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 RESPONDENTS

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QUESTION PRESENTED

Whether, under Section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer's profits for a violation of Section 43(a), 15 U.S.C. § 1125(a).

CORPORATE DISCLOSURE STATEMENT

Fossil, Inc., which formally changed its name to Fossil Group, Inc. as of May 2013, has no parent corporation; publicly held BlackRock, Inc. holds 10% or more of its stock. Fossil Stores I, Inc. is a wholly-owned subsidiary of publicly held Fossil Group, Inc.

Macy's, Inc. has no parent corporation and no publicly held corporation owns 10% or more of its stock. Macy's Retail Holdings, Inc. is a wholly-owned subsidiary of Macy's, Inc.

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BRIEF FOR RESPONDENTS

INTRODUCTION

This case is about when a plaintiff may obtain one particularly severe remedy under the Lanham Act's monetary remedies provision, one that forces a defendant to account for, and turn over, its profits to the plaintiff. The Lanham Act places a clear textual limit on this profits remedy. It makes a plaintiff's entitlement to that remedy "subject to the principles of equity." 15 U.S.C. § 1117(a).

Over the course of a century, and with near-perfect unanimity, courts developed a clear principle that limited a plaintiff's ability to seek a defendant's profits, a remedy based on the equitable remedy of an accounting. A court would not allow a profits

award unless the plaintiff showed that the defendant acted *willfully*, intending in some way to trade on the plaintiff's rights. Under this rule, a defendant who acted in good faith, and the court itself, would be spared burden of an accounting where the defendant's actions did not call for that severe remedy. And under this rule, the risk of a windfall award to a plaintiff who had not been harmed, and whom the defendant had not intended to harm, was mitigated.

The Lanham Act carries that rule forward. Courts interpreted the remedies provision of its predecessor statute, the Trade-Mark Act of February 20, 1905, ch. 592, 33 Stat. 724 ("1905 Act"), to contain this longstanding limit on a defendant's profits award. The Lanham Act not only retained the language of the 1905 Act, it expressly "subject[ed]" the availability of monetary remedies to the principles of equity. All of this—the clear and consistent rule developed in the historical trademark cases, the continuation of the rule under the 1905 Act, and the text of the Lanham Act—makes a profits award dependent on the defendant's willfulness.

It is no surprise that Romag resists this reading of the statute. Courts have understood that forcing a defendant to hand over its profits risks a potentially enormous windfall to a plaintiff, far exceeding any actual damages. This case is no exception. Romag wants a court to award it *all* of the profits Fossil made on handbags that contain small magnetic snaps bearing Romag's trademark. But it offered no evidence that the infringement here was anything other than accidental, which is why the jury found that Fossil did not act willfully. Romag offers the Court no good reason, based in the statutory text, the

history behind it, or common sense, to require a defendant to account for and turn over its profits where it did not act willfully.

The judgment should be affirmed.

STATEMENT

1. This case began when Romag sued Fossil on November 22, 2010, just days before Thanksgiving and the Black Friday sales that would follow. Pet. App. 71a. The lawsuit was itself something of a holiday tradition. Romag had raised similar claims on similar dates twice before, extracting a settlement each time. *Id.* at 67a–68a (Nov. 13, 2007, suit against J.C. Penney; Nov. 17, 2009, cease and desist letter to DSW, Inc.).

Fossil "designs, markets, and distributes fashion accessories," such as handbags, in its stores and through other retailers. *Id.* at 65a. Fossil contracts with independent businesses to make its products, rather than manufacturing the products itself. *Id.* at 66a. One of those independent businesses is Superior Leather Limited, located in China. *Id.* As Fossil's handbag manufacturer, Superior buys component parts for, and then manufactures, Fossil's handbags. *Id.*

Romag holds a patent on magnetic snaps, which it sells under its registered trademark, "ROMAG." *Id.* at 64a. These snaps are made in China, by a company named Wing Yip Metal Manufactory Accessories Limited. *Id.* A licensing agreement between the two requires Wing Yip to pay a $0.05 royalty for each snap it sells. *Id.* at 65a.

The snaps in some Fossil products, including handbags, came from Romag. *Id.* at 66a. When it used

ROMAG snaps, Superior purchased them from Wing Yip. *Id.* Though Fossil and Superior disagreed a few times over invoices and price quotes relating to other components of its products, Fossil did not "act[] recklessly, with willful blindness, or with actual knowledge of a risk" that "Superior was using counterfeit snaps." *Id.* at 49a–50a.

By "June 2010," Romag "had sufficient knowledge" that counterfeit snaps may have made their way into Fossil handbags. *Id.* at 85a. In May, Jody Ellant, Romag's General Counsel, had told her husband Howard Reiter, Romag's President, that her sister had "discovered" counterfeit ROMAG snaps on Fossil handbags while shopping at Macy's. *Id.* at 69a. Ellant went to Macy's herself to purchase Fossil bags bearing ROMAG snaps. *Id.* Two weeks earlier, Reiter had received an e-mail telling him a "factory in China had been producing magnetic snap fasteners bearing the ROMAG mark without authorization." *Id.* at 68a. After contacting his intellectual property lawyer, he asked the e-mailer which manufacturer was purchasing the snaps, stating "it is hard for the law to work in [C]hina," but it is "easier in [the] USA." *Id.* (internal quotation marks omitted).

Nonetheless, Reiter set the purchased Fossil bags aside, where they sat for months. *Id.* at 69a. At the end of October, "Reiter claim[ed] he suddenly had an epiphany that he should investigate the" Fossil bags. *Id.*; *see also id.* at 82a (finding this testimony "discredited"). That epiphany, in his telling, led him to search his e-mails and find one that "identif[ied] Superior as a Fossil manufacturer." *Id.* at 68a–69a. He reviewed data on Superior's purchases of ROMAG snaps and saw that purchases had dropped

off in 2008. *Id.* at 70a. Reiter inspected the snaps on the bags that he had set aside and then sent those snaps to Wing Yip for testing. *Id.* Wing Yip "reported that the snaps could not have been made with [its] tooling." *Id.*; *see also id.* at 47a n.4.

2. On November 17, 2010, Romag sent Fossil a cease and desist letter. *Id.* at 70a. Five days later, Romag sued Fossil and Macy's, and then sought a temporary restraining order and preliminary injunction. *Id.* at 71a. It raised patent infringement claims, Lanham Act claims for trademark infringement under Section 1114(1) and false designation of origin under Section 1125(a), a state common-law unfair competition claim, and a Connecticut Unfair Trade Practices Act claim. *Id.* at 34a. Reiter's declaration supporting Romag's request for a TRO falsely implied that he discovered the issue during a customary shopping trip earlier in November, rather than in May when his wife conveyed her suspicions, or even in October when he had his claimed "epiphany." *Id.* at 71a–72a.

The District Court for the District of Connecticut granted a temporary restraining order on November 30. *Id.* at 72a. Fossil "put a hold on all of the affected products and" worked "to prevent any items that had already been delivered to retailers from being sold to customers." *Id.* In the end, Fossil took over $4 million worth of inventory off the market. *Id.* at 72a, 81a. Had Reiter investigated earlier, when he had "sufficient knowledge" of the possibility of counterfeit snaps, *id.* at 85a, "Fossil's inventory would have been much smaller and half as valuable," and Fossil could have ensured that its holiday season inventory was free of counterfeit snaps. *Id.* at 81a–

82a. Fossil thus "suffered material economic prejudice" because of Romag's delay. *Id.*[1]

A seven-day jury trial ensued. The jury found Fossil liable for each of Romag's claims. The jury also found Macy's liable for patent infringement. *Id.* at 106a–113a. The District Court later entered judgment against Macy's as a matter of law on trademark infringement because "the jury did hear testimony that Fossil bags purchased from Macy's contained counterfeit snaps." *Id.* at 41a, 59a–60a.[2] On patent damages, the jury found $0.09 per snap to be a reasonable royalty, for a total of $51,052.14 against Fossil, and $15,320.61 against Macy's. *Id.* at 113a. On the state-law claims, Romag sought only punitive damages, and the jury declined to award them. *Id.* at 60a n.6.

The jury rendered two advisory findings related to trademark damages. As to the "amount of profits * * * made on the sale of the accused handbags which

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[1] Romag later sued Belk, Inc., The Bon-Ton Stores, Inc., The Bon-Ton Department Stores, Inc., Dillard's, Inc., Nordstrom, Inc., Zappos.com, Inc., and Zappos Retail, Inc., raising the same trademark-related claims. The District Court consolidated the suits. Pet. App. 65a–66a, 71a n.2. The jury found these defendants not liable, and these claims are not at issue. *Id.* at 106a–112a.

[2] The District Court delayed the entry of judgment "to give Romag the opportunity to elect statutory damages * * * for trademark infringement." Pet. App. 60a n.5; *see also* 15 U.S.C. § 1117(c)(1) ("not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services * * * as the court considers just"). It had, by that point, already denied Romag a profits award at the bench trial. *See infra* at 8. Romag did not seek statutory damages.

should be awarded to Plaintiff to prevent unjust enrichment," it found that amount to be $90,759.36. *Id.* at 108a. As to the "amount of profits * * * made on the sale of the accused handbags which should be awarded to deter future trademark infringement," it found that amount to be $6,704,046. *Id.* at 109a. It then found that Fossil had proved by a preponderance of the evidence that 99% of the "profits earned from the sale of the accused handbags was attributable to factors *other* than the use of the ROMAG mark." *Id.* (emphasis added).[3]

The jury also specifically found that neither Fossil nor Macy's had willfully infringed. *Id.* at 107a, 112a. As to whether any trademark infringement was willful, the jury had been instructed, as Romag proposed, that Romag had to show:

> (1) that Defendants were actually aware of the infringing activity, or (2) that Defendants' actions were the result of willful blindness. Willful blindness means that Defendants knew they might be selling infringing goods but nevertheless intentionally shielded themselves from discovering the truth.

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[3] Romag did not, and cannot now, challenge the jury's attribution finding. As it notes (at 13 n.3), no question of the attribution of any profits award is before the Court, though any attempt to seek *all* of Fossil's profits on the handbags would be futile in light of the statutory text. *See Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 206 (1942) ("The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark" under the 1905 Act.); 15 U.S.C. § 1117(a) (reenacting the apportionment language of the 1905 Act).

