1999 amendment to § 1117(a) does not change the analysis.[4] Regardless of the statue's iterative history, the language must mean what it says. *Cf. Mission Prod. Holdings, Inc. v. Tempnology, LLC*, 139 S. Ct. 1652, 1664 (2019) ("[T]his mash-up of legislative interventions says nothing much of anything about the content of [the statute's] general rule."). It expressly requires willfulness for dilution claims and then—in the very same sentence—imposes no such requirement for infringement claims. There is no ambiguity. *See Hardt*, 560 U.S. at 252 (holding that an ERISA fee-shifting statue does not limit awards to the prevailing party: "The words 'prevailing party' do not appear in this provision. . . . Instead, [the statute] expressly grants district courts 'discretion' to award attorney's fees."). Thus, the analysis need go no further.

B. Interpreting The "Principles Of Equity" Clause To Require Willfulness Contradicts Plain Meaning And Precedent

Because § 1117(a)'s plain language does not require willful infringement, the courts adopting that requirement have found it in other places. Some courts have anchored their holdings to the statute's clause making all awards "subject to the principles of equity." *See, e.g.*, *Stone Creek, Inc. v. Omnia Italia Design, Inc.*, 875 F.3d 426, 442 (9th Cir. 2017) ("Our holding . . . that

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[4] The court of appeals, bound by pre-1999 Second Circuit precedent, focused on whether the 1999 statutory amendment changed the law to make that precedent obsolete. *See* Pet. App. 24a–32a. Accepting for sake of argument the court's conclusion that the amendment did not change the law, *see id.* at 32a, the question remains whether § 1117(a) has *ever* required willfulness for infringement claims. It has not.

a plaintiff can secure the defendant's profits only after establishing willfulness . . . is based entirely on an interpretation of that unaltered language."); *see also* Pet. App. 30a (noting a "split in the courts" about the meaning of this statutory clause).[5]

The "principles of equity" clause, though, cannot support this reading. The courts of equity had "broad remedial powers." *United States v. E.I. du Pont de Nemours & Co.*, 366 U.S. 316, 328 n.9 (1961) (citing *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944)). And crucial here, "Congress would not be deemed to have restricted those broad remedial powers . . . without explicit language doing so in terms, or some other strong indication of intent." *Id.* Yet construing § 1117(a)'s "principles of equity" clause to always require willful infringement does just that. It

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[5] Other courts have looked outside the statute altogether. *See, e.g.*, *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1539–40 (2d Cir. 1992) (relying primarily on the Restatement (Third) of Unfair Competition to support a willfulness requirement). Although one Restatement does conclude that willfulness *should* be required as a normative matter, it acknowledges differing views among the courts. *See* Restatement (Third) of Unfair Competition § 37 cmt. b (noting "multiple rationales" for awarding profits); *id.* cmt. e (recognizing that "several cases" have awarded profits even though the defendant acted "in good faith"). Also, a different Restatement supports the contrary view that, at least when used to prevent unjust enrichment, the profits remedy does not necessarily require any particular mental state. *See* Restatement (Third) of Restitution & Unjust Enrichment § 51(2) ("The value for restitution purposes of benefits obtained by the misconduct of the defendant, *culpable or otherwise*, is not less than their market value." (emphasis added)); *id.* cmt. a (explaining that § 51(2) applies to "innocent converters" and "unwitting infringers").

transmutes an open-ended reference to principles historically promoting courts' *broad* discretion into one that immutably demands something *narrow* and *specific* in all cases. *See Holland v. Florida*, 560 U.S. 631, 651 (2010) (noting "equity's resistance to rigid rules").

Fighting against the plain language, respondents urge a more restrictive reading. *See* Opp. 31–34. They argue that Congress intended the "principles of equity" clause to incorporate a "pre-existing common law rule" supposedly requiring willful infringement. *Id.* at 33.

The first problem, again, is that Congress did not say this. But respondents' position also rests on an incorrect historical premise. It is true that many pre-Lanham Act decisions denied a profits award at least partly because the infringement was not willful. *See* Opp. 31–32 & n.5 (collecting examples). Few of those decisions, however—and none from this Court—invoked an absolute rule to reach that result. Rather, in most of them, the courts did exactly what equity requires, and what the Lanham Act still requires today: they considered, and based their decision on, the specific facts before them. *See, e.g.*, *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 132 (1947) (affirming the denial of a profits award: "*In view of these various circumstances* it seems to us that [an] injunction will satisfy the equities of the case." (emphasis added)); *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42 (1900) (reversing a profits award against all four infringers where one acted in good faith and the other three made only minimal sales); *McLean v. Fleming*, 96 U.S. 245, 256–58 (1877) (reversing a profits award because of the plaintiff's "long standing" acquiescence and "inexcusable" delay in bringing suit).

