No. 18-1233

In the Supreme Court of the United States

ROMAG FASTENERS, INC., PETITIONER

v.

FOSSIL, INC., FOSSIL STORES I, INC.,
MACY'S, INC., AND MACY'S RETAIL HOLDINGS, INC.

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

REPLY BRIEF FOR THE PETITIONER

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The Lanham Act repeatedly limits the availability of certain remedies for trademark infringement to willful violations, while authorizing relief for other violations irrespective of the infringer's mental state. Section 1117(a) is just one example: it authorizes recovery of infringers' profits for all section 1125(a) violations, but requires proof of willfulness to recover profits for section 1125(c) violations. Implying a willfulness requirement for section 1125(a) violations would defy bedrock statutory-construction principles, and would upend Congress' calibrated decisions throughout the Act specifying when to require heightened culpability as a prerequisite to relief.

Section 1117(a)'s instruction to apply "principles of equity" in awarding profits, damages, and costs reinforces Congress' intent to give courts flexibility to tailor awards based on all relevant circumstances, including the infringer's degree of culpability, whether innocent, in bad faith, or in between—like recklessness or callous disregard for the mark holder's rights. Fossil (at 1) contends instead that the phrase "principles of equity" conveys Congress' intent to carry forward an iron-clad willfulness requirement that reigned with "near perfect unanimity" before the Lanham Act. That is a gross overstatement. No unified body of trademark law existed to extend, much less one that approached "unanimity." The Lanham Act created a new federal law that refashioned and borrowed piecemeal from a hodgepodge of state and federal trademark and unfair-competition law.

Fossil cherry-picks pre-Lanham Act sources to divine an across-the-board willfulness requirement. But most of Fossil's exemplar cases rely on the infringer's willfulness without articulating any bright-line requirement. Those cases are just as consistent with Romag's view. Meanwhile, substantial contrary authority eschews a willfulness requirement, thus disproving a settled rule. This Court should not jettison the Lanham Act's plain text in a way that would foreclose meaningful monetary relief and thus stymie small businesses' ability to enforce their marks, reward malfeasance, and unleash needless confusion over the administration of Lanham Act remedies.

A. Section 1117(a)'s Text Forecloses a Willfulness Requirement

1. Section 1117(a)'s text is unambiguous. A mark holder may recover profits, damages, and costs, "subject to the provisions of sections 1111 and 1114 . . . and subject to the principles of equity," for "a violation" of section

1114, "a violation under section 1125(a) or (d) . . . , or a *willful* violation under section 1125(c)." 15 U.S.C. § 1117(a) (emphasis added). By omitting a willfulness prerequisite to profits awards for section 1125(a) violations while simultaneously requiring willfulness to recover profits awards for section 1125(c) violations, Congress spoke clearly: willfulness is *not* required to remedy section 1125(a) violations. Br. 20-23.

If any doubt remained, Congress eliminated it by distinguishing between bare violations of section 1125(a) and willful violations of section 1125(c) elsewhere. Br. 22-23. Just like section 1117(a), section 1118—regarding the destruction remedy—is available for all section 1125(a) violations, but only for willful section 1125(c) violations. 15 U.S.C. § 1118. Fossil ignores this provision. Section 1125(c) provides the rationale for the violation/willful violation distinctions in sections 1117(a) and 1118 by making monetary relief and destruction under these provisions available only for willful section 1125(c) violations. Br. 22; *see* 15 U.S.C. § 1125(c)(5)(B)(i) & (ii).

Congress also knew how to provide for relief irrespective of the infringer's mental state: section 1116 authorizes injunctions for all section 1125(a) and 1125(c) violations, not just willful ones. 15 U.S.C. § 1116(a). No known principle of statutory construction justifies contorting the straightforward language in sections 1116, 1117(a), and 1118 to mean that section 1117(a)'s profits remedy is subject to a special hidden rule requiring proof of willfulness for *all* statutory violations, not just section 1125(c) violations.

2. Fossil (at 24) argues that Congress' decision categorically to rule out damages, profits, and costs awards under section 1117(a) for non-willful section 1125(c) viola-

tions "does not mean Congress declined to limit the availability of monetary remedies in other, more targeted ways" (*i.e.*, by requiring willfulness for profits awards). But that is exactly what Congress meant by distinguishing between a "violation" of section 1125(a) and "a willful violation" of section 1125(c). By drawing that line in the text, Congress ruled out reading in other, atextual limitations that would erase that distinction. Br. 22.