Id. at 43a. The District Court later issued a supplemental instruction, to which Romag did not object:

> "Intentionally shielded" is more than reckless or negligent conduct. It means when a defendant knew that there was a high probability that components which infringed Plaintiff's mark were used on its handbags, but took deliberate actions, such as purposefully looking the other way, to avoid learning of the infringement.

Id. at 45a. The verdict form asked whether Romag "had proved by a preponderance of the evidence that Defendants' trademark infringement was willful," and the jury answered "no." *Id.* at 107a.

The District Court held a two-day bench trial on "equitable defenses" and "equitable adjustment[s]." *Id.* at 35a (internal quotation marks omitted). It found that Fossil had established laches based on "the period of delay" from June to November 2010 because the "inescapable conclusion" was that Romag "carefully timed this suit to take advantage of the imminent holiday shopping season to be able to exercise the most leverage * * * in an attempt to extract a quick and profitable settlement." *Id.* at 80a–81a, 86a. On this basis, it reduced the patent infringement reasonable royalty damages by 18%. *Id.* at 12a. It then rejected a profits award, under Second Circuit precedent, due to the jury's finding that the infringement was not willful. *Id.* at 95a (citing *George Basch Co.* v. *Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992)). It granted Romag a permanent injunction. *Id.* at 102a–104a. Finally, it sanctioned Romag for the "troubling" and "misleading" declaration that Romag used "in bad faith" to

secure the TRO. *Id.* at 90a–93a; *see also id.* at 84a ("not credit[ing] Mr. Reiter's testimony purporting to justify his delay").

3. Romag appealed. It raised the denial of a profits award for trademark infringement and the reduction of patent damages based on laches. *Id.* at 19a–20a. The Federal Circuit affirmed.

Applying Second Circuit law, the Federal Circuit held that "a trademark owner must prove that the infringer acted willfully to recover the infringing defendant's profits." *Id.* at 20a. Beginning with the text of the Lanham Act, the court explained that it makes a plaintiff's entitlement to monetary remedies "subject to the principles of equity." *Id.* (quoting 15 U.S.C. § 1117(a) (1996)). The Federal Circuit then surveyed the relevant precedent, including this Court's cases and circuit court cases. *Id.* at 20a–24a. The Second Circuit had previously held "that 'under [15 U.S.C. § 1117(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.' " *Id.* at 21a (quoting *George Basch Co.*, 968 F.2d at 1540).

The Federal Circuit rejected Romag's argument that a 1999 amendment to Section 1117(a) cast doubt on that holding. In 1996, Congress enacted a new Lanham Act cause of action for trademark dilution that was codified in Section 1125(c). *Id.* at 24a. The provision setting out that cause of action provided for injunctive relief, and also for monetary relief "if the dilution was 'willfully intended.' " *Id.* (quoting Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985–986 (1996)). Congress did not, in 1996, amend Section 1117(a) to reflect

this new cause of action. *Id.* at 25a. It corrected that oversight in 1999, when it added "a willful violation under section 1125(c) of this title" to the list of violations that trigger the availability of monetary remedies in Section 1117(a). *Id.* at 25a–26a (discussing the Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219).

Although some courts read the 1999 amendment as "supersed[ing]" the willfulness requirement based in principles of equity, *id.* at 27a (quoting *Banjo Buddies, Inc.* v. *Renosky*, 399 F.3d 168, 175 (3d Cir. 2005)), the Federal Circuit disagreed. Given the longstanding requirement, the Federal Circuit reasoned, Congress would have given *some* indication if it meant to depart from that rule when enacting a conforming amendment. *Id.* at 29a–30a (citing *Dir. of Revenue of Mo.* v. *CoBank ACB*, 531 U.S. 316, 323–324 (2001)). The amendment did not touch the textual basis for the willfulness requirement, the phrase making the availability of monetary remedies subject to the "principles of equity." *Id.* And the Second Circuit had continued to apply that rule after the 1999 amendment. *Id.* at 28a. The Federal Circuit therefore concluded that the amendment "left the law where it existed before 1999" and affirmed the denial of a profits award. *Id.* at 33a.

The Federal Circuit's ruling on patent damages led to a detour. The Federal Circuit affirmed the reduction of damages based on laches. *Id.* at 17a, 19a–20a. After Romag sought certiorari, this Court granted, vacated, and remanded in light of *SCA Hygiene Prods. Aktiebolag* v. *First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017). 137 S. Ct. 1373 (2017). The Federal Circuit recalled its mandate,

reinstated the appeal, and remanded to allow the District Court to address the patent damages issue. Pet. App. 14a–15a. The District Court reinstated the jury's original verdict on patent damages. *Id.* at 12a. Romag again appealed.

Fossil moved to dismiss the second appeal because Romag simply repeated its objection to the willfulness requirement. *Id.* at 2a–3a. The Federal Circuit agreed, seeing "no reason to relitigate" the question, and dismissed to the extent that Romag raised no additional issues. *Id.* at 3a. After Romag told the court there was nothing else to address, the Federal Circuit summarily affirmed. Supp. App. 2a.

This Court granted certiorari. 139 S. Ct. 2778 (2019).

SUMMARY OF ARGUMENT

I. Romag asks this Court to open a door that trademark law closed long ago. It seeks a ruling that the Lanham Act's monetary remedies provision, 15 U.S.C. § 1117(a), authorizes a court to award a defendant's profits even if the defendant's conduct was innocent, not willful. The text of the statute and the traditional trademark law that it reflects foreclose that interpretation.

A. Section 1117(a) proceeds in three steps. If a plaintiff shows a defendant committed one of four specified violations of the Lanham Act, it is "entitled" to the remedies of a defendant's profits award, a damages award, and costs. That entitlement, Section 1117(a) goes on to make plain, is "subject to" two limitations, including "the principles of equity." Only if the plaintiff establishes a violation, and avoids

these limitations, can the court begin the discretionary process of setting the amount of any award.

By subjecting a plaintiff's entitlement to monetary remedies "to the principles of equity," Section 1117(a) imports traditional trademark law's limits on monetary remedies. One of those limits is the principle that a court would not order an accounting of an infringer's profits unless the plaintiff showed willful infringement. Section 1117(a) contains that limit because it expressly references principles of equity. Two familiar canons of interpretation confirm this plain text reading. Under the first, courts presume that where, as here, Congress legislates against a well-established common law rule, it retains that rule. *See Kirtsaeng* v. *John Wiley & Sons, Inc.*, 568 U.S. 519, 538 (2013). Under the second, courts presume that where, also as here, Congress reenacts statutory text that has been given a clear interpretation by courts, the text reflects that interpretation. *See Helsinn Healthcare S.A.* v. *Teva Pharm. USA, Inc.*, 139 S. Ct. 628, 633–634 (2019).

B. Romag leans heavily on the inclusion of "a willful violation under section 1125(c)" in Section 1117(a)'s list of violations that trigger entitlement to monetary remedies. That, Romag says, contains the only willfulness-based limit on monetary remedies in Section 1117(a). But this text just mirrors Section 1125(c), which bars *any* monetary remedies under Section 1117(a) absent willful infringement. This text does not amount to the only limit on profits awards, because all remedies under 1117(a) are "subject to" two cross-referenced provisions that cut off the availability of certain remedies in certain

circumstances and are also "subject to the principles of equity."

Romag also points to a slew of other Lanham Act provisions. It claims that reading Section 1117(a) to contain traditional trademark law's willfulness limit on a defendant's profits award would create tension with those provisions. But each of these provisions continues to serve a purpose under Fossil's plain-text reading of Section 1117(a).

In reality, Romag's interpretation is the one that creates a problem with the text. It offers *no* explanation of what work the phrase "subject to the principles of equity" does in Section 1117(a). But even Romag must admit that some equitable principles will bar "entitle[ment]" to monetary remedies. The text offers no basis to import some equitable principles to cut off remedies—such as the principle that monetary remedies are unavailable if an injunction would afford complete relief—and not others—such as the requirement that a defendant have acted willfully for a court to order it to turn over its profits.

II. Romag tries two additional maneuvers to avoid the willfulness requirement for a defendant's profits award. Neither overcomes the text.

A. Romag first questions the strength of the willfulness requirement in traditional trademark law. A review of the relevant history shows a clearly established principle of equity under which a court would compel an accused infringer to account for its profits, and turn them over to a plaintiff, only if the infringer willfully infringed a trademark. Courts applied this willfulness requirement to deny an accounting even after Congress enacted the 1905 Act, which did not contain the Lanham Act's express reference to prin-

ciples of equity. Once the sources Romag relies on are examined closely, Romag is left with only a single pre-1905 Act case. That lone case does not break the tradition.

B. Romag retreats to an argument that equity itself is incompatible with clear rules, like the willfulness requirement. It argues that any mention of "equity" implies discretion and that discretion implies a lack of clear rules. This Court has already disagreed. Where a statute incorporates "traditional equitable principles," courts must apply the traditional tests for equitable relief that have developed over time. *See eBay Inc.* v. *MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006). And, "[d]iscretion," in any event, "is not whim." *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931 (2016) (internal quotation marks omitted).

III. Romag does not offer any practical reason to prefer its interpretation. Opening the door to a defendant's profits award without a requirement of willfulness will give opportunistic litigants a powerful tool to extort windfall settlements. Romag offers no reason to believe those risks are worth it. It does not point the Court to a single case that has applied its rule and awarded profits in the absence of willfulness, much less one that demonstrates the wisdom of that rule. And it does not offer a common sense reason to require an innocent defendant to turn over its profits.

ARGUMENT

I. The Text Of Section 1117(a) Incorporates Traditional Limits On Equitable Relief.

The Lanham Act "largely codified" "[t]raditional trademark infringement law," which is "part of the broader law of unfair competition." *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003). Traditional trademark law limited the circumstances in which a court could grant one equitable remedy for trademark infringement: an award of an infringer's profits. Before ordering this relief, courts required evidence that the defendant's infringement was willful. Congress retained this rule when enacting the Lanham Act's monetary remedies provision, 15 U.S.C. § 1117(a). The provision makes a plaintiff's "entitle[ment]" to its monetary remedies—an infringer's profits award, damages, and costs—"subject to the principles of equity." *Id.* This reference to principles of equity imports the traditional limit on an infringer's profits award. Under the Lanham Act, then, just as before the Act, a plaintiff must show that infringement was willful to seek the defendant's profits.