Also, this Court's pre-Lanham Act decisions awarding profits refute respondents' restrictive view of the common law. In *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, this Court reversed the Sixth Circuit's decision limiting a profits award to only the amount the plaintiff "affirmatively prove[d]" came from the infringement. 316 U.S. 203, 207 (1942). The Court remanded for a re-assessment of profits under the correct burden of proof, which requires the defendant to prove its sales *not* resulting from the infringement. *Id.* at 206–08. And the Court ordered that remand *even though* the infringement was not willful—over the dissent of three Justices on that very point. *See* 316 U.S. at 208–09 (Black, J., dissenting) (noting that the infringement was "found by both courts below to have been without fraudulent intent"); *see also Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 119 F.2d 316, 324 (6th Cir. 1941) (emphasizing "no finding of fact" and "no evidence" of bad intent). *Mishawaka*'s result would make little sense if the common law required willful infringement as a prerequisite.

Such a prerequisite would also cut against the reasoning of *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251 (1916). Affirming a profits award, the Court there held that profits awards in trademark cases reflect an "equitable measure of compensation, on the theory of a trust *ex maleficio*." *Id.* at 259, 263. And as this Court has explained elsewhere, a trust *ex maleficio* "may be fastened upon a wrongdoer *irrespective of intention*." *Jennings v. U.S. Fidelity &*

Guaranty Co., 294 U.S. 216, 222 (1935) (emphasis added) (citing 1 & 3 John Norton Pomeroy, *Pomeroy's Equity Jurisprudence* §§ 155, 1044, 1046 (3d ed. 1905)).

Finally, § 1117(a)'s legislative history does not support inferring a willfulness prerequisite from the "principles of equity" clause. In fact, "[t]he legislative history does not discuss [Congress'] reasons for adding" that clause at all. James M. Koelemay Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 485 (1982).

In short, the best reading of § 1117(a)'s "principles of equity" clause is the most straightforward one: it refers to traditional and flexible equitable principles, not rigid bright-line rules. To the extent courts have extracted a willfulness prerequisite from it, their interpretation contradicts the plain language and this Court's precedent.

II. A Rigid Willfulness Prerequisite Conflicts With How Trademark Law Usually Operates

Beyond its tension with the statutory language, adopting a strict prerequisite of willful infringement would conflict with how trademark law generally operates. As this Court has recognized—and as trademark practitioners can widely attest—"'most issues in trademark law'" are "fact-intensive." *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907, 911 (2015) (quoting 3 McCarthy, *supra*, § 17:26); *accord*, *e.g.*, Marlene B. Hanson & W. Casey Walls, *Protecting Trademark Good Will: The Case for a Federal Standard of Misappropriation*, 81 Trademark Rep.

480, 504 n.86 (1991) (same observation by an in-house trademark attorney at a major U.S. corporation).

Absent congressional action, trademark law tends to favor flexible legal standards over bright-line rules. This is partly because, as Professor McCarthy explains in his preeminent treatise, modern trademark law derives from the "extremely flexible" common law tort of unfair competition. 1 McCarthy, *supra*, § 1:8 & n.1 (quotation omitted); *see id.* § 2:7. As the Federal Circuit's predecessor court once similarly observed, "[T]rademark law must necessarily be flexible responding to particular circumstances disclosed by particular fact situations thereby making a hard and fast rule in these cases anathema to its concept and application." *Interstate Brands Corp. v. Celestial Seasonings, Inc.*, 576 F.2d 926, 928 (C.C.P.A. 1978).

This theme of flexibility permeates the Lanham Act, which "significantly changed and liberalized the common law to dispense with mere technical prohibitions." *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 171 (1995) (quotation omitted). Perhaps the most obvious example comes from the Act's test for trademark infringement: likelihood of confusion. *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1301 (2015). "No mechanistic formula or list can set forth in advance the variety of elements that comprise the market context from which likelihood of confusion must be determined." Restatement (Third) of Unfair Competition § 21 cmt. a. For this reason, every circuit uses a multifactor balancing test to evaluate the likelihood of confusion. 4 McCarthy, *supra*, § 24:30. And every circuit makes clear that the test is flexible and holistic, not mechanical:

> These [likelihood-of-confusion] factors imply no mathematical precision, but are simply a guide to help determine whether confusion is likely. They are also interrelated in effect. Each case presents its own complex set of circumstances and not all of these factors may be particularly helpful in any given case.