Fossil (at 24-25) also deems it irrelevant that the Lanham Act repeatedly distinguishes between "a violation under section 1125(a)" and "a willful violation under section 1125(c)" because Congress added the latter phrase only in 1999. But statutory construction is not an exercise in mapping out the statutory history, as if the timing of different additions could change the clear text. Courts "simply interpret the statute as written." *Arthur Andersen LLP v. United States*, 544 U.S. 696, 705 (2005).

Regardless, before 1999, section 1117(a) was clear that willfulness was not a prerequisite to relief for section 1125(a) violations; section 1117(a) authorized relief for such "violations" without limitation. Fossil (at 20-21 & n.5) claims there was a "powerful" pre-1999 "consensus" requiring willfulness as a prerequisite to profits awards for section 1125(a) violations. That is hard to square with Fossil's begrudging acknowledgement (at 21 n.5) of a circuit split before 1999. In other words, courts declined to read a willfulness requirement into section 1117(a) even before 1999.

After 1999, Congress made it even clearer that a "violation" does not mean a "willful violation" by repeatedly juxtaposing those two phrases. Br. 21-22. Fossil observes that negative implications raised by disparate provisions are "'strongest' when the provisions at issue 'were considered simultaneously when the language raising the implication was inserted.'" Resp. Br. 25 (quoting *Gross v. FBL Fin. Servs., Inc.*, 557 U.S. 167, 175 (2009)). But that principle destroys Fossil's position because simultaneous drafting is just what happened in 1999. The 1999 Public Law provides that section 1117(a) "is amended in the first sentence by striking 'or a violation under section 43(a) [section 1125(a)],' and inserting '*a violation under section 43(a) [section 1125(a)], or a willful violation under section 43(c) [section 1125(c)]*.'" Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219 (1999) (emphasis added). Congress thus simultaneously considered and enacted the textual distinction that devastates Fossil's case.

B. The Statutory Structure Forecloses a Willfulness Requirement

Throughout the Lanham Act, Congress specified when a mental state is required to obtain relief. Br. 23-27. Fossil's extra-textual willfulness requirement for profits awards would create anomalies in four provisions:

Section 1117(c). Section 1117(c) allows mark holders to elect between two tiers of statutory damages "instead of actual damages and profits under [section 1117(a)]." Mark holders may elect up to $200,000 in statutory damages, or up to $2,000,000 "if the court finds that the use of the counterfeit mark was *willful*." 15 U.S.C. § 1117(c) (emphasis added). Thus, a plaintiff entitled under section 1117(a) to profits under Fossil's theory would *always* be entitled to enhanced statutory damages.

Fossil responds (at 27) that the lower range in its view would still apply only to plaintiffs "who forgo[] actual damages for non-willful counterfeiting." But that is our point. By permitting plaintiffs to opt for the *lower* statutory damages amount in lieu of "damages *and profits*," Congress necessarily assumed plaintiffs would be entitled to profits even absent willfulness. For instance, because the trial court adopted the jury's finding that Fossil's infringement was not willful, Romag could have elected only the lower range. Pet. App. 95a. But section 1117(c) presupposes that Romag would have been giving up the right to seek "actual damages *and* profits" in opting for statutory damages.

Section 1117(b). Section 1117(b) awards plaintiffs "three times [infringers'] profits or damages, whichever amount is greater," if a defendant's violation involves "*intentionally* using a mark or designation, *knowing* such mark or designation is a counterfeit mark." 15 U.S.C. § 1117(b) (emphases added). Just because section 1117(b) is "an independent and free-standing provision" for a "category of violations that trigger a presumption of treble damages," Resp. Br. 27-28 (internal quotation marks omitted), does not excuse butchering it, as Fossil's interpretation would do. If the Act required willfulness for profits awards, then satisfying the threshold requirement to obtain *any* profits would presumably establish intentional conduct with the requisite knowledge and thus entitle the mark holder to enhanced profits.

Section 1114. Sections 1114(1)(b) and 1114(2) contain elaborate limitations on monetary relief, including profits, based on a party's mental state. Fossil (at 27) responds that "[t]hese provisions prevent a plaintiff from obtaining a *greater* range of relief than the willfulness requirement for a defendant's profits award does." But that observation is no response, especially with respect to section 1114(1)(b), which specifically mentions "profits." Congress had no reason in section 1114(1)(b) to protect defendants from "profits" if section 1117(a) already required willfulness to recover profits. Fossil's reading renders the word "profits" superfluous.