A. Section 1117(a) incorporates traditional principles of equity that limit monetary relief.

1. Section 1117(a) sets out three steps a court must follow before awarding monetary relief.

First, a plaintiff must "establish[]" a violation of the trademark holder's rights. *Id.* Specifically, the defendant must have committed "a violation of any right of the registrant of a mark registered in the Patent and Trademark Office," that is, a violation of

Section 1114(1); of "section 1125(a) or (d)"; or "a willful violation under section 1125(c)." *Id.*

Second, a plaintiff must show that neither of the two statutory limits on monetary relief applies. In particular, the remedies in Section 1117(a) are "subject to the provisions of sections 1111 and 1114" and are also "subject to the principles of equity." *Id.*

Third, if a violation is "established" and no limitation applies, a plaintiff may "recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action," and the court must set the amount. *Id*. And "in exceptional cases," the court "may award reasonable attorney fees." *Id.* "[A]ccording to the circumstances of the case," the court has the discretion to impose a damages award of up to three times "the amount found as actual damages." *Id*. And if the court finds "that the amount of the recovery based on profits is either inadequate or excessive," it may adjust a defendant's profits award "as the court shall find to be just." *Id.* Any award, of damages or profits, "shall constitute compensation and not a penalty." *Id.*

2. This case concerns the second step, and in particular one of the limitations Section 1117(a) imposes on a plaintiff's "entitle[ment]" to monetary remedies. The text is plain that an award of profits "will [not] be ordered merely because there has been an infringement." *Champion Spark Plug Co.* v. *Sanders*, 331 U.S. 125, 131 (1947) (interpreting the 1905 Act). Rather, an award of profits is "subject to the principles of equity." 15 U.S.C. § 1117(a). The phrase "subject to" plainly signals a limitation. *See, e.g.*, *Subject*, Webster's New Int'l Dictionary (2d ed. 1934) ("Being under the contingency of; dependent upon or

exposed to (some contingent action)”); *Subject*, Black’s Law Dictionary (11th ed. 2019) (“Dependent on or exposed to (some contingency)”). And the phrase “principles of equity” refers to the established rules of equity jurisprudence. *See, e.g.*, *eBay*, 547 U.S. at 391 (holding that the Patent Act’s statement that courts “may grant injunctions in accordance with the principles of equity,” 35 U.S.C. § 283, incorporated a four-factor test found in “well-established principles of equity”); *Great-West Life & Annuity Ins. Co.* v. *Knudson*, 534 U.S. 204, 217 (2002) (“Congress felt comfortable referring to equitable relief in this statute—as it has in many others—precisely because the basic contours of the term are well known.” (footnote omitted)). Taken together, then, the text of Section 1117(a) carries over limitations on monetary remedies embodied in traditional equitable principles.

This textual limit only confirms that the Lanham Act codified the traditional willfulness requirement. “[W]hen a statute covers an issue previously governed by the common law,” a court “must presume that Congress intended to retain the substance of the common law.” *Kirtsaeng*, 568 U.S. at 538 (internal quotation marks omitted); *see Microsoft Corp.* v. *i4i Ltd. P’ship*, 564 U.S. 91, 102 (2011); *see also* Antonin Scalia & Bryan A. Garner, Reading Law: The Interpretation of Legal Texts 318 (2012). That is equally true for rules of equity: “[A] major departure from the long tradition of equity practice should not be lightly implied.” *Weinberger* v. *Romero-Barcelo*, 456 U.S. 305, 320 (1982). When Congress enacted Section 1117(a) and included a profits award as a potential monetary remedy, willfulness was a well-established prerequisite to a profits award. *See infra*

at 30–35 (setting out the precedents that contain the traditional willfulness requirement). The presumption is that "where Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word." *Morissette* v. *United States*, 342 U.S. 246, 263 (1952).

A second canon of construction, governing statutory reenactments after a statute has been judicially construed, leads to the same result. *See Teva Pharm.*, 139 S. Ct. at 633–634 ("[W]e presume that when Congress reenacted the same language * * *, it adopted the earlier judicial construction of that phrase."). When the Lanham Act was passed, courts had already construed the 1905 Act to contain the background rule that the equitable remedy of accounting of profits required willful infringement. *See infra* at 35–43 (discussing the precedents applying the traditional requirement in the period after the 1905 Act). Congress could have departed from this established rule, but instead it imported the language from the 1905 Act into the Lanham Act.[4]

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[4] Section 1117(a) combined the remedies available in Sections 16 (damages available at law) and 19 (accounting available at equity) into one provision. *See* 1905 Act, § 16, 33 Stat. at 728 (making an infringer "liable to an action for damages" and permitting a court to award "any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs"); *id.* § 19, 33 Stat. at 729 (providing that if a court enjoined the "wrongful use of a trademark," the plaintiff could "recover, in addition to the profits to be accounted for by the defendant, the damages the

Where statutory text has "already been construed," a court is "especially justified in presuming both that" Congress was "aware of the prior interpretation" and that the "interpretation reflects their intent" in enacting similar statutory text. *Cannon* v. *Univ. of Chicago*, 441 U.S. 677, 696–698 (1979).

That presumption is doubly justified here: Congress not only declined to disavow that settled interpretation, it added words of limitation to the 1905 provision, making monetary remedies "subject to the principles of equity." 15 U.S.C. § 1117(a). Interpreting Section 1117(a) does not, then, require a court to ask whether Congress meant to carry over a background requirement where it "fail[ed] to reiterate it expressly." *Microsoft Corp.*, 564 U.S. at 102. The statutory text Congress enacted confirms that it meant to carry over limitations on monetary remedies embodied in traditional equitable principles. *See Universal Health Servs., Inc.* v. *U.S. ex rel. Escobar*, 136 S. Ct. 1989, 1999 (2016) (applying the "settled principle of interpretation that, absent other indication, Congress intends to incorporate the well-settled meaning of the common-law terms it uses" (internal quotation marks omitted)).

3. All of this explains why courts continued to require willfulness to award an infringer's profits after the Lanham Act was enacted. Most courts adopted the requirement expressly. *See, e.g.*, *ALPO Petfoods, Inc.* v. *Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) (Thomas, J.) ("[A]n award based on a

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complainant has sustained thereby" and giving a court "the same power to increase such damages" as in Section 16).

defendant's profits requires proof that the defendant acted willfully or in bad faith." (citing *Foxtrap, Inc.* v. *Foxtrap, Inc.*, 671 F.2d 636, 641 (D.C. Cir. 1982) (per curiam) (joined by Ginsburg, J.))); *George Basch Co.*, 968 F.2d at 1540; *SecuraComm Consulting Inc.* v. *Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999) (Alito, J.) ("[A] plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable."); *Nalpac, Ltd.* v. *Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986) ("[A]n accounting, the proper remedy when bad faith is shown, is inappropriate where there has been no showing of fraud or palming off." (internal quotation marks omitted)); *Minnesota Pet Breeders, Inc.* v. *Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) ("If a registered owner proves willful, deliberate infringement or deception, an accounting of profits" may be appropriate. (internal quotation marks omitted)); *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."); *Burger King Corp.* v. *Mason*, 855 F.2d 779, 781 (11th Cir. 1988) (per curiam) (referring to a defendant "who is purposely using the trademark"); *Bandag, Inc.* v. *Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 919 (Fed. Cir. 1984) ("An accounting * * * may be denied at the discretion of the district court where there has been no showing of fraud * * * ." (citations omitted)). And where the case did not present an opportunity to set out a rule, courts nonetheless recognized that willfulness could limit the availability of an infringer's profits award.[5] That powerful consensus testifies

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[5] Courts recognized that willfulness could limit the availability

both to the stability of the willfulness requirement at equity—discussed below—and the textual reinforcement that requirement received in the Lanham Act.[6]

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of an infringer's profits award in cases that did not require the court to set out a broader rule. *See, e.g.*, *Valmor Prods. Co.* v. *Standard Prods. Corp.*, 464 F.2d 200, 204 (1st Cir. 1972) (affirming the denial of damages and profits where products did not compete and "in the absence of fraud or palming off"); *Maier Brewing Co.* v. *Fleischmann Distilling Corp.*, 390 F.2d 117, 123 (9th Cir. 1968) ("[T]he purposes of the Lanham Act can be accomplished by making acts of deliberate trade-mark infringement unprofitable." (internal quotation marks omitted)). The Fifth and Seventh Circuits initially adopted this interpretation, though later decisions retreated without explanation. *Compare Radio Shack Corp.* v. *Radio Shack, Inc.*, 180 F.2d 200, 207 (7th Cir. 1950) (Where "there was no proof of palming off of goods by defendants, nor of fraud * * * the injunction * * * satisfied the equities of this case."), *and Rolex Watch USA, Inc.* v. *Meece*, 158 F.3d 816, 826 (5th Cir. 1998) ("[U]nder § 1117(a), an award of profits requires proof of willful or deliberate infringement * * * ."), *with Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) (identifying no "express requirement" of willfulness "[o]ther than general equitable considerations" and affirming a profits award "[g]iven the evidence of intentional imitation and the substantial similarity"), *and Pebble Beach Co.* v. *Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) (similar).

[6] This consensus weakened after the 1999 amendments to Section 1117(a), discussed *infra* at 23–24. Even Romag (at 27) declines to defend the argument in these cases "that the 1999 amendment eliminates a pre-1999 requirement." *See Dir. of Revenue of Mo.* v. *CoBank ACB*, 531 U.S. 316, 323–324 (2001) ("[I]t would be surprising, indeed, if Congress * * * made a radical—but entirely implicit—change * * * [with a] technical and conforming amendment[ ]." (internal quotation marks omitted)); Br. of Intellectual Property Owners Association as Amicus Curiae In Support of Neither Party at 5–8.

B. Nothing in Section 1117(a) overrides the traditional requirement of willfulness.

1. Romag suggests (at 21) that Section 1117(a) makes monetary remedies automatic if a defendant commits one of the specified violations. The text of Section 1117(a) says otherwise. It makes the availability of monetary remedies "subject to the provisions of sections 1111 and 1114" and "subject to the principles of equity." 15 U.S.C. § 1117(a). It thus contains two express limits on the availability of monetary remedies that apply even if a plaintiff establishes that a defendant violated a listed provision. Under the Lanham Act, an infringer's profits award is not automatic "merely because there has been an infringement." *Champion Spark Plug*, 331 U.S. at 131 (interpreting the 1905 Act).

