No. 18-1233

In the

Supreme Court of the United States

ROMAG FASTENERS, INC..

Petitioner,

v.

FOSSIL, INC., *et al.*,

Respondents.

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

BRIEF FOR *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

Henry Hadad
President
Kevin H. Rhodes
Chair, Amicus Brief Committee
Intellectual Property Owners Association
1501 M Street N.W., Suite 1150
Washington, D.C. 20005
(202) 507-4500

Paul H. Berghoff
Counsel of Record
Eric R. Moran
Nicole E. Grimm
McDonnell Boehnen Hulbert & Berghoff LLP
300 South Wacker Drive
Chicago, IL 60606
(312) 913-0001
berghoff@mbhb.com

Counsel for Amicus Curiae

291268

COUNSEL PRESS

(800) 274-3321 • (800) 359-6859

TABLE OF CONTENTS

TABLE OF CITED AUTHORITIES

Page

CASES

Page

MISCELLANEOUS

INTEREST OF THE *AMICUS CURIAE*

Amicus curiae Intellectual Property Owners Association (IPO) is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights.[1] IPO's membership includes more than 175 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventors, authors, executives, law firms, or attorney members. The corporate members of IPO own tens of thousands of trademarks and rely on the federal trademark system to protect these valuable assets. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before government entities and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The IPO Board of Directors approved the filing of this brief.[2]

This case presents a question of substantial practical importance to IPO's members: namely, whether under section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a threshold determination for an award of an infringer's profits for a violation of

---

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae or its counsel made a monetary contribution to its preparation. Both parties have consented to the filing of this brief through blanket consent letters.

2. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

15 U.S.C. § 1125(a). Because consistency among the federal courts of appeals is important to all trademark owners, especially for an issue that frequently arises during trademark infringement actions, IPO respectfully requests that this Court resolve the conflict and find that willfulness is required.[3]

SUMMARY OF THE ARGUMENT

This case presents an issue of first impression before the Supreme Court. The federal courts of appeals have long been split regarding whether willfulness is a threshold requirement or just one factor to be considered in awarding defendant's profits for a violation of § 1125(a). The plain language and legislative history of § 35(a) of the Lanham Act, codified at 15 U.S.C. § 1117(a), makes clear that willfulness is a prerequisite to recover profits for a violation of § 1125(a). This is true even in light of the 1999 amendments to § 1117(a). Furthermore, a willfulness requirement is necessary to balance the equities in disgorgement of a defendant's profits and to prevent a potential windfall judgment to the plaintiff. For these reasons, IPO respectfully requests that this Court resolve the conflict among the federal courts of appeals and find that willfulness is a prerequisite for recovering a defendant's profits for a violation of § 1125(a).

---

3. IPO takes no position on the other aspects of the Federal Circuit's decision.

ARGUMENT

I. A WILLFULNESS REQUIREMENT IS CONSISTENT WITH THE STATUTORY INTERPRETATION OF § 1117(A)

The remedies provision of 15 U.S.C. § 1117(a), when properly interpreted, provides that a court can only award defendant's profits when there has been a showing of willfulness. Section 1117(a), which was last amended in 1999, states in relevant part:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the principles of equity, to recover (1) defendant's profits ….

Although the current version of the statute requires a "willful violation" for recovery under the § 1125(c) dilution provisions, prior to the amendments in 1999, § 1117(a) did not explicitly recite a "willfulness" requirement. Rather, § 1117(a) did not address dilution and instead recited that a plaintiff's award shall simply be "subject to the principles of equity." As stated by the Federal Circuit below, § 1117(a):

> [P]rovided that plaintiffs who had established "a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section § 1125(a) of this title

> ... 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." 15 U.S.C. § 1117(a) (1996) (emphasis added) (amended 1999).

Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 785 (Fed. Cir. 2016), *cert. granted, judgment vacated,* 137 S. Ct. 1373 (2017).

In applying the pre-1999 statute, courts of appeals in several, but not all, circuits required a showing of willfulness as a prerequisite for an award of a defendant's profits in cases involving § 1125(a). *See Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) ("[A]n award of profits requires a showing that defendant's actions were willful or in bad faith."); *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992) ("[U]nder § 35(a) of the Lanham Act, a plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting."); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) ("[A]n award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith."); *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Ohio*, 849 F.2d 1012, 1015-1016 (6th Cir. 1988) (affirming the district court's refusal of accounting because the defendant's actions were not "willful, malicious, or fraudulent" and noting that "[f]or a court to order an accounting under § 35(a), bad faith must be shown"); *but see Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) (noting that "intent to confuse or deceive" was a relevant factor in determining whether to award profits, but that the court "has not required a particular factor to be present").