Section 1125(d). By making "bad faith intent to profit from th[e] mark" a required element for cyberpiracy, section 1125(d) already specifies the mental state required for liability. Reading in a different mental-state requirement (willfulness) under section 1117(a) to recover profits for section 1125(d) violations would make little sense. This problem does not go away because the "principles of equity" might "impose[] additional limits on the availability of monetary remedies for a violation of Section 1125(d)." Resp. Br. 28. The problem is more than "almost-surplusage." Resp. Br. 26. Because section 1125(d)'s nine-factor test for "bad faith" differs from "willfulness," superimposing warring mental-state requirements would be a recipe for confusion.

Fossil (at 26) belittles Romag's efforts to avoid "tension" in the Act as a "novel 'almost-surplusage' canon [that] finds no support in precedent." But Fossil's interpretation would overlay a willfulness requirement on top of other, different mental states—a classic instance of "tension" that this Court seeks to avoid. *See, e.g.*, *Maracich v. Spears*, 570 U.S. 48, 68 (2013) (rejecting interpretation that "would create significant tension" in the relevant statute); *Gonzales v. Oregon*, 546 U.S. 243, 264-65 (2006) (same). Fossil also notes that "even if any of these provisions did reflect *some* redundancy," "instances of surplusage are not unknown." Resp Br. 28 (internal quotation marks omitted). That observation should not help Fossil when Romag's reading of the statute avoids all of the problems created by Fossil's.

C. Fossil's Reliance on Background Legal Principles Lacks Merit

1. Fossil chiefly argues that section 1117(a)'s reference to equitable principles incorporates an established rule that limited profits awards to willful infringement.

But "principles of equity" is an odd clarion call for absolute, inflexible requirements. Equity's distinguishing feature is "[f]lexibility rather than rigidity." *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). It is thus irrelevant that "equity and clear rules" can co-exist. Resp. Br. 14, 45-46. Of course, equity identifies factors that guide courts' discretion. But equity also preserves courts' flexibility to apply and weigh those factors according to the exigencies of individual cases. This Court repeatedly has confirmed this point by rejecting similar bright-line limitations. Br. 30-32. Contrary to Fossil's arguments (at 46-49), Romag does not argue that equity is unbounded. Section 1117(a) devotes nearly 100 words to guiding the court's discretion in awarding profits. For instance, it provides that a profits award is intended as "compensation and not a penalty." 15 U.S.C. § 1117(a). Yet an absolute willfulness requirement is nowhere to be seen.

Fossil's position has all the downsides of a bright-line rule. It would preclude courts from considering an infringer's recklessness, negligence, or (as here) callous disregard of plaintiffs' rights. Because the jury found that Fossil acted with callous disregard of Romag's rights, App. 67a; Pet. App. 18a, 109a, Fossil is wrong to suggest it was an innocent infringer. Resp. Br. 2, 14, 50-51.

Fossil (at 28) is equally wrong that Romag fails to give meaning to "principles of equity." This phrase gives courts discretion to consider any number of factors, including a defendant's culpability, in determining whether to award profits in the first place, and if so, the amount of any such award. Br. 4, 30, 32-33, 46-47. Romag has never suggested that courts must conduct an accounting before deciding whether to award profits at all. *Contra* Resp. Br. 29. For the same reason, Fossil (at 22) is wrong in accusing Romag of treating profits awards as "automatic."

2. Moreover, background principles, even if settled and uniform (and here they are not), cannot trump clear statutory text. Br. 33-34. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985), rejected reading the phrase "principles of equity" in section 1116(a) in a way that would have superseded the text. *Id.* at 202-03. Any background willfulness requirement could not "vitiat[e] the more specific provisions of the Lanham Act," *id.* at 203, that spell out when a mental state is required to recover.[1]

Fossil (at 28) acknowledges that its reading of "principles of equity" would engraft "additional limits on the availability of monetary remedies" even beyond willfulness, across "multiple causes of action" and not just section 1125(a). Fossil does not say what those other limitations are, let alone whether they too could override specific textual provisions. That underscores the risks of Fossil's position: courts would have to scour pre-Lanham Act cases for atextual equitable limitations on all types of remedies for myriad causes of action. Br. 34.

Fossil's interpretation also entails a far more open-ended and uncertain enterprise than defining "appropriate equitable relief," the phrase this Court interpreted in Fossil's cited ERISA cases (at 17, 26, 30, 44). The ERISA analysis requires courts only to look to "standard treatises on equity" to determine "categories of relief that were *typically* available in equity." *Montanile v. Bd. of Trs. of Nat'l Elevator Indus. Health Benefit Plan*, 136 S.