2. Nor is Romag correct (at 22–23) in claiming that that the addition of "a willful violation under section 1125(c)" to the list of specified violations in Section 1117(a) requires a different reading of the "subject to the principles of equity" limitation. Section 1125(c) is unique. It is the only Lanham Act cause of action that specifies that a violation must be "willful[]" before *any* monetary remedy in Section 1117(a) will be in play.

Congress enacted Section 1125(c) in 1996 to give an owner of a famous mark a cause of action for trademark dilution. *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985–986 (1996) (codified at 15 U.S.C. § 1125(c)). "[T]he prohibitions against trademark dilution are not the product of common-law development," but are congressional creations. *Moseley*, 537 U.S. at 429. Unlike traditional infringement, which involves a

"likelihood of confusion, deception, or mistake," dilution occurs when "use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3 (1995) (listing, as examples, "BUICK aspirin" and "KODAK pianos").

For this new cause of action, Congress decided that the owner of a famous mark would be "entitled to the remedies set forth in" Section 1117(a) only "[i]f" the dilution violation was "willful." Federal Trademark Dilution Act of 1995, § 3, 109 Stat. at 986 (now codified at 15 U.S.C. § 1125(c)(5)(B)). That is, without a willful violation, the owner of the famous mark is not entitled to *any* monetary remedies—not profits, not damages, not costs, not attorney's fees. Congress chose different remedies because trademark dilution "differs materially" from infringement. H.R. Rep. No. 104-374, at 3 (internal quotation marks omitted). Whereas infringement can lead to confusion that causes "immediate injury," dilution "is an infection, which if allowed to spread," can lessen the value of the famous mark. *Id.* (internal quotation marks omitted). Timely injunctive relief will thus ordinarily ward off any damages from dilution.

When Congress amended Section 1117(a) in 1999 to reference this new cause of action, it did so in a way that made this willfulness-or-no-monetary-remedies result clear. It included "a willful violation under section 1125(c)" in the list of violations that must be established at the first step of the Section 1117(a) analysis:

> [w]hen 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, <u>or a willful violation under section 1125(c) of this title,</u> shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.[7]

See 15 U.S.C. § 1117(a) (1996); Trademark Amendments Act of 1999, § 3(b), 113 Stat. at 219. That made it clear to any reader of Section 1117(a), as was clear to a reader of Section 1125(c), that willful violation is a precondition to *any* relief under Section 1117(a).

This shows why Romag's argument that Congress knew how "to impose a *universal* willfulness" requirement is a red herring. Pet. Br. 23 (emphasis added). Yes, Congress knows how to cut off the monetary remedies in Section 1117(a) entirely. No, that does not mean Congress declined to limit the availability of monetary remedies in other, more targeted ways. Just the opposite is true. First, the use of the term willfulness in the newly-added Section 1125(c) in 1996 cannot support a negative infer-

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[7] Later amendments produced the current Section 1117(a). Congress inserted ", (c), or (d)" after "section [1125(a)]" in the first sentence. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113 app. I, § 3003, 113 Stat. 1501, 1501A-549 (1999). It then struck the first, redundant reference to "(c)." Intellectual Property and High Technology Technical Amendments Act of 2002, Pub. L. No. 107-273, § 13207(a), 116 Stat. 1758, 1906.

ence about the meaning of text enacted in 1946. *See, e.g.*, *Gross* v. *FBL Fin. Servs., Inc.*, 557 U.S. 167, 175 (2009) (explaining that the negative inference canon is "strongest" when the provisions at issue "were considered simultaneously when the language raising the implication was inserted" (internal quotation marks omitted)); *United Dominion Indus., Inc.* v. *United States*, 532 U.S. 822, 836 (2001). And second, Section 1117(a) addresses these more fine-grained limits on monetary remedies at the second step. *See Marx* v. *Gen. Revenue Corp.*, 568 U.S. 371, 381 (2013) (explaining that the negative implication canon applies only if "it is fair to suppose that Congress considered the unnamed possibility and meant to say no to it" (internal quotation marks omitted)).

The first limitation incorporates by cross-reference other statutory restrictions on monetary relief. A plaintiff's entitlement to monetary remedies is "subject to the provisions of sections 1111 and 1114." 15 U.S.C. § 1117(a). Section 1111 states that "no profits and no damages shall be recovered" if an owner of a registered mark failed to give notice of the registration, "unless the defendant had actual notice of the registration." *Id.* § 1111. Section 1114 states that for a violation of Section 1114(1)(b), which prohibits the reproduction, counterfeiting, and copying of a registered trademark in certain printed materials, a registrant cannot "recover profits or damages" for infringement by production of a mark (for example, by a printer who prints images customers upload to its website) unless the infringer acted "with knowledge." *Id.* § 1114(1). And it states that, in actions against specified "innocent infringer[s] or innocent violator[s]," a plaintiff may receive only limited injunctive relief. *Id.* § 1114(2)(A)-(B) (refer-

ring to persons "engaged solely in the business of printing the mark or violating matter for others" and a media "publisher or distributor").

The second limitation, which makes a plaintiff's entitlement to Section 1117(a)'s monetary remedies "subject to the principles of equity," operates in a similar way. Instead of cross-referencing statutory provisions, as the first limitation does, this limitation cross-references well-established principles of equity. *See Knudson*, 534 U.S. at 217 (stating that Congress referred to "appropriate equitable relief" in a statute "precisely because the basic contours of the term are well known" (internal quotation marks omitted)). Put differently, rather than attempt to rewrite the various traditional restrictions on the monetary remedies, Congress simply codified them in Section 1117(a). *See Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (The "purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection."). One of those restrictions is a requirement of willfulness for a defendant's profits award. *See infra* at 30–43.

3. Romag argues (at 24) that reading the "subject to the principles of equity" limitation to import the traditional requirement of willfulness for a profits award creates "tension" with other provisions. This novel "almost-surplusage" canon finds no support in precedent (and Romag cites none). Regardless, no tension exists.

Start with Section 1117(c). Under this provision, a plaintiff raising a cause of action based on a "counterfeit mark" may "elect * * * to recover, instead of actual damages and profits under subsection (a), an

award of statutory damages." 15 U.S.C. § 1117(c). It sets out two measures for statutory damages, a lower range, and a higher range if "the use of the counterfeit mark was willful." *Id.* § 1117(c)(2). Romag argues (at 24–25) the two ranges are unnecessary if a profits award requires willfulness because the higher range will always apply. But the two statutory-damages ranges are needed because Section 1117(c) requires a plaintiff to forgo both "actual damages *and* profits" to seek statutory damages. The lower range thus applies to a plaintiff who forgoes actual damages for non-willful counterfeiting, and the higher range applies to a plaintiff who forgoes actual damages and profits for willful counterfeiting.

Section 1114 presents no issue for a similar reason. For certain violations of Section 1114(1)(b) committed with "knowledge," a plaintiff cannot "recover profits *or* damages." *Id.* § 1114(1)(b) (emphasis added). And for certain violations of Section 1125(a) committed by "innocent infringer[s] or innocent violator[s]," a plaintiff may not recover *any* monetary remedies, and may instead receive only *limited* injunctive relief. *Id.* § 1114(2)(A)-(B). These provisions prevent a plaintiff from obtaining a *greater* range of relief than the willfulness requirement for a defendant's profits award does.

Section 1117(b) does not help Romag either. It is "an independent and free-standing provision separate and apart from section 1117(a) in that it has its own damages calculation and provision for attorney's fees." *Louis Vuitton Malletier S.A.* v. *LY USA, Inc.*, 676 F.3d 83, 109 n.25 (2d Cir. 2012). For certain violations of Section 1114(1)(a) or of 36 U.S.C.

§ 220506,[8] "the court shall, unless [it] finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee." 15 U.S.C. § 1117(b). This provision uses "intentionally," "knowing," and "with the intent" to expressly define a narrow category of violations that trigger a presumption of treble damages.

Finally, Section 1125(d) presents no concern at all. Added to the Lanham Act in 1999, it creates a cause of action for cybersquatting (bad-faith registration of Internet domain names similar to famous marks). *See id.* § 1125(d). The "subject to the principles of equity" limitation imposes additional limits on the availability of monetary remedies for a violation of Section 1125(d) beyond just the willfulness requirement for profits. *See supra* at 34. And the limitation applies to multiple causes of action, not just Section 1125(d), so it serves a clear purpose. And, of course, even if any of these provisions did reflect *some* redundancy, "instances of surplusage are not unknown." *Arlington Cent. Sch. Dist. Bd. of Educ.* v. *Murphy*, 548 U.S. 291, 299 n.1 (2006).

4. If anything, it is Romag's interpretation that creates a problem with the text. It offers *no* explanation for what "subject to the principles of equity" means. The phrase limits a plaintiff's "entitle[ment]" to a remedy, and so even Romag must admit that it

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[8] The violations are "intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark" and "providing goods or services necessary" for such a violation "with the intent that the recipient * * * would" use them "in committing the violation." 15 U.S.C. § 1117(b)(1)-(2).

imports some equitable principles from traditional trademark law to cut off access to monetary remedies. *See infra* at 34 (discussing acquiescence and laches); *infra* at 47 (discussing the principle that monetary remedies will be denied where an injunction affords complete relief); *SecuraComm Consulting*, 166 F.3d at 187 n.1. The text offers no basis to import some of these principles but not others, such as the willfulness requirement for a profits award.

Indeed, Romag recognizes (at 30) that willfulness is *relevant* to a defendant's profits award, resisting only the conclusion that willfulness is required. To avoid admitting that willfulness is relevant because of the phrase "principles of equity," Romag turns to a court's discretion to adjust a profits award up or down, "as the court shall find to be just, according to the circumstances." 15 U.S.C. § 1117(a). But this interpretation would require a defendant to submit to, and the court to conduct, the costly process of accounting *before* a defendant could argue that a profits award is not warranted at all. There is a sound reason why the Congress that enacted the Lanham Act chose—incorporating the decisions of courts before it—to require courts to assess whether equitable principles support a profits award *before* a defendant will be required to account for its profits. "An accounting of damages and profits is a long and expensive proceeding * * * ." *O'Cedar Corp.* v. *F.W. Woolworth Co.*, 73 F.2d 366, 367 (7th Cir. 1934) (per curiam); *accord Ludington Novelty Co.* v. *Leonard*, 127 F. 155, 157 (2d Cir. 1903) (denying "an accounting" because the "proceeding w[ould] prove abortive after subjecting both parties to large additional expense and the defendants to unnecessary annoyance"). This is why the plain text of Section 1117(a)

directs courts to ask whether any equitable principle bars a monetary remedy altogether *before* engaging in that process. *See Champion Spark Plug*, 331 U.S. at 131–132 (affirming the denial of monetary remedies under the 1905 Act where "the likelihood of damage to petitioner or profit to respondents * * * seems slight" and an injunction "satisf[ies] the equities of the case").