Custom Mfg. & Eng'r, Inc. v. Midway Servs., Inc., 508 F.3d 641, 650 (11th Cir. 2007) (quoting *Homeowners Grp., Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1107 (6th Cir. 1991)); *accord, e.g.*, *Jordache Enters. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1484 (10th Cir. 1987) ("This list is not exhaustive. All of the factors are interrelated and no one factor is dispositive."); *Piper Aircraft Corp. v. Wag-Aero, Inc.*, 741 F.2d 925, 934 (7th Cir. 1984) ("None of these factors is determinative."); *Plus Prods. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983) ("[E]ach [factor] must be considered in the context of all of the other factors.").

This is just one example. Across many substantive issues, this Court has held that the Lanham Act eschews rigid rules in favor of flexibility and discretion for courts. *See, e.g.*, *B & B Hardware*, 135 S. Ct. at 1306 (issue preclusion: rejecting a "categorical" rule that would prevent decisions of the Trademark Trial and Appeal Board from having preclusive effect in court litigation, and holding instead that Board decisions "should be given preclusive effect on a case-by-case basis" (quotation omitted)); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121–23 (2004) (fair use: rejecting a bright-line rule that would require a defendant asserting fair use under 15 U.S.C. § 1115(b)(4) to disprove consumer confusion, but holding that courts may consider the extent of likely confusion as "relevan[t]" in assessing fair use); *Qualitex*, 514 U.S. at 173 (functionality: holding that the Lanham Act "liberalized the law" on functionality and "left the courts free to reevaluate the preexisting legal precedent"); *id.* at 171 (acquired distinctiveness: explaining that the Act abolished the bright-line rule at common law prohibiting descriptive marks from ever becoming protectable marks (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (Friendly, J.))).

This preference for case-by-case decisionmaking applies equally to trademark remedies. *See, e.g.*, *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1410–11 (9th Cir. 1993) ("[W]e express a distinct preference for those opinions permitting relief based on the totality of the circumstances."), *superseded by statute on other grounds*, Trademark Amendments Act of 1999, Pub. L. No. 106–43, 113 Stat. 218. Even before the Lanham Act, few absolute rules dictated when a court could award (or deny) a trademark infringer's profits. *Champion Spark Plug*, for example—decided a few months before the Lanham Act went into effect—emphasized the lack of willful infringement as just one of "various circumstances" supporting the denial of profits. 331 U.S. at 131–32. But only a few years earlier in *Mishawaka*, the Court reached a different result, remanding for a presumptive *increase* in the profits award even though the infringement was not willful. *See Mishawaka*, 316 U.S. at 206–08; *see also* p. 9, *supra*. These outcomes are not inconsistent. Rather, they show how awards for trademark infringement have historically turned on the case-specific equities, not any hard-and-fast rules.

Far from restricting courts' discretion in this area, the Lanham Act expressly and repeatedly preserves it. Section 1117(a) makes all awards for infringement—including profits, actual damages, *and* costs of court—"subject to the principles of equity." § 1117(a); *see also* Part I.B, *supra*. It gives courts broad discretion to adjust awards "according to the circumstances of the case." § 1117(a). For profits awards, the statute authorizes these discretionary adjustments both upward and downward, setting no floor or ceiling. *See id.* For damages awards—which must initially be awarded by a jury if any party exercises its Seventh Amendment right—the court can award "any sum above the amount found [by the jury] . . . not exceeding three times." *Id.*; *see also Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 477–78 (1962) (holding that trademark infringement claims for actual damages trigger the right to a jury). The statute also allows (but tellingly, does not *require*) courts to award attorney's fees to the prevailing party in any "exceptional" case, § 1117(a), a standard this Court has held to be highly flexible and fact-specific. *See Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014) (holding that the exceptional-case standard defies any "precise rule or formula" and allows "case-by-case exercise of [courts'] discretion, considering the totality of the circumstances" (quotation omitted)).[6] In this respect,

[6] *Octane Fitness* interpreted the Patent Act's fee-shifting statute, which uses the same language as § 1117(a). The circuits thus uniformly hold that *Octane Fitness* also governs fee awards under § 1117(a). *E.g.*, *Sleepy's, LLC v. Select Comfort Wholesale*

profits awards are similar to the other § 1117(a) remedies—dependent on the facts and circumstances of each case, and subject to the broad discretion of the district court that has gained intense familiarity with those facts and circumstances.