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[1] Fossil (at 45) is incorrect that footnote 7 of *Park 'N Fly* "recognized that the reference [to principles of equity] likely incorporated 'traditional' equitable rules." Footnote 7 says: "[W]e need not address in this case whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark." 469 U.S. at 203 n.7.

Ct. 651, 657 (2016) (quoting *Mertens v. Hewitt Assocs.*, 508 U.S. 248, 256 (1993)). And the Court has rejected a reading of "appropriate equitable relief" that would "deprive of all meaning" the remedial distinctions that Congress expressly drew in ERISA. *Mertens*, 508 U.S at 258. So too here, the Court should not interpret "principles of equity" to rewrite the Lanham Act's mental-state specifications.

3. Regardless, no background principle justifies Fossil's interpretation. As Fossil notes (at 1), a profits award is "a remedy based on the equitable remedy of an accounting." But general equitable principles did not require a showing of misconduct to obtain an accounting. Br. 36-37 (citing 2 Joseph Story, *Commentaries on Equity Jurisprudence* § 620 (W.H. Lyon, Jr., ed., 14th ed. 1918)). Fossil ignores this authority.

Moreover, the presumption that Congress incorporates common-law terms "has little pull" when a statute does not map precisely on to the common law. *Bridge v. Phx. Bond & Indem. Co.*, 553 U.S. 639, 652 (2008). Just so here. Sections 1125(a), 1114, and 1125(d) do not map neatly onto the common law; indeed, section 1125(d) has no common-law analogue whatsoever. Fossil also has not shown that the Lanham Act codified a preexisting, unitary body of law. Nor could it, since the Act merged a patchwork of common-law and new statutory protections:

Pre-1905 trademark law. In the nineteenth and early twentieth centuries, state common law protected inherently distinctive marks such as Romag. 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 4.3 (5th ed. 2018). These "technical trademarks" had to be "nondescriptive and not a personal or geographic name." *Id.* Courts before the Lanham Act understood that profits for infringement of technical trademarks were "incident to and part of" the mark holder's property right. *P.E. Sharpless Co. v. Lawrence*, 213 F. 423, 426 (3d Cir. 1914); *Prest-O-Lite Co. v. Bournonville*, 260 F. 442, 444 (D.N.J. 1915).

The common law of unfair competition. If a mark was not inherently distinctive, and thus not a technical trademark, it still could be "protected as [a] 'trade name[]' under the law of 'unfair competition' upon proof of secondary meaning." 1 McCarthy, *supra*, § 4.4 . Unlike the property rationale animating technical-trademark law, unfair competition was based on tort principles. Melville Madison Bigelow, *Law of Torts* § 7 (1907); *P.E. Sharpless*, 213 F. at 426; *Elgin Nat'l Watch Co. v. Ill. Watch Case Co.*, 179 U.S. 665, 674 (1901).

The 1905 Trademark Act. This Act carried forward the common law's protection of technical trademarks and allowed awards of infringers' profits. Pub. L. No. 58-84, § 19, 33 Stat. 724, 729 (1905). But the Act did not codify unfair-competition law. 1 McCarthy, *supra*, § 5.3.

The Lanham Act. The 1946 Lanham Act further incorporated elements of the common law of trademark and unfair competition. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 785 (1992) (Thomas, J., concurring); *see Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring). The Act made critical changes, such as allowing registration of certain descriptive marks. 1 McCarthy, *supra*, § 4.3. And section 1125(a) created a statutory cause of action that incorporated some, but not all, elements of unfair-competition law. *Black Hills Jewelry Mfg. Co. v. Gold Rush, Inc.*, 633 F.2d 746, 750 (8th Cir. 1980); *see* Walter J. Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue*, 32 N.Y.U. L.

Rev. 1029, 1052 (1957). The Lanham Act initially authorized profits awards only for infringement of registered marks in violation of section 1114; Congress in 1988 authorized profits awards for violations under section 1125(a). Pub. L. No. 100-667, § 129, 102 Stat. 3935, 3945 (1988).

Fossil cannot show that its supposed willfulness requirement applied uniformly across the various bodies of law that merged into the Lanham Act. Courts' approaches to analyzing the availability of profits, and rationales for awarding profits, often varied depending on the nature of the cause of action. *See* Law Profs.' Br. 6. Fossil offers no reason to think that Congress intended to incorporate only some of those approaches and rationales while overriding other antecedents that contained no willfulness requirement.