5. As for Romag's complaint (at 34) that courts will find it too difficult to examine traditional trademark law to find the "principles of equity" that limit the availability of monetary remedies under Section 1117(a), there is no need to worry. Courts are, of course, perfectly up to this task, one they "are accustomed to pursuing, and will always have to pursue, in other contexts." *Knudson*, 534 U.S. at 217 (dismissing concerns of an "antiquarian inquiry"); *accord Microsoft*, 564 U.S. at 103 ("[G]iven how judges * * * repeatedly understood and explained the presumption of patent validity, we cannot accept Microsoft's argument that Congress used the words 'presumed valid' to adopt only a procedural device * * * .").

II. Traditional Principles Of Equity Require Willfulness For A Profits Award.

A. Traditional trademark law required willfulness for an infringer's profits award.

For well over a century, a clearly established principle of equity required willfulness before a court would compel an infringer to account for, and turn over, its profits.

1. Before the first trademark statutes were enacted, trademark suits began in the United Kingdom as actions at law, specifically "action[s] on the case in

deceit." James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 460 (1982). These suits sounded in fraud, and establishing liability required proof of intentional deceit. Amasa C. Paul, *The Law of Trade-Marks Including Trade-Names and Unfair Competition* § 324 (1903). Because these first suits were actions at law, the only remedy was damages. *See id.* These actions proved relatively "ineffectual" without the aid of injunctive relief to prevent infringement. Koelemay, *supra*, at 461.

English courts solved that problem by entertaining trademark actions in equity, opening the door to injunctions against future infringement. *See id.* at 461–462. But allowing actions in equity raised the question of how to compensate plaintiffs for damages that they had suffered without the traditional damages remedy that was available at law. There was a formalistic solution: a second action at law for damages. *See id.* at 463. Equity courts balked at this inefficient solution and began to award monetary relief. *See, e.g.*, *Frazer* v. *Frazer Lubricator Co.*, 18 Ill. App. 450, 464 (Ill. App. Ct. 1886), *aff'd* 13 N.E. 639 (Ill. 1887). The most common monetary relief was the traditional equitable remedy of an accounting of profits. Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* § 420 (2d ed. 1917).

2. Courts employed varying rationales to deem an accounting an appropriate form of equitable relief. Some considered it to be an admittedly rough measure of compensation. *See id.* § 421. Such courts occasionally referred to an award of profits as "damages," *see, e.g.*, *George T. Stagg Co.* v. *Taylor*, 27 S.W. 247, 251 (Ky. Ct. App. 1894), though the amount of a

defendant's profits was not a traditional measure of damages at law, Nims, *supra*, § 420. Others considered a profits award to be at least partially punitive or designed to deter wrongdoing. *See, e.g.*, *W.R. Lynn Shoe Co.* v. *Auburn-Lynn Shoe Co.*, 62 A. 499, 506 (Me. 1905); Nims, *supra*, § 419.

Whatever the rationale, courts were remarkably consistent about the requirements for an award of an infringer's profits: They required some proof of willful, fraudulent intent. An early English chancellor, in a widely cited opinion, summarized the rule, both "well founded in reason, and also settled by decision," as:

> [I]f A. has acquired property in a trade mark, which is afterwards adopted and used by B. in ignorance of A.'s right, A. is entitled to an injunction; yet he is not entitled to any account of profits or compensation, except in respect of any user by B. after he became aware of the prior ownership.

Edelsten v. *Edelsten* (1863) 46 Eng. Rep. 72, 78; *see also Moet* v. *Couston* (1864) 55 Eng. Rep. 493, 494 (citing *Edelsten* to deny an accounting); *Rose* v. *Loftus* (1878) 38 LT 409 at 411 (Eng.) (denying an accounting where plaintiff's charge of "fraudulent conduct" was "unfounded"); *accord* Henry Ludlow & Henry Jenkyns, *A Treatise on the Law of Trade-Marks and Trade-Names* 43 (1877) ("A court of equity will not only grant an injunction * * * but will also require a *dishonest* defendant to account for the profits which he has made by the improper use of it." (emphasis added)).

3. This rule crossed the Atlantic. Early American courts "constantly refused" "an account of gains and

profits" for "want of fraudulent intent." *McLean* v. *Fleming*, 96 U.S. 245, 257 (1877); *see also Saxlehner* v. *Siegel-Cooper Co.*, 179 U.S. 42, 42–43 (1900) (holding that one defendant "should not be required to account for gains and profits" when it "appear[ed] to have acted in good faith"); *George T. Stagg Co.*, 27 S.W. at 251 (refusing "an account of profits" where "proof [did] not show any fraudulent intent"); *see also Taylor* v. *Carpenter*, 11 Paige Ch. 292, 298 (N.Y. Ch. 1844) (explaining that where a defendant uses a trademark "for the fraudulent purpose of inducing the public * * * to believe that it was in fact" the genuine article, the defendant is also liable for damages), *aff'd* 2 Sand. Ch. 603, 612 (N.Y. Ch. 1846) (clarifying that the reference to "damages" was actually "for an account"). State and federal courts routinely denied an accounting where there was no bad faith or limited an accounting to a period when a defendant could no longer be deemed to have been acting in good faith. *See, e.g.*, *William Rogers Mfg. Co.* v. *S. Mfg. Co.*, 11 F. 495, 500 (C.C.D. Mass. 1882) (granting injunction but denying profits where defendants were not acting in bad faith, subject to plaintiffs' opportunity "to prove facts which will give them special profits" on remand); *Weed* v. *Peterson*, 12 Abb. Pr. (n.s.) 178, 180 (N.Y. Sup. Ct. 1872) (denying "damages" where defendants acted "in good faith, without any wrong intent and in ignorance of the rights of the plaintiffs").

To be sure, wrongful intent was apparent in "most cases." Koelemay, *supra*, at 466. Many cases are thus *consistent* with this willfulness requirement, but do not state it expressly. *See, e.g.*, *Hostetter* v. *Vowinkle*, 12 F. Cas. 546, 547 (C.C.D. Neb. 1871) (No. 6714); *Graham* v. *Plate*, 40 Cal. 593, 599 (1871).

And there were other "general principles of equity" that affected entitlement to an accounting. For example, "acquiescence of long standing, and inexcusable laches in seeking redress," would bar "the complainant" from "an accounting" or "a decree for gains and profits." *La Republique Francaise* v. *Schultz*, 102 F. 153, 156 (2d Cir. 1900) (internal quotation marks omitted). And because an accounting could be burdensome and expensive, *see* Nims, *supra*, § 424, courts would deny an accounting when it appeared that recovery would be "insignificant," *Regis* v. *Jaynes*, 77 N.E. 774, 775 (Mass. 1906). Courts viewed each of these principles as a sufficient basis to deny a defendant's profits award. *See* Nims, *supra*, §§ 424, 428.

Tellingly, from the entire swath of trademark cases predating the 1905 Act, Romag identifies only one departure from this consensus rule. There, the court suggested that, on remand, "the case may go to a master for an account of gains and profits, on account of the unauthorized, though not intentional and fraudulent, use by respondents of the" trademark. *Oakes* v. *Tonmierre*, 49 F. 447, 453 (C.C.S.D. Ala. 1883). *Oakes* cited no authority for that point and did not even require an accounting. *See id.* (noting only that an account "may" occur). Unsurprisingly, *Oakes* was an outlier: The case was cited only a small handful of times, never once to support an accounting absent a showing of willfulness.[9]

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[9] Romag claims (at 39) that *George T. Stagg Co.* considered the defendant's willfulness as one of "multiple factors," but all the facts that the court cited in its discussion of profits went to the defendant's state of mind. 27 S.W. at 251.

Thus, the Massachusetts Supreme Judicial Court surveyed traditional trademark law on the eve of the enactment of the 1905 Act and found "the weight of modern authority [was] in favor of the rule that an account of profits will not be taken where the wrongful use of a trade-mark or tradename has been merely accidental or without any actual wrongful intent to defraud a plaintiff or to deceive the public." *Regis*, 77 N.E. at 775–776.

B. Courts required willfulness for a profits award after the 1905 Act.

1. The 1946 Lanham Act had its roots in the earlier 1905 Act, which provided that in a case where a court enjoined the "wrongful use of a trademark," the plaintiff could "recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby." 1905 Act, § 19, 33 Stat. at 729. Like the later Lanham Act, courts understood the 1905 Act to incorporate the backdrop equitable requirements. *See, e.g.*, *Golden W. Brewing Co.* v. *Milonas & Sons, Inc.*, 104 F.2d 880, 882 (9th Cir. 1939) (recognizing that the 1905 Act preserved equitable defenses of "laches, acquiescence and the absence of wrongful intent").

Thus, courts hearing cases under the 1905 Act continued to apply the traditional willfulness rule. *See, e.g.*, *id.*; *Franklin Simon & Co.* v. *Bramley Blouses, Inc.*, 10 N.Y.S.2d 42, 42, 44 (Sup. Ct. 1939) (denying an "accounting of profits" because the defendant used the mark "without intent to infringe or to engage in unfair competition"); *Oneida Cmty.* v. *Oneida Game Trap Co.*, 150 N.Y.S. 918, 925 (Sup. Ct. 1914) ("Damage is allowed when intentional fraud is found. No fraud is found here." (citation omitted)).

And others acted consistently with the rule. *See, e.g.*, *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of Am.*, 116 F.2d 708, 716 (7th Cir. 1941) ("Courts have, in cases in which the action of the infringer was deliberate, fraudulent and wanton, allowed damages in addition to profits * * * ."); *United Drug Co.* v. *Obear-Nester Glass Co.*, 111 F.2d 997, 998–999 (8th Cir. 1940) (noting that "[g]ood faith may have an effect upon the measure of damages recoverable under the statute" and affirming "an accounting and award of profits" given that the defendant acted "in bad faith"); *George W. Luft Co.* v. *Zande Cosmetic Co.*, 48 F. Supp. 602, 607 (S.D.N.Y. 1942) (limiting "accounting" to period after "the date the Patent Office rendered its decision that" defendants' proposed mark "was confusingly similar" to plaintiff's), *aff'd in relevant part*, 142 F.2d 536, 541–542 (2d Cir. 1944); *Pease* v. *Scott Cty. Milling Co.*, 5 F.2d 524, 526–527 (E.D. Mo. 1925) (where defendant had been ignorant of plaintiff's mark, limiting accounting to period after filing of complaint).