On a whole host of issues, then, the Lanham Act promotes courts' discretion to make case-by-case decisions. The rule followed below cuts against that grain. Of course, no one disputes that Congress *can* legislate bright-line rules dictating one trademark issue or another. As explained, it has done so several times in analogous contexts. *See* p. 5, *supra*. Yet it has not done so on the question presented here. Unless and until it does, the Court should not endorse a judicially created rule that undermines trademark law's generally flexible contours.

III. Willfulness Is A Relevant Factor, But Making It An Absolute Prerequisite Would Restrict Courts' Discretion To Consider Broader Equities, With No Real Benefit

At least by some courts' account, it is "'necessary'" as a policy matter to require willful infringement before awarding profits under § 1117(a). *E.g.*, Pet. App. 22a (quoting *George Basch*, 968 F.2d at 1540). This is so, those courts say, because any other rule—including one that simply trusts district courts to exercise their equitable judgment—would risk the "'conceivably draconian impact that a profits remedy might have in some cases.'" *Id.*

Corp., 909 F.3d 519, 530–31 (2d Cir. 2018) (collecting circuit cases).

In the ABA's view, this concern about draconian impacts is overstated. It overlooks that forcing a willfulness prerequisite onto courts and parties creates its own set of drawbacks. And worse, those drawbacks seem to come with no real offsetting benefit.

By definition, the willfulness rule followed below limits judges' discretion to fashion appropriate equitable relief. But "there is no substitute for the court applying its experience, wisdom, and judicial acumen to the facts at hand." Anne Gilson LaLonde, *Gilson on Trademarks* § 14.03[2] (Matthew Bender ed. 2018); *see also Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009) (emphasizing courts' ability to make "context-specific" decisions through "judicial experience and common sense"). This maxim is "especially true of an award fashioned pursuant to the Lanham Act," where "[g]reat latitude is given the trial judge." *Drake v. E. I. DuPont deNemours & Co.*, 432 F.2d 276, 279 (5th Cir. 1970); *see also Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 218 (1985) (Stevens, J., dissenting) (noting courts' "broad power to do equity" in Lanham Act cases).

Yet in the circuits that currently require willfulness, courts lose much of their discretion. In those jurisdictions, the equitable analysis under § 1117(a) becomes a "two-step process: (1) a finding of willfulness or bad faith; and [then] (2) a weighing of the equities." *E.g.*, *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005). Those courts cannot even *start* to analyze the case's overall equities—which are supposed to matter most, both under the statute and throughout centuries of equity jurisprudence—until they make a threshold finding of willful infringement. *See, e.g.*, *id.*

All of this is not to say, however, that willfulness is unimportant. Even in the circuits that do not require willfulness, profits awards still correlate strongly with the infringer's bad faith. *See, e.g.*, *Seatrax, Inc. v. Sonbeck Int'l Inc.*, 200 F.3d 358, 372 & n.9 (5th Cir. 2000) ("[O]ur independent research [does not] reveal[] any cases from this circuit where an accounting of profits has been awarded without a finding of willfulness.").

But this correlation is not inexorably true in all cases, nor should it be. An award of profits can serve at least three distinct purposes, two of which do not necessarily require a willful infringer. *See* 5 McCarthy, *supra*, § 30:59 (outlining three purposes of profits awards: (1) as a measure of the plaintiff's damages; (2) to prevent unjust enrichment; and (3) to deter a willful infringer). If a court awards profits for the first purpose (as it is entitled to do under settled remedial principles), then inflexibly requiring willful infringement makes little sense—the trademark owner seeks only to be made whole. *See Gen. Elec. Co. v. Speicher*, 877 F.2d 531, 535 (7th Cir. 1989) ("[I]t is hard to see how the defendant's equities could ever be superior to the plaintiff's if all the plaintiff were seeking was his actual losses."). As for the second purpose, while some unjust-enrichment scenarios involve willful infringement, some do not. *See* Restatement (Third) of Restitution & Unjust Enrichment § 51 cmt. c (noting that "unwitting infringers" may nonetheless owe "restitution for the market value of the rights they have 'taken'").