4. Fossil also has not demonstrated anything close to a cohesive or settled rule of willfulness pre-dating the Lanham Act. Br. 30-38.

a. This Court's cases did not apply an absolute willfulness prerequisite. In *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), the Court treated the infringer's culpability as one of the "various circumstances" "relevant to" a profits award under the 1905 Act. *Id.* at 130, 132. Fossil (at 40) says that the case rested on "independent, well-defined equitable bases for refusing an accounting," but the Court held that a profits award was not warranted "[i]n view of . . . various circumstances," only one of which was the absence of "fraud or palming off." 331 U.S. at 131-32. Words like "relevant" and "various circumstances" connote a holistic inquiry.

In *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942), the Court analyzed the method of determining an infringer's profits although the infringer had not "wilfully palmed off" the infringing goods. *Id.* at 209 (Black, J., dissenting). According to the Court: "The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark." *Id.* at 206-07 (majority opinion).

In describing that standard, the *Mishawaka* Court cited this Court's earlier decision in *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U.S. 251 (1916), which explained that, in cases involving technical trademarks, "[t]he infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the *cestui que trust* [*i.e.*, beneficiary]." *Id.* at 259. Accountings of profits on an implied-trust theory did not require a willful mental state. 3 Story, *supra*, § 1663. Fossil ignores *Hamilton-Brown Shoe*, which Romag cited repeatedly. Br. 36, 37, 39.[2]

Addressing *Mishawaka*, Fossil (at 39-40) responds that the Court granted review only to explicate "*how* to calculate an accounting, not to decide whether accounting was warranted on the facts." But, this Court presumably

[2] Fossil vaguely asserts (at 42 n.12) that "[a]fter this Court declared trademark law to be 'a part of the broader law of unfair competition' [in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916)], courts increasingly applied the willfulness requirement from traditional trademark law." But "increasingly" suggests that some courts were *not* applying any requirement before then. And as the above discussion shows, the 1942 *Mishawaka* decision cites technical-trademark precedent, where many courts did not require proof of willfulness.

did not grant certiorari to resolve *how* to award profits if profits by definition were unavailable absent willfulness. As Justice Black's dissent emphasized, both the district court and the Sixth Circuit awarded profits even though the infringement was "without fraudulent intent." *Mishawaka*, 316 U.S. at 208; *see also Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 67 F. Supp. 1000, 1002-03 (E.D. Mich. 1946) (awarding profits on remand), *aff'd*, 165 F.2d 616 (6th Cir. 1947), *cert. denied*, 332 U.S. 808 (1947). *Mishawaka* also disproves Fossil's claim (at 43) that no pre-Lanham Act case awarded profits in the absence of willfulness, as does *Oakes v. Tonsmierre*, 49 F. 447, 453 (C.C.S.D. Ala. 1883).

Fossil (at 32-33) invokes *McLean v. Fleming*, 96 U.S. 245 (1877), a common-law technical-trademark case, for the idea that "[e]arly American courts 'constantly refused' 'an account of gains and profits' for 'want of fraudulent intent.'" But that passage describes the approach of English courts to infringers' mental state. *See id.* at 257-58. Even in England, the law was variable. *Infra* p. 18. And *McLean* did not purport to articulate a bright-line rule.

b. Lower-court cases reveal no uniform rule either. Common-law trademark cases *rejected* a willfulness requirement. Br. 37-39 (citing *Oakes*, 49 F. at 453; *Stonebraker v. Stonebraker*, 33 Md. 252, 268 (1870); *Lawrence-Williams Co. v. Societe Enfants Gombault et Cie*, 52 F.2d 774, 778 (6th Cir. 1931)). Fossil (at 34) dismisses *Oakes* as an "outlier." But, contrary to Fossil's claim (at 38), *Stonebraker* makes the same point with palpable clarity: an infringer "will be restrained by injunction, and that even where it does not appear there was any fraudulent intent in their use. *He will also be held to account for the profits derived from the unauthorized use of such trade-marks*." 33 Md. at 268 (emphasis added).

So does *Lawrence-Williams*, which rejected as unsupported the "contention . . . that profits for trade-mark infringement should be given only where the infringement has been willful." 52 F.2d at 778. Fossil (at 38-39) dismisses that rejection as dicta and cites another Sixth Circuit common-law case that denied profits absent "actual wrongful intent" and "substantial damage" to the mark holder, without articulating a categorical prohibition. *Hemmeter Cigar Co. v. Congress Cigar Co.*, 118 F.2d 64, 71-72 (6th Cir. 1941). The Sixth Circuit articulated yet another standard in *Mishawaka,* stating (in the decision vacated by this Court) that profits were not allowed absent "wrongful use of a trade-mark or trade-name," but that in technical-trademark cases "the fraudulent intent is presumed." 119 F.2d 316, 323-24 (6th Cir. 1941).[3] These competing statements from the same court confirm the lack of settled uniformity.