This held true in federal and state courts, whether the cause of action was the 1905 Act or state law. *See, e.g.*, *Gorham Mfg. Co.* v. *Schmidt*, 196 F. 955, 956 (S.D.N.Y. 1912) (refusing "an accounting" where "it is not conclusively shown that there existed an intention on the part of the defendants to deceive or defraud their customers"); *Dr. A. Reed Cushion Shoe Co.* v. *Frew*, 158 F. 552, 556 (C.C.W.D.N.Y.) (requirement "to account for the gains and profits" "rests entirely upon an intentional fraud by a defendant"), *aff'd in relevant part*, 162 F. 887, 891 (2d Cir. 1908); *Liberty Oil Corp.* v. *Crowley, Milner & Co.*, 258 N.W. 241, 243 (Mich. 1935) (citing Nims, *supra*, § 424, and *Regis*, 77 N.E. at 776); *Std. Cigar*

Co. v. *Goldsmith*, 58 Pa. Super. 33, 37 (1914) (accounting required "where the infringement * * * was not the result of mistake or ignorance of the plaintiff's right"); *Reading Stove Works, Orr, Painter & Co.* v. *S.M. Howes Co.*, 87 N.E. 751, 753 (Mass. 1909) (citing *Regis* and awarding profits where the defendant "[i]n no just sense can * * * be said to have acted innocently, or in ignorance of the plaintiff's rights").[10]

Dickey v. *Mutual Film Corp.* is illustrative. The trial court embraced the rule that Romag urges here: It rejected the argument "that where no fraud is found there can be no accounting," concluding instead that courts were merely "reluctant to decree an accounting" under such circumstances, and awarded profits based on the totality of the circumstances. 160 N.Y.S. 609, 610 (Sup. Ct. 1916). The appellate court reversed, holding that "the judgment must be modified" to eliminate the accounting because there was "no proof of any fraudulent intent upon the part of the defendant." *Dickey* v. *Mutual Film Corp.*, 186 A.D. 701, 702 (N.Y. App. Div. 1919).

Leading treatises of the time described the consensus rule as mirroring this holding in *Dickey*. The Restatement explained that a trademark defendant is "liable for the net profits * * * if, but only if" infringement was for "the purpose of" benefitting from plaintiff's "reputation in the market." Restatement (First) of Torts § 747 (1938). Others reached the same conclusion. *See, e.g.*, James Love Hopkins, *The Law of Trademarks, Tradenames and Unfair Compe-*

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[10] Many decisions did not expressly set out whether the cause of action arose under federal or state law.

tition § 192 (4th ed. 1924) ("And where the defendant was found to have adopted the mark in good faith, with no intent to deceive the public or appropriate the plaintiffs' goodwill, the accounting was refused."); Nims, *supra*, § 424 ("An accounting will not be ordered where the infringing party acted innocently and in ignorance of the plaintiff's rights, provided such party stops his illegal practices after he discovers the truth."); Norman F. Hesseltine, *A Digest of the Law of Trade-Marks and Unfair Trade* 305 (1906) ("No account as to profits allowed except as to user after knowledge of plaintiff's right to trademark.").

2. Romag's insistence (at 36) that no traditional rule requiring willfulness existed cannot be squared with this history.

Several cases that Romag claims (at 37–38) departed from this rule simply did not discuss willfulness because the facts did not raise the issue. In *I.T.S. Co.* v. *Tee Pee Rubber Co.*, for example, the Sixth Circuit denied an accounting based on a "very remote" possibility of substantial recovery, so it had no reason to reach intent. 288 F. 794, 798 (6th Cir. 1923). In *Stonebraker*, the Court of Appeals of Maryland noted that an *injunction* may issue without "fraudulent intent," but did not clearly state the same was true of an accounting. *Stonebraker* v. *Stonebraker*, 33 Md. 252, 268 (1870). In any event, the court said that the circumstances "indicate an evident purpose to deceive." *Id*. Romag also cites (at 39) dicta from a Sixth Circuit case. That court acknowledged that courts applied a willfulness requirement but expressed dissatisfaction with those courts' exposition of the rationale for the rule. *See*

Lawrence-Williams Co. v. *Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (6th Cir. 1931). The Sixth Circuit later barred an accounting based on the absence of "actual wrongful intent" and the additional equitable bar of no apparent "substantial damage." *Hemmeter Cigar Co.* v. *Congress Cigar Co.*, 118 F.2d 64, 71–72 (6th Cir. 1941).

Romag makes much (at 39) of Pomeroy's statement that "an accounting of profits *may* be refused" for good-faith infringement. 2 John Norton Pomeroy, *A Treatise on Equitable Remedies* § 2004 (2d ed. 1919), *in* 5 *Pomeroy's Equity Jurisprudence and Equitable Remedies* (1919) (emphasis added). This section of the treatise does not state that willfulness was *not* a requirement, and so Romag places more weight on "may" than it can bear. In any event, a single discussion of the accounting remedy in one treatise on the broad topic of equity cannot overcome the overwhelming agreement in the cases and trademark-specific treatises that willfulness was required. *See Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643, 658–659 (1943) (surveying 20 treatises and adopting a copyright rule that eight treatises had stated clearly, two treatises had stated "with some reservations," and ten treatises did not discuss).

This Court's opinion in *Mishawaka Rubber*, on which Romag (at 41) relies heavily, also does not help Romag. There, the Court granted certiorari "solely to review" *how* to calculate an accounting, not to decide whether accounting was warranted on the facts. *Mishawaka Rubber*, 316 U.S. at 204–205. Thus, no useful inference can be drawn regarding the appropriateness of an accounting based on the facts of that case; indeed, in the opinion below, the Sixth

Circuit had dutifully recited the willfulness requirement. *See Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 119 F.2d 316, 323 (6th Cir. 1941).

The rest of this Court's cases do not adopt a "holistic analysis," as Romag suggests (at 39); rather, they cite independent, well-defined equitable bases for refusing an accounting. *See Champion Spark Plug*, 331 U.S. at 131–132 (good faith and minimal recovery); *Saxlehner*, 179 U.S. at 42–43 (same); *McLean,* 96 U.S. at 257–258 (good faith and laches). They do not undercut the understanding that any one of the cited reasons would have been sufficient to defeat an accounting. *See supra* at 34.

Romag's suggestion (at 38–40) that courts inferred intent from the mere act of infringement is also wrong. Courts applied that presumption only in the context of granting *injunctive* relief, not monetary relief like an accounting.[11] *Gorham Manufacturing Co.* illustrates the point: It applied "the presump-

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[11] As discussed, the first actions at law for trademark infringement sounded in fraud and required proof of intentional deceit. *See supra* at 31. When actions were brought in equity, however, the absence of intentional deceit was not a barrier to injunctive relief. *See, e.g.*, *Millington* v. *Fox* (1838) 40 Eng. Rep. 956, 962. Some courts reached this conclusion by viewing trademark rights as a form of property right, for which intent does not play a role (traditional trespass provides an example). *See, e.g.*, *Stonebraker*, 33 Md. at 268. Others suggested that the action sounded, at least in part, in fraud, but concluded that the required showing of wrongful intent could be "presumed" by the act of infringement itself. *See, e.g.*, *Church & Dwight Co.* v. *Russ*, 99 F. 276, 279 (C.C.D. Ind. 1900). Courts that applied this presumption continued to insist on actual proof of wrongful intent before awarding profits.

tion" of deception, "which arises from the infringement of a valid trade-mark" but denied "an accounting" because the plaintiff had "not conclusively shown that there existed an intention on the part of the defendants to deceive or defraud their customers." 196 F. at 956. Indeed, several of the sources Romag relies on for this point refer to the willfulness requirement. *See Church & Dwight Co.*, 99 F. at 279 (allowing that the inference of "fraudulent intent" might "be rebutted in exemption of damages" (internal quotation marks omitted)); Hesseltine, *supra,* at 305; Nims, *supra*, § 424.

Romag's reliance (at 38) on Paul's statement that a "right of recovery" was unaffected by "innocent or accidental" infringement is misplaced. *See* Paul, *supra*, § 196. It cites a chapter that defines *infringement*, which did not require intent. That section did not focus on monetary relief—indeed, it cites *McLean*, which held that monetary relief is "constantly refused" absent "fraudulent intent." 96 U.S. at 257. Paul elsewhere acknowledges equitable defenses in passing, without giving them comprehensive treatment. *See* Paul, *supra*, § 326 & n.29 (discussing briefly that "[i]n some cases" a "complainant may obtain an injunction" but not "profits," and noting in a footnote cases applying the willfulness requirement, such as *Edelsten* and *Moet*).

Finally, the unfair competition cases offer Romag no shelter. Romag relies (at 43) on two cases that disavowed the suggestion that the same rules applied in trademark and unfair competition actions. *See P.E. Sharpless Co.* v. *Lawrence*, 213 F. 423, 429 (3d Cir. 1914); *Prest-O-Lite Co.* v. *Bournonville*, 260 F. 442, 444 (D.N.J. 1915); *accord Wood* v. *Peffer*, 130

P.2d 220, 225–226 (Cal. Dist. Ct. App. 1942) (stating that "the same rules cannot always be applied" and that "proof of actual fraud or intent to divert * * * business" had been required for a profits award in trademark cases). Neither held that an accounting was available in trademark cases regardless of intent. And *Prest-O-Lite* limited the accounting for trademark infringement to sales in which the defendant knew that the purchaser would deceptively resell the product—that is, it denied the accounting for unfair competition because it required even *more* culpable behavior by the defendant. 260 F. at 445.[12]

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[12] After this Court declared trademark law to be "a part of the broader law of unfair competition," *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403, 413 (1916), courts increasingly applied the willfulness requirement from traditional trademark law. *See, e.g.*, *Horlick's Malted Milk Corp.* v. *Horluck's, Inc.*, 51 F.2d 357, 359 (W.D. Wash. 1931) ("[Plaintiff] cannot recover defendant's profits unless it has been shown beyond a reasonable doubt that defendant was guilty of willful fraud in the use of the enjoined trade-name."), *aff'd on other grounds*, 59 F.2d 13 (9th Cir. 1932); *Donner* v. *Parker Credit Corp.*, 76 A.2d 277, 279 (N.J. Super. Ct. Ch. Div. 1950) (citing pre-1946 cases to conclude that it was "well settled" that "good faith * * * does constitute a defense to profits"); *Kickapoo Dev. Corp.* v. *Kickapoo Orchard Co.*, 285 N.W. 354, 359 (Wis. 1939) (awarding profits only after finding "that defendants deliberately and intentionally simulated plaintiff's product"); *Jones* v. *Roshenberger*, 144 N.E. 858, 859 (Ind. App. 1924) (accounting available "where the action of the offending parties was deliberate and willful"); *United Drug Co.* v. *Kovacs*, 123 A. 654, 655 (Pa. 1924) ("the duty to account" arises when infringement is "intentional," but "[a] different question * * * arise[s] if * * * imitation" is "innocent"); *see also Beebe* v. *Tolerton & Stetson Co.*, 91 N.W. 905, 907 (1902) (stating, even before 1916, that to receive profits, a "plaintiff must show that defendant acted in bad faith," citing *Saxlehner*).