Following the 1999 amendment, some courts used the inclusion of "willful" for dilution claims as evidence that willfulness is not required for an accounting of profits in infringement claims. For example, the Third Circuit has stated:

> The plain language of the amendment indicates that Congress intended to condition monetary awards for § 43(c) violations, but not § 43(a) violations, on a showing of willfulness. We presume Congress was aware that most courts had consistently required a showing of willfulness prior to disgorgement of an infringer's profits in Lanham Act cases, despite the absence of the word "willful" in the statutory text prior to 1999. … By adding this word to the statute in 1999, but limiting it to § 43(c) violations, Congress effectively superseded the willfulness requirement as applied to § 43(a).

Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174–75 (3d Cir. 2005) (citation omitted).

Although statutory construction principles may sometimes require that the expression of one term implies the exclusion of others, such a canon assumes that the language was written and considered at the same time. *See, e.g.*, *Romag*, 817 F.3d at 790. Here, however, because the dilution language was added decades after the original language, this rule of statutory construction should not be applied. *See, e.g.*, *id.* at 785 (describing history).

In fact, the legislative history supports the conclusion that Congress did not intend to abrogate any willfulness requirement with its 1999 amendment. Instead, the amendment was intended to "correct the mistaken omissions" from the Lanham Act when the Dilution Act was passed. *Id.* at 789. As explained by the House Judiciary Committee Report:

> Section three seeks to clarify that in passing the [Federal Trademark] Dilution Act, Congress did intend to allow for injunctive relief and/or damages against a defendant found to have wilfully intended to engage in commercial activity that would cause dilution of a famous mark.... *The language of the Dilution Act presented to the President for signing did not include the necessary changes to sections 35(a) and 36 of the Trademark (Lanham) Act of 1946 as referred to in the Dilution Act. 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 sections 35(a) and 36 to allow for injunctive relief and damages.*

H.R. Rep. No. 106-250, at 6 (1999) (emphasis added). In other words, the Federal Trademark Dilution Act of 1995 required "willful intent" to invoke remedies for dilution under § 1117(a), but mistakenly omitted from § 1117(a) amendments expanding its scope to cover such willful violations. *See id.*; Pub. L. No. 104-98, 109 Stat. 985 (1996).

The legislative history reflects no intent or discussion concerning the meaning of "violation" as it relates to infringement claims under §1125(a), even though a split existed on the issue prior to the 1999 amendment, as discussed above. As the Federal Circuit in *Romag* stated, "[g]iven the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict." *Id.* at 790 (quoting *Dir. of Revenue of Mo. v. CoBank ACB,* 531 U.S. 316, 323-24 (2001) ("[I]t would be surprising, indeed, if Congress ... made a radical—but entirely implicit—change ... [with a] 'technical and conforming amendment[ ].'") (citation omitted); *Whitman v. Am. Trucking Ass'ns, Inc.,* 531 U.S. 457, 468 (2001) ("Congress does not "hide elephants in mouseholes.")).

Accordingly, the 1999 amendment should be considered in the context of the entire statutory scheme. *See Nat'l Ass'n of Home Builders v. Defs. of Wildlife*, 551 U.S. 644, 666 (2007) ("[A] reviewing court should not confine itself to examining a particular statutory provision in isolation…. It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.") (citations omitted). Below, the Federal Circuit properly applied this cannon of statutory construction to conclude that the 1999 amendment did not disturb the "Second Circuit precedent requiring willfulness for the recovery of profits in infringement cases." *Romag*, 817 F.3d at 791. The First, Second, Ninth, and Tenth Circuits have also found that willfulness is a prerequisite for an award of profits following the 1999 amendment. *See Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439 (9th Cir. 2017), *cert. denied*, 138 S. Ct. 1984 (2018) ("We agree with the district court that the 1999 amendment has not changed the state of the law on disgorgement and that willfulness is still required."); *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014) ("[U]nder any theory, a finding of defendant's willful deceptiveness is a prerequisite for awarding profits.") (citation omitted); *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) (noting that the court "usually requires willfulness" to allow for "a recovery of the defendant's profits," except for cases involving direct competition); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1270 (10th Cir. 2005) ("We hold that the willfulness required to support an award of profits under the Lanham Act typically requires an intent to appropriate the goodwill of another's mark.").

Thus, the 1999 amendment left the conflict among the courts of appeals regarding whether willfulness is required to recover a defendant's profits unresolved. IPO believes this Court should resolve the conflict in line with courts that interpret § 1117(a) to require willfulness for recovery of profits.

II. A WILLFULNESS REQUIREMENT IS CONSISTENT WITH "THE PRINCIPLES OF EQUITY"

A willfulness requirement for awarding defendant's profits for a violation of § 1125(a) is consistent with the equitable considerations for awarding profits. These equitable considerations are grounded in common law, which required willfulness for an accounting, and are expressly required in § 1117(a). *See, e.g.*, *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42–43 (1900) (applying common law to hold that "an injunction should issue against all . . . defendants, but that, as the [one defendant] 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."); § 1117(a) (stating that "the plaintiff shall be entitled, *subject to the principles of equity*, to recover (1) defendant's profits….") (emphasis added).