Other cases explained that an accounting for profits would follow from a finding of infringement or an injunction. Br. 37, 43 (citing *I.T.S. Co. v. Tee Pee Rubber Co.*, 288 F. 794, 798 (6th Cir. 1923); *P.E. Sharpless*, 213 F. at 426). Notably, Fossil concedes (at 41) that *P.E. Sharpless* "disavowed the suggestion that the same rules applied in trademark and unfair competition actions." Fossil argues, however, (at 42) that *P.E. Sharpless* did not hold

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[3] Fossil cites (at 41) *Church v. Dwight Co.*, 99 F. 276 (C.C.D. Ind. 1900), for the notion that "the willfulness requirement" applied in cases that presumed fraudulent intent from the act of technical-trademark infringement. But *Church* does not articulate a categorical requirement. And, as it relates to profits, *Church* suggests that the presumption *might* be "allowed to be rebutted" when it comes to "damages." 99 F. at 279 (internal quotation marks omitted). At a minimum, this case further disproves a well-settled uniform rule: a rebuttable presumption is *not* what Fossil urges here—that plaintiffs have the burden to show willfulness.

that "an accounting was available in trademark cases regardless of intent." Not so. The Third Circuit stated that, in technical-trademark cases, "the owner thereof is entitled, not only to protection from further trespass, but, to the recovery of the profits issuing therefrom, as incident to and a part of his property right." 213 F. at 426. The Third Circuit did not tie that "entitle[ment]" to willfulness.

A trial court applied *P.E. Sharpless* in *Prest-O-Lite*, to award the mark holder profits on a technical-trademark theory even though the defendant's conduct did not warrant profits on an unfair-competition theory. 260 F. at 444-45. Fossil argues (at 42) that the court "limited" profits to "sales in which the defendant knew that the purchaser would deceptively sell the product." But that was not the basis of the opinion; those were the only sales that infringed the mark. *Id.* at 445.

The Sixth Circuit in *I.T.S.* similarly stated that "an inquiry into the profits made or damages caused by the defendant will normally follow" from a showing of trademark infringement. 288 F. at 798. Fossil (at 38) calls that rule dicta, but dicta is still compelling evidence that courts did not perceive a settled, *per se* rule requiring willfulness.

Still other courts applied a multi-factor analysis, not Fossil's rule. Br. 39 (citing, *e.g.*, *Globe-Wernicke Co. v. Safe-Cabinet Co.*, 144 N.E. 711, 713-14 (Ohio 1924)). Fossil ignores *Globe-Wernicke*, where the court explained that infringers are "required to account for all profits" "*particularly* where the infringement or imitation was deliberate and willful." 144 N.E. at 713-14 (emphasis added). A "particularly" rule, by its very nature, is not absolute.

In discussing trademark remedies, *Pomeroy's* equity treatise likewise emphasized in 1919 that an accounting "*may* be refused" if an infringer "acted innocently." 5 John Norton Pomeroy, *Pomeroy's Equity Jurisprudence* § 2004 (4th ed. 1919). Fossil responds (at 39) that *Pomeroy's* "does not state that willfulness was *not* a requirement." But the word "may" indicates the absence of Fossil's absolute rule. Fossil (at 39) suggests that "one treatise . . . cannot overcome" its proffered rule. But this Court has repeatedly cited to *Pomeroy*'s leading treatise to assess equitable principles in other contexts. *See, e.g.*, *Montanile*, 136 S. Ct. at 659, 661. *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), is not to the contrary. There, no treatise supported the losing party's view.

In sum, Romag has identified at least eight cases and the venerable *Pomeroy's* treatise articulating rules contrary to Fossil's proposed rule. These are no mere "outlier[s]." Resp. Br. 34.

5. Fossil's brief cites more than fifty cases involving technical trademarks, unfair competition, and/or 1905 Act claims. As Fossil concedes (at 33), "many" of its cases "do not state [a willfulness requirement] expressly." Fossil (at 33, 36) nonetheless maintains that these cases are "*consistent* with this willfulness requirement." But those cases are just as consistent with the notion that an infringer's mental state is a *relevant* consideration, not an absolute prerequisite.