As all of this shows, there was no "definite trend developed toward awarding damages and an accounting as a matter of right." Pet. Br. 40 (quoting Koelemay, *supra*, at 476).[13] Romag has not unearthed a case from the pre-Lanham Act era actually awarding profits absent proof of willful infringement. What it does have, an unsupported statement from *Oakes*, cannot support a conclusion that the rule requiring willfulness to order an accounting was unclear by 1946. *Cf. Timbs* v. *Indiana*, 139 S. Ct. 682, 687 n.1 (2019) (explaining that a "sole exception" in the cases "does not undermine" the existence of a "well-established rule" (internal quotation marks omitted)).

C. Romag is wrong to claim that equitable principles cannot limit courts' discretion.

Romag falls back on an argument (at 29) that reading "subject to the principles of equity" to contain a willfulness requirement would itself be inconsistent with equitable principles. Its argument rests on two premises: that any mention of "equity" implies discretion and that discretion implies a lack of clear rules. Both are wrong.

1. To start, the text does not wantonly direct courts to reach an equitable result. It instead cabins

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[13] In support of that claim, Koelemay cites three cases that are admitted dictum and one other that is inapposite. *Compare* Koelemay, *supra*, at 476 n.109 (collecting citations), *with supra* at 38, 41–42 (discussing *Tee Pee Rubber*, *P.E. Sharpless Co.*, and *Prest-O-Lite*), *and Gulden* v. *Chance*, 182 F. 303, 306 (3d Cir. 1910) (alluding, in an unfair competition case, to the doctrine of inferred intent applicable to injunctive relief without discussing the rule for a profits award in a trademark case).

a court's discretion to award monetary remedies by making the availability of those remedies "subject to the *principles* of equity." 15 U.S.C. 1117(a) (emphasis added). By referencing "principles of equity," the text refers courts to the set of equitable rules that limited the availability of these remedies. *See Montanile* v. *Bd. of Trs. of Nat'l Elevator Indus. Health Benefit Plan*, 136 S. Ct. 651, 657 (2016) (The phrase "equitable relief" was "limited to those categories of relief that were *typically* availability in equity." (internal quotation marks omitted)). Here, a well-established rule limited the availability of a defendant's profits award to cases where a defendant acted willfully. *See supra* at 30–43. That rule is therefore an "equitable principle" that limits the availability of monetary remedies under Section 1117(a).

That sets this case apart from *Park 'N Fly, Inc.* v. *Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985). That case involved an incontestable trademark. *See id.* at 193 (citing 15 U.S.C. §§ 1065, 1115(b)). The Ninth Circuit devised a rule under which a plaintiff could rely on a trademark's incontestable status to establish infringement, but not to support injunctive relief. *See id.* at 192–193. The Court searched the Lanham Act "in vain" for that rule but did not find it. *Id.* at 196. The dissent argued, as neither the parties nor the court below had, that because the Lanham Act makes the availability of injunctive relief "subject to the principles of equity," courts could recognize the inequity of granting injunctive relief where a trademark is invalid, but has nonetheless become incontestable. *See id.* at 217 (Stevens, J., dissenting) (describing "the power of the Chancellor to do equity"). The Court *rejected* the view that the reference to "principles of equity" grants courts freewheeling

equitable discretion. *See id.* at 202–203. In doing so, it recognized that the reference likely incorporated "traditional" equitable rules. *See id.* at 203 n.7.

Romag counters that the reference to "equity" implies "broad discretion to tailor an award of monetary relief." Pet. Br. 30 (referring to the "power of the Chancellor to do equity" (internal quotation marks omitted)). To be sure, applying some "principles of equity" that Section 1117(a) incorporates will involve the exercise of remedial discretion. *See supra* at 34; *infra* at 47 (discussing other principles of equity). But "[d]iscretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike." *Martin* v. *Franklin Capital Corp.*, 546 U.S. 132, 139 (2005). The requirement of willfulness is one such legal standard. And although equity jurisdiction historically involved "the power of the Chancellor to do equity," equity often operates in practice to limit or deny the available remedies. *See* Dan B. Dobbs & Caprice L. Roberts, Law of Remedies § 2.1 (3d ed. 2018) ("Even if a plaintiff makes out a case for relief * * * the court of equity may in its discretion refuse its aid."); *cf. Hecht Co.* v. *Bowles*, 321 U.S. 321, 321–322, 328–329 (1944) (holding that a court could deny an injunction under the Emergency Price Control Act of 1942, though the statute stated that an order "shall be granted").

2. Nor are equity and clear rules somehow mutually exclusive. Equity is not another word for unbounded discretion; it refers to a system of rules developed in a particular set of courts. *See Equity*, Bouvier's Law Dictionary (1940) ("A branch of remedial justice by and through which relief is afforded

* * * in the courts of equity."). Indeed, "courts of equity must be governed by rules and precedents no less than the courts of law." *Lonchar* v. *Thomas*, 517 U.S. 314, 323 (1996) (internal quotation marks omitted). Thus, even in the English courts, "the system of relief administered by a court of equity" had been reduced "into a regular science." 3 William Blackstone, Commentaries on the Laws of England 440–441 (1768). And that understanding carried over to our judicial system. *See, e.g.*, The Federalist No. 78, at 529 (Alexander Hamilton) (J. Cooke ed. 1961) (Courts "should be bound down by strict rules and precedents" or risk "arbitrary discretion."); The Federalist No. 83, at 569 (Alexander Hamilton) (J. Cooke ed. 1961) (The "primary use of a court of equity is to give relief in extraordinary cases.").

Well-established equitable principles demonstrate the point. A preliminary injunction, for example, *cannot* issue unless four factors are met. *See Winter* v. *Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008) ("A plaintiff * * * must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm * * *, that the balance of equities tips in his favor, and that an injunction is in the public interest."). And an accounting of profits is unavailable "where an injunction will satisfy the equities of the case." *Champion Spark Plug*, 331 U.S. at 131; *accord Minnesota Pet Breeders*, 41 F.3d at 1247; *Morgenstern Chem. Co.* v. *G. D. Searle & Co.*, 253 F.2d 390, 394 (3d Cir. 1958).

3. The decisions on which Romag relies (at 30–32) only confirm that "in a system of laws discretion is rarely without limits." *Indep. Fed'n of Flight Attendants* v. *Zipes*, 491 U.S. 754, 758 (1989).

Start with *Halo Electronics*. At issue was a provision of the Patent Act stating that, if patent infringement is established, a court "may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. Though "the word 'may' clearly connotes discretion," this Court explained, that discretion must be "guided by sound legal principles." *Halo Elecs.*, 136 S. Ct. at 1931–32 (internal quotation marks omitted). History had established one such principle that "channel[ed] the exercise of discretion": An "award of enhanced damages" is "limit[ed] * * * to egregious cases of misconduct beyond typical infringement," such as willful infringement. *Id.* at 1935. The Court rejected the Federal Circuit's "particular conception of willfulness." *Id.* But it repeatedly endorsed the threshold requirement of willful infringement. *See id.* at 1932, 1934; *see also id.* at 1936 (Breyer, J., concurring) (understanding the Court to have made clear that a requirement of "willful misconduct" limited a court's discretion under Section 284).

eBay Inc. contains more of the same. There, the Court considered a Patent Act provision saying that courts "may grant injunctions in accordance with the principles of equity to prevent [a] violation * * * on such terms as the court deems reasonable." 35 U.S.C. § 283. All agreed that the provision required courts to exercise "equitable discretion." *eBay*, 547 U.S. at 391. But that discretion was not shapeless and unlimited: Under "well-established principles of equity, a plaintiff * * * *must* satisfy a four-factor test before a court may grant such relief." *Id.* (emphasis added). Because "a major departure from" this kind of "long tradition of equity practice should not be lightly implied," and because the provision expressly

required courts to act "in accordance with" that tradition, this threshold test applied to injunctive relief under the Patent Act. *Id.* at 391–392 (internal quotation marks omitted). Though the Court rejected the Federal Circuit's *additional* requirements, it reaffirmed the four-part test for injunctive relief. *Id.* at 393–394; *id.* at 395 (Roberts, C.J., concurring) ("[T]here is a difference between exercising equitable discretion pursuant to the established four-factor test and writing on an entirely clean slate.").

Kirtsaeng v. *John Wiley & Sons, Inc.*, 136 S. Ct. 1979 (2016), is similar. A fee provision in the Copyright Act was at issue. *See* 17 U.S.C. § 505 ("[T]he court may also award a reasonable attorney's fee to the prevailing party * * * ."). Although the statute gives courts "broad leeway," the Court had previously identified "several principles and criteria to guide their decisions." *Kirtsaeng*, 136 S. Ct. at 1985. Because "utterly freewheeling inquiries" are unfair and unpredictable, it saw a need for "additional guidance" on the exercise of discretion under Section 505. *Id.* at 1985–86. And so it held that the "objective reasonableness" of a losing party's position must be an "important factor" courts consider under Section 505. *Id.* at 1988.

Romag incorrectly states (at 31) that *Kirtsaeng* "rejected any bright-line rule." Neither party proposed a bright-line rule. *Id.* at 1985 (describing the parties' proposed tests). There are varied reasons why fee-shifting may be appropriate in a given case, as the Court's examples showed. *See id.* at 1986. The Court's description of objective reasonableness as a factor thus reflected the "objectives" of a fee provision. *Id.* The objectives of a profits award, and

the history of when these awards have been granted, are, of course, different.