The willfulness prerequisite's "two-step process" (*W. Diversified Servs.,* 427 F.3d at 1273) thus mechanically and artificially constrains the court's remedial authority. Without willful infringement, the analysis ends at step one, and the court never reaches the broader equities. This restriction on judicial discretion can prove unfortunate, as a profits award is sometimes the only practicable way to compensate a trademark owner. *See Hard Candy, LLC v. Anastasia Beverly Hills, Inc.*, 921 F.3d 1343, 1353 (11th Cir. 2019) ("The Lanham Act permits recovery of profits because actual damages are often difficult to prove.").

A rigid willfulness prerequisite also comes with few (if any) overriding benefits, despite restricting courts' discretion and despite artificially elevating the importance of one issue across all stages of the case. The principal benefit of a bright-line rule, at least in general, is "clarity and predictability." *Roell v. Withrow*, 538 U.S. 580, 596 (2003) (Thomas, J., dissenting). That benefit becomes significantly more elusive, however, if the bright-line rule depends first on deciding a fact-intensive question like willfulness. *See, e.g.*, *Sisson v. Ruby*, 497 U.S. 358, 372–73 (1990) (Scalia, J., concurring) (explaining that whether to adopt or reject a bright-line rule may depend partly on "any practical gain" (quotation omitted)). Whether a trademark infringer acted willfully is a highly case-specific decision that is often difficult to make. *See* James M. Koelemay Jr., *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark Rep. 263, 271–76 (1995) (listing twenty-two factors courts have deemed relevant to evaluating willfulness). And even once that finding is made—which often will not occur until late in the case—it still does not necessarily resolve the profits question. The court can still rely on other facts and equities to deny a profits award, *even if* the infringement was willful. *See George Basch*, 968 F.2d at 1540 ("Having stated that a finding of willful deceptiveness is necessary in order to warrant an accounting for profits, we note that it may not be sufficient."); 5 McCarthy, *supra*, § 30:59 ("[A]n accounting of profits is never automatic and never a matter of right.").

In a similar vein, courts' broad discretion to deny (or reduce) profits awards for equitable reasons—whether or not the infringement was willful—mitigates the concern about "'draconian impact[s].'" Pet. App. 22a (quoting *George Basch*, 968 F.2d at 1540). Section 1117(a) never requires a court to award profits, or to award them in any particular amount. If the court finds a profits award to be "excessive," the statute expressly gives authority to "enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." § 1117(a); *accord* 5 McCarthy, *supra*, § 30:90 ("[T]rial judges have wide discretion to exercise the power to modify monetary awards."). Preventing draconian impacts thus requires no bright-line rule. Courts can avoid them by simply exercising their statutory authority.

Put simply, the conventional wisdom used to justify bright-line rules does not apply in this context. And regardless, the theoretical benefit of a bright-line rule cannot justify adopting one despite the statutory language. This Court has recently rejected bright-line rules for just that reason, including in other intellectual property cases. *See, e.g.*, *Kirtsaeng v. John Wiley & Sons, Inc.*, 139 S. Ct. 1979, 1988–89 (2016) (holding that the "objective reasonableness" of a losing party's positions is an "important factor" in awarding attorney's fees under the Copyright Act, 17 U.S.C. § 505, but not a "controlling" factor because the court must "view all the circumstances of a case on their own terms"); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933–34 (2016) (rejecting "any rigid formula" for awarding enhanced damages for patent infringement under 35 U.S.C. § 284, and instead affirming courts' "discretion . . . to take into account the particular circumstances"); *Octane Fitness*, 572 U.S. at 554 (similar holding for attorney's fee awards in patent cases under 35 U.S.C. § 285). Like those statutes, § 1117(a) calls for a holistic, case-by-case view of the equities.

Finally, the flexible standard adopted by several circuits will give courts all the tools they need to reach the appropriate result in the cases before them. *Every* circuit agrees that a trademark infringer's intent is relevant—often highly relevant—to evaluating a potential award of profits under § 1117(a). *See* Pet. 13–15; Opp. 24–27. The difference is, some circuits let district courts give that factor the weight it deserves in each particular case, while others have largely taken the decision out of the district courts' hands. The latter rule, followed below, needlessly divests courts of their statutory and historical discretion to make fair and equitable decisions. This Court should return that discretion.

CONCLUSION

The court of appeals' judgment should be reversed and the case remanded for further proceedings.

Respectfully submitted,

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SEPTEMBER 2019

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