As best we can tell, of Fossil's more than fifty cases, only eight are decisions of American courts that clearly articulate an absolute bar on profits without a showing of a culpable mental state. *See Horlick's Malted Milk Corp. v. Horluck's, Inc.*, 51 F.2d 357, 359 (W.D. Wash. 1931); *Dr. A. Reed Cushion Shoe Co. v. Frew*, 158 F. 552, 556 (W.D.N.Y.), *rev'd on other grounds*, 162 F. 887 (2d Cir. 1908); *Donner v. Parker Credit Corp.*, 76 A.2d 277, 279

(N.J. Super. Ct. Ch. Div. 1950); *Wood v. Peffer*, 130 P.2d 220, 226 (Cal. Dist. Ct. App. 1942); *Liberty Oil Corp. v. Crowley, Milner & Co.*, 258 N.W. 241, 243 (Mich. 1935); *Dickey v. Mut. Film Corp.*, 186 A.D. 701, 702-03 (N.Y. App. Div. 1919); *Reading Stove Works, Orr, Painter & Co. v. S.M. Howes Co.*, 87 N.E. 751, 753 (Mass. 1909); *Regis v. Jaynes*, 77 N.E. 774, 776 (Mass. 1906). None arose under the 1905 Act, and a majority appear to involve unfair-competition claims. Significantly, three acknowledged "conflict in the decisions" about the role of mental state in the profits analysis, disproving a uniform, settled rule. *Liberty Oil*, 258 N.W. at 243; *Reading Stove Works*, 87 N.E. at 753; *Regis*, 77 N.E. at 776.

Fossil is wrong (at 32) that English "courts were remarkably consistent about the requirements for an award of infringer's profits." Other cases recognize that trademark infringers' profits would follow an injunction "as a matter of course." *Saxlehner v. Apollinaris Co.* (1897) 1 Ch. 893 (Kekewich J); *see Draper v. Trist & Trisbestos Brake Linings Ltd.* (1939) 3 All E.R. 513, 517 (Lord Greene MR) ("fraudulent intent" is not required to obtain an "account of profits" for the English equivalent of unfair-competition claim).

Nor, as Fossil claims (at 33), did courts before the 1905 Act "routinely den[y]" accountings absent "bad faith." One of the two cases Fossil cites for this proposition simply denied "damages" where the defendants used their predecessor's trademark without knowing that the plaintiff was entitled to use the trademark.[4] *Weed v. Peterson*,

[4] Fossil (at 31) argues that courts sometimes used the word "damages" to refer to awards of profits. Even if so, the law undoubtedly conceived of damages and profits as distinct remedies. *E.g.*, *Hamilton-Brown Shoe*, 240 U.S. at 259. To the extent Fossil's cases treated

12 Abb. Pr. (N.S.) 178, 180 (N.Y. Sup. Ct. 1872). In the other, the court said only that "[p]rofits stand on a different footing" than injunctions and that the "plaintiffs may be able to prove facts which will give them special profits," without identifying what those facts were. *William Rogers Mfg. Co. v. Rogers & Spurr Mfg. Co.*, 11 F. 495, 500 (D. Mass. 1882).

Fossil (at 35-37) cites thirteen post-1905 cases purportedly showing that courts "continued to apply the traditional willfulness rule" or "acted consistently with the rule." But nine of the thirteen decisions do not state Fossil's absolute rule. *See supra* pp. 17-18. Another decision states a willfulness requirement for *damages* but appears to reserve the possibility of a "reference" for an accounting. *Oneida Cmty. v. Oneida Game Trap Co.*, 150 N.Y.S. 918, 925 (N.Y. Sup. Ct. 1914). And the four cases cited here that did articulate a willfulness requirement for profits awards did *not* arise under the 1905 Act. *See Dr. A Reed Cushion Shoe*, *Liberty Oil*, *Dickey*, and *Reading Stove Works*, *supra* pp. 17-18.

Fossil (at 37) cites three competing treatises stating that courts deny profits in cases of "good faith," "innocent[]" conduct, or lack of "knowledge." None uses Fossil's "willfulness" formulation. And the Restatement (First) of Torts does not help Fossil, because it states that *damages* are subject to the same mental-state limitation as profits. Br. 34. Fossil never argues that damages awards require willfulness.