Octane Fitness, LLC v. *ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), also addressed a fee-shifting provision, this time in the Patent Act. *See* 35 U.S.C. § 285 ("The court in exceptional cases may award reasonable attorney fees to the prevailing party."). The Court rejected a standard for determining whether a case was "exceptional" that would have prevented courts from awarding fees in cases that fell within the ordinary meaning of the term "exceptional." *Id.* at 554. Here too, the Court recognized that discretion comes with limits. *See id.* ("[E]quitable discretion should be exercised 'in light of the considerations we have identified.' "). And it certainly did not suggest that a bright-line rule may never be appropriate to cabin equitable discretion.

III. Romag's Interpretation Is Bad Policy.

A. The threat of a profits award will enable trademark owners to extort innocent infringers and consolidate market power.

A profits award is a severe remedy. If it were available against a good-faith infringer, it would increase opportunities for abusive litigation and other extortionate tactics, which is one reason courts have resisted Romag's position for over a century.

Campaigns by powerful trademark holders to "intimidate the small business or individual into forgoing the use and/or registration of their trademark" are a "serious concern." Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 Wis. L. Rev. 625, 628–629 (2011). Trademark "bullying," as it is sometimes called, has implications not just for competition but

for freedom of speech, because "trademarks often have an expressive content." *Matal* v. *Tam*, 137 S. Ct. 1744, 1760 (2017). And the availability of a profits award against innocent infringers will embolden trademark holders to seek settlements for baseless claims. *Cf. Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1932 (2015) (Scalia, J., dissenting) (allowing recovery despite good-faith belief that there is no infringement "increases the *in terrorem* power of patent trolls").

The paradigm case of trademark misuse is a large corporation forcing smaller competitors to abandon trademarks through threats of meritless litigation. Grinvald, *supra*, at 628–630. But other forms of pressure—such as a TRO filed just before a holiday sales season—are equally effective. Fossil contested Romag's claims, but J.C. Penney and DSW—the companies Romag threatened on the eve of Black Friday in 2007 and 2009—bowed to pressure to settle. *See supra* at 1. Tactics like this one will only become more commonplace if trademark owners can use the possibility of a draconian profits award to threaten innocent infringers.

Indeed, widespread profits awards will incentivize trademark owners to *delay* enforcement. The longer they wait, after all, the more profits there will be to recover. This would not only ratchet up their leverage but also undermine one purpose of the Lanham Act, of preventing consumer deception. *See Park 'N Fly*, 469 U.S. at 198.

B. Romag offers no reason to award an innocent infringer's profits.

Given these costs, it is telling that Romag cannot offer a common-sense justification for its proposed

rule. It has never explained to this Court why a court should direct a defendant who, like Fossil, *did not know*, and *had no reason to know*, of a violation to disgorge its profits. *See* Pet. Reply at 8–9 (stressing Romag's *procedural* ability to *argue* for profits despite the jury's finding). Nor does it explain why a court should direct a downstream retailer like Macy's, which merely sold a product with an infringing component, to turn over its profits.[14] Indeed, Romag does not point to a single case that has imposed a profits award absent willfulness, much less one that demonstrates the wisdom of that rule.[15] Romag argues only for discretion for discretion's sake.

Though Romag does not discuss, or defend, the rationales that courts have relied upon to justify a profits award, none supports a profits award in a case of non-willful infringement.

First, courts have sometimes viewed a defendant's profits award "as a rough proxy measure of plaintiff's damages." *George Basch Co.*, 968 F.2d at 1539. This rationale cannot support a profits award under the

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[14] Romag sought to keep Macy's in this case for the purpose of seeking its profits on the trademark infringement claim. *See* Unopposed Mot. To Reform the Official Caption at 3 n.1, No. 18-2417 (Fed. Cir. Oct. 26, 2018) (noting the parties' opposing positions on keeping Macy's on the case caption).

[15] Fossil has located only one, unpublished decision affirming a profits award absent willfulness. The defendant there apparently forfeited the argument that willfulness is required before the district court, and the court of appeals affirmed without explaining why that award was justified. *See Basketball Mktg. Co.* v. *Upscale Entm't & Mktg. Grp.*, 227 F. App'x 492, 493 (6th Cir. 2007). That presumably explains why Petitioner did not even cite it.

Lanham Act because it is a relic of the equitable tradition. Courts at equity were more familiar with an accounting of profits than the legal remedy of damages. To offer monetary relief, they relied on an accounting as an approximate measure of damages. *See* Nims, *supra*, §§ 420–421. Under the Lanham Act, in contrast, a plaintiff seeks injunctive relief and damages in the same action; there is no need to turn to a profits award as a proxy for those damages. Indeed, allowing a profits award under a more lax standard than that governing damages awards, as Romag appears to endorse (at 44–45), renders the separate damages award superfluous.

Second, courts have suggested that a profits award can deter infringement. *See Monsanto Chem. Co.* v. *Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 396 (2d Cir. 1965) (discussing this rationale where a defendant "may be said to be a commercial racketeer"). This rationale generally cannot support an equitable remedy. *See Livingston* v. *Woodworth*, 56 U.S. (15 How.) 546, 559 (1853) ("We are aware of no rule which converts a court of equity into an instrument for the punishment of simple torts * * * ."); *ALPO Petfoods*, 913 F.2d at 969 (expressing "concern that deterrence is too weak and too easily invoked a justification for the severe and often cumbersome remedy of a profits award"). And it certainly cannot support a profits award when there is no willful infringement, as "the prospect of monetary relief will not deter innocent conduct, even if [the conduct is] ultimately determined illegal." Dennis S. Corgill, *Measuring the Gains of Trademark Infringement*, 65 Fordham L. Rev. 1909, 1929 (1997). The Lanham Act, in any event, addresses the potential need to deter violations at the third step of the monetary-

remedies inquiry. *See* 15 U.S.C. § 1117(a) (allowing a court to increase actual damages and profits "according to the circumstances of the case" and stating that the total amount "shall constitute compensation and not a penalty").

Third, courts have grounded a profits award on an unjust-enrichment rationale. This rationale references the equitable tradition that a wrongdoer was "deemed to hold its profits in constructive trust for the injured plaintiff." *George Basch Co.*, 968 F.2d at 1538. The mark's owner, the theory went, was the "rightful owner" of any profits attributable to the mark, which the infringer had acquired by "*mala fides*"—that is, bad faith. *Avery* v. *Meikle*, 3 S.W. 609, 611–612 (Ky. Ct. App. 1887). The "wrong-doer" defendant "holding the profits for the" plaintiff had to turn them over. *Id.* The punitive logic underpinning this legal fiction breaks down where the defendant's behavior is not blameworthy. *Cf. ALPO Petfoods*, 913 F.2d at 968–969 (linking the unjust enrichment and deterrence rationales); Restatement (Third) of Restitution and Unjust Enrichment § 3 cmt. a (2011) ("Liability to disgorge profits is ordinarily limited to cases of * * * conscious wrongdoing." (internal quotation marks omitted)).

To this, Romag says only (at 44–45) that an infringer's profits award is needed to ensure that trademark holders obtain some monetary relief. In its view, the test for damages under Section 1117(a) is "almost impossible" to meet (at 44), and the Lanham Act was enacted to allow plaintiffs to recover monetary remedies. Romag's complaint is with the statutory test Congress enacted for *damages*. That complaint does not justify ignoring the statutory test

Congress enacted for *profits*. *See Henson* v. *Santander Consumer USA Inc.*, 137 S. Ct. 1718, 1725 (2017) ("[I]t is quite mistaken to assume * * * that whatever might appear to further the statute's primary objective must be the law." (alteration and internal quotation marks omitted)).

What is more, Romag acknowledges (at 45–46) that Congress has already acted to ease any difficulties plaintiffs may have in proving actual damages. It gave plaintiffs an option to seek generous statutory damages instead of proving actual damages. *See* 15 U.S.C. § 1117(c). It did this *after* courts of appeals had agreed that a profits award requires willfulness. *See supra* at 19–21 (citing cases); Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 7, 110 Stat. 1386, 1388. Congress has thus already decided how to address Romag's concern, and it chose not to broaden the availability of a profits award. There is no basis to override this choice.

C. Other intellectual property statutes do not support Romag's reading.

Unlike patent- and copyright-holders, "[t]rademark owners * * * are not the intended beneficiaries of the law, or at least not the only ones." Mark A. Lemley, *Did* eBay *Irreparably Injure Trademark Law?*, 92 Notre Dame L. Rev. 1795, 1809 (2017). "The point of trademark law is to prevent consumers from being confused." *Id.*; *see Park 'N Fly, Inc.*, 469 U.S. at 198. When a trademark owner uses the threat of a profits award to consolidate market power, benefits to consumers disappear, but anticompetitive concerns remain, creating a market structure "fundamentally at odds with social welfare." Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 Emory L.J. 367, 372–

373 (1999). "Because maximization of the public interest in trademark protection rests upon a very different protection rationale than that underlying patent and copyright laws," the Court should not treat unlike things alike. David H. Bernstein & Andrew Gilden, *No Trolls Barred: Trademark Injunctions After* eBay, 99 Trademark Rep. 1037, 1038–39 (2009).

This Court's precedent confirms the unique underpinnings of trademark law. Though this Court has recognized the "historic kinship between patent law and copyright law," it has "consistently rejected the proposition that a similar kinship exists" with trademark law. *See Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 & n.19 (1984). And the relevant provisions of the Copyright Act and the Patent Act do not resemble Section 1117(a). *Compare* 15 U.S.C. § 1117(a) (subjecting the availability of monetary remedies "to the principles of equity"), *with* 17 U.S.C. § 504(a)(1), (b) (containing no textual limitation), *and* 35 U.S.C. § 289 (same).

Congress has, in any event, limited profits awards under these statutes. *See* Copyright Act of 1976, Pub. L. No. 94-553, tit. I, sec. 101, § 504(b), 90 Stat. 2541, 2585 (limiting a profits award to amounts "attributable to the infringement" that "are not taken into account in computing the actual damages"); *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 505 (1964) (discussing the removal of an profits remedy in the Patent Act). It is Romag's interpretation that would render the Lanham Act an outlier among intellectual property statutes.

CONCLUSION

For these reasons, the judgment of the United States Court of Appeals for the Federal Circuit should be affirmed.

Respectfully submitted,

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