As the Federal Circuit explained in *Romag* by citing Second Circuit case law, requiring a finding of willfulness "is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases. 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." *Romag*, 817 F.3d at 785–86 (quoting *George Basch,* 968 F.2d at 1540 (citing the *Restatement (Third) of Unfair Competition* § 37 cmt. e (1991))).

And as set forth by the Second Circuit in *George Basch,* "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 (citing *Restatement* § 37 cmt. e).

Furthermore, requiring willfulness is appropriate "[g]iven the punitive nature of the remedy and the possible windfall to the plaintiff," otherwise such an award could lead to "inequity," particularly when a plaintiff seeks profits when there are no actual damages. *W. Diversified Servs.,* 427 F.3d at 1272–73. Indeed, when defendant's profits are awarded for the purpose of deterrence, such award is not "compensatory in nature," rather it serves "to protect the public at large" from fraudulent use of another's mark. *George Basch*, 968 F.2d at 1539 ("By awarding the profits of a bad faith infringer to the rightful owner of a mark, we promote the secondary effect of deterring public fraud regarding the source and quality of consumer goods and services.").

Permitting the disgorgement of a defendant's profits only upon a showing of bad faith or willfulness also discourages vexatious trademark litigation. By bringing a trademark infringement suit threatening a defendant with having to turn over all of its profits, a less than scrupulous trademark owner could extract settlement payments well in excess of any harm actually suffered. Requiring a showing of willfulness or bad faith by accused infringers will eliminate this unwarranted settlement leverage without harming the legitimate value of trademark rights.

CONCLUSION

IPO respectfully requests that the Supreme Court resolve the conflict among federal courts of appeals and find that willfulness is a prerequisite for recovering a defendant's profits for a violation of § 1125(a).

Respectfully submitted,

Henry Hadad
President
Kevin H. Rhodes
Chair, Amicus Brief Committee
Intellectual Property Owners Association
1501 M Street N.W., Suite 1150
Washington, D.C. 20005
(202) 507-4500

Paul H. Berghoff
Counsel of Record
Eric R. Moran
Nicole E. Grimm
McDonnell Boehnen Hulbert & Berghoff LLP
300 South Wacker Drive
Chicago, IL 60606
(312) 913-0001
berghoff@mbhb.com

Counsel for Amicus Curiae

APPENDIX

APPENDIX[1] — MEMBERS OF THE BOARD OF DIRECTORS INTELLECTUAL PROPERTY OWNERS ASSOCIATION

Eric Aaronson
Pfizer Inc.

Brett Alten
Hewlett Packard Enterprise

Ron Antush
Nokia Inc.

Estelle Bakun
Exxon Mobil Corp.

Scott Barker
Micron Technology, Inc.

Thomas R. Beall
Corning Incorporated

Steve Caltrider
Eli Lilly and Co.

John J. Cheek
Tenneco Inc.

Cara Coburn
Roche Inc.

Karen Cochran
Shell Oil Company

Buckmaster de Wolf
General Electric Co.

Robert DeBerardine
Johnson & Johnson

Anthony DiBartolomeo
SAP AG

Daniel Enebo
Cargill, Inc.

Louis Foreman
Enventys

Scott M. Frank
AT&T

Darryl P. Frickey
Dow Chemical Co.

Gary C. Ganzi
Evoqua Water Technologies, LLC

1. IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

Tanuja Garde
Raytheon Co.

Krish Gupta
Dell Technologies

Henry Hadad
Bristol-Myers Squibb Co.

Bill Harmon
Uber

John Harris
Ford Global Technologies LLC

Heath Hoglund
Dolby Laboratories

Thomas R. Kingsbury
Bridgestone Americas, Inc.

Laurie Kowalsky
Koninklijke Philips N.V.

William Krovatin
Merck & Co., Inc.

Michael C. Lee
Google Inc.

Kelsey L. Milman
Caterpillar Inc.

Micky Minhas
Microsoft Corp.

Jeffrey Myers
Apple Inc.

Ted Naccarella
InterDigital Corp.

Ross Oehler
Johnson Matthey Inc.

Ken K. Patel
Procter & Gamble Co.

KaRan Reed
BP America, Inc.

Kevin H. Rhodes
3M Innovative Properties Co.

Paik Saber
Medtronic, Inc.

Matthew Sarboraria
Oracle USA Inc.

Manny Schecter
IBM Corp.

Jessica Sinnott
DuPont

Thomas Smith
GlaxoSmithKline

Todd N. Spalding
Alexion
Pharmaceuticals

John Stewart
Intellectual Ventures
Management Corp.

Daniel Staudt
Siemens Corp.

Brian Suffredini
United Technologies
Corp.

Gillian Thackray
Thermo Fisher
Scientific Inc.

Joerg Thomaier
Bayer Intellectual
Property GmbH

Mark Wadrzyk
Qualcomm Inc.

Stuart L. Watt
Amgen, Inc.

Ariana Woods
Capitol One