Finally, even judging Fossil's authorities by their parentheticals, they do not support a uniform "willfulness"

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damages and profits interchangeably, that only hurts Fossil, which does not argue that a mark holder cannot obtain "damages" without showing willfulness.

requirement. Some discuss "willful fraud." *Horlick's*, 51 F.2d at 359. Others refer to an "intention . . . to deceive or defraud." *Gorham Mfg. Co. v. Schmidt*, 196 F. 955, 956 (S.D.N.Y. 1912). Others look for knowledge of another's trademark. *Edelsten v. Edelsten* (1863) 46 Eng. Rep. 72, 78. Others award profits where "the infringement was not the result of mistake or ignorance of the plaintiff's right." *Standard Cigar Co. v. Goldsmith*, 58 Pa. Super. 33, 37 (1914). Given this spectrum of mental states, Fossil cannot proclaim uniformity regarding "willfulness."

* * * * *

At bottom, the pre-Lanham Act law is a hot mess. Against the backdrop of warring treatises and disparate English law, eight cases articulate Fossil's categorical rule, *supra* pp. 17-18, while at least eight cases articulate the opposite proposition, *supra* pp. 14-17. In other words, we have the proverbial tie that goes to the runner. Fossil fell far short of showing the kind of settled rule that would be relevant even if this case involved statutory ambiguity.

D. The Lanham Act's Policies Counsel Against a Willfulness Requirement

1. Romag's interpretation furthers the Lanham Act's policy goals in three ways. *First*, Romag's interpretation ensures that mark holders, which are often small businesses with limited resources, can obtain meaningful relief when they cannot prove damages or meet the standard for injunctive relief. Br. 44-47. Fossil (at 53-54) responds that mark holders' difficulty obtaining relief is no reason to reject Fossil's willfulness test. But that response assumes a "statutory" willfulness requirement in the first place. Fossil (at 54) also points to the availability of statutory damages under section 1117(c). But those damages are available only in the subset of cases involving "counterfeit marks," 15 U.S.C. § 1117(c), and an award of

$200,000 pales in comparison to the costs of trademark litigation. Br. 46.

Second, Romag's interpretation deters infringement in the modern global economy. This case shows why that matters: Fossil knew that counterfeiting in China was a problem and that its supplier had previously lied about counterfeiting. Br. 47-48. The jury accordingly found that Fossil acted with "callous disregard" for Romag's trademark rights. Br. 48. Romag's proposed construction gives courts the flexibility to consider in any given case the infringer's conduct, including in failing to monitor its supply chain. That approach comports "with how trademark law generally operates"—*i.e.*, through a series of "fact-intensive" inquiries. ABA Br. 10 (internal quotation marks omitted).

Third, Romag's interpretation harmonizes the Lanham Act with other intellectual-property regimes, which do not require willfulness for profits. Fossil dismisses (at 54-55) that argument based on differences between the regimes. The distinctions do not bear on the salient point here. All three regimes aim to compensate intellectual-property holders, and the profits remedy under all three regimes takes the form of an equitable accounting. Br. 48. The Copyright and Patent Acts contain no willfulness requirement; the Court should reach the same result here. *Id.*

2. Fossil argues (at 49-51) that Romag's construction would allow courts to require innocent infringers to pay enormous profits awards and encourage abusive litigation tactics. That argument is ironic. In opposing certiorari, Fossil argued that, even if willfulness was just a factor in the profits analysis, no court as a practical matter would award profits absent willfulness. Br. in Opp. 22, 27-31.

Circuits have, for three decades, rejected Fossil's absolute rule, *see* Br. 42—but Fossil tellingly identifies no unjust results there.

Moreover, a mark holder's litigation tactics are relevant to the profits analysis, just like the infringer's culpability. That flexibility explains why—contrary to Fossil's suggestion (at 51-53)—Romag's position honors the three rationales lower courts have given for imposing profits awards. *See* ABA Br. 17. Regardless, this Court articulated the rationale for permitting mark holders to recover infringers' profits—to provide an "equitable measure of compensation." *Hamilton-Brown Shoe*, 240 U.S. at 259. Fossil's inflexible interpretation would shut the door to any compensation for many mark holders and provide a windfall to culpable infringers just because their conduct did not cross the willfulness threshold. As amici whose "members find themselves on both sides of trademark litigation" explain, this result would be inconsistent with the purposes of the Lanham Act. INTA Br. 4, 32-36; *see also* ABA Br. 1, 15-20; AIPLA Br. 1, 9-12; IPLAC Br. 2, 24-27.

CONCLUSION

The judgment of the Federal Circuit should be vacated and the case remanded for further proceedings.

Respectfully submitted,

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