No. 23-900

In the Supreme Court of the United States

DEWBERRY GROUP, INC., FKA DEWBERRY CAPITAL CORPORATION, PETITIONER

v.

DEWBERRY ENGINEERS INC.

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

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING NEITHER PARTY

ELIZABETH B. PRELOGAR
Solicitor General
Counsel of Record
BRIAN M. BOYNTON
Principal Deputy Assistant Attorney General
MALCOLM L. STEWART
Deputy Solicitor General
NICHOLAS S. CROWN
Assistant to the Solicitor General
DANIEL TENNY
LAURA E. MYRON
Attorneys
Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217

FARHEENA RASHEED
Solicitor
MAI-TRANG DANG
MICHAEL CHAJON
GIULIO YAQUINTO
Associate Solicitors
United States Patent and Trademark Office
Alexandria, VA 22314

QUESTION PRESENTED

Whether an award of the "defendant's profits" under the Lanham Act, 15 U.S.C. 1117(a), can include an order for the defendant to disgorge the distinct profits of legally separate non-party corporate affiliates.

TABLE OF CONTENTS

Page

Interest of the United States 1
Statutory provision involved 2
Statement 2
Summary of argument 12
Argument:
In determining the amount of the "defendant's profits" in a Lanham Act trademark-infringement suit, the Court may include funds that did not flow to the infringer but that nevertheless reflected the infringer's true financial gain 15
A. In determining the amount of a defendant's profits under the Lanham Act, the district court may take account of economic realities and is not bound by the defendant's accounting or tax treatment of particular funds 15
B. The court of appeals' judgment should be vacated, and the case should be remanded for further proceedings 29
Conclusion 34
Appendix — Statutory provision 1a

TABLE OF AUTHORITIES

Cases:

Agency for Int'l Dev. v. *Alliance for Open Soc'y Int'l, Inc.*, 591 U.S. 430 (2020) 27
Aladdin Mfg. Co. v. *Mantle Lamp Co.*, 116 F.2d 708 (7th Cir. 1941) 24
Ambler v. *Whipple*, 87 U.S. (20 Wall.) 546 (1874) 26
American Needle, Inc. v. *NFL*, 560 U.S. 183 (2010) 27
American Rice, Inc. v. *Producers Rice Mill, Inc.*, 518 F.3d 321 (5th Cir. 2008) 11, 25, 32

Cases—Continued: Page

B&B Hardware, Inc. v. *Hargis Indus., Inc.*, 575 U.S. 138 (2015) ... 2, 3
Berkshire Bank v. *Town of Ludlow*, 708 F.3d 249 (1st Cir. 2013) ... 22
Commissioner v. *Banks*, 543 U.S. 426 (2005) ... 20
Commissioner v. *Sunnen*, 333 U.S. 591 (1948) ... 20
Corley v. *United States*, 556 U.S. 303 (2009) ... 34
Corliss v. *Bowers*, 281 U.S. 376 (1930) ... 19
Dole Food Co. v. *Patrickson*, 538 U.S. 468 (2003) ... 27
First Nat'l City Bank v. *Banco Para el Comercio Exterior de Cuba*, 462 U.S. 611 (1983) ... 27
4SEMO.com Inc. v. *Southern Ill. Storm Shelters, Inc.*, 939 F.3d 905 (7th Cir. 2019), cert. denied, 140 S. Ct. 2642 (2020) ... 28
Fourth Inv. LP v. *United States*, 720 F.3d 1058 (9th Cir. 2013) ... 22
Frank Lyon Co. v. *United States*, 435 U.S. 561 (1978) ... 19, 20
Hamilton-Brown Shoe Co. v. *Wolf Bros. & Co.*, 240 U.S. 251 (1916) ... 16
Hanover Star Milling Co. v. *Metcalf*, 240 U.S. 403 (1916) ... 3
Hogg v. *Kirby*, (1803) 32 Eng. Rep. 336 (Ch) ... 16, 17
Holman v. *United States*, 505 F.3d 1060 (10th Cir. 2007) ... 22
Iancu v. *Brunetti*, 588 U.S. 388 (2019) ... 1, 3
Inwood Labs., Inc. v. *Ives Labs., Inc.*, 456 U.S. 844 (1982) ... 26
Jack Daniel's Props., Inc. v. *VIP Prods. LLC*, 599 U.S. 140 (2023) ... 2, 3
K Mart Corp. v. *Cartier, Inc.*, 485 U.S. 176 (1988) ... 2

Cases—Continued: Page

Kars 4 Kids Inc. v. *America Can!*, 8 F.4th 209 (3d Cir. 2021) 32
Lexmark Int'l, Inc. v. *Static Control Components, Inc.,* 572 U.S. 118 (2014) 17
Liu v. *SEC*, 591 U.S. 71 (2020) 15-17, 26
Livingston v. *Woodworth*, 56 U.S. (15 How.) 546 (1854) 17
Lucas v. *Earl*, 281 U.S. 111 (1930) 20
Matal v. *Tam*, 582 U.S. 218 (2017) 3, 4
Mead Johnson & Co. v. *Baby's Formula Serv., Inc.*, 402 F.2d 19 (5th Cir. 1968) 28
Merck Eprova AG v. *Gnosis S.p.A.*, 760 F.3d 247 (2d Cir. 2014) 33
Mishawaka Rubber & Woolen Mfg. Co. v. *S.S. Kresge Co.*, 316 U.S. 203 (1942) 16, 17
Moseley v. *V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) 3
National Bank v. *Case*, 99 U.S. 628 (1879) 22
Park 'N Fly, Inc. v. *Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985) 19, 29
Polo Fashions, Inc. v. *Dick Bruhn, Inc.*, 793 F.2d 1132 (9th Cir. 1986) 33
Qualitex Co. v. *Jacobson Prods. Co.*, 514 U.S. 159 (1995) 3
Romag Fasteners, Inc. v. *Fossil Grp., Inc.*, 590 U.S. 212 (2020) 4, 16
Root v. *Railway Co.*, 105 U.S. 189 (1882) 16
Rubber Co. v. *Goodyear*, 76 U.S. (9 Wall.) 788 (1870) 27
SEC v. *Ahmed*, 72 F.4th 379 (2d Cir. 2023), cert. denied, 144 S. Ct. 2658 (2024) 22
Steele v. *Bulova Watch Co.*, 344 U.S. 280 (1952) 3

Cases—Continued: Page

Truck Equip. Serv. Co. v. *Fruehauf Corp.*, 536 F.2d 1210 (8th Cir.), cert. denied, 429 U.S. 861 (1976) 33
Tull v. *United States*, 481 U.S. 412 (1987) 16
United States v. *Bestfoods*, 524 U.S. 51 (1998) 27, 28
Vidal v. *Elster*, 602 U.S. 286 (2024) 3
W. E. Bassett Co. v. *Revlon, Inc.*, 435 F.2d 656 (2d Cir. 1970) 33
Ysleta del Sur Pueblo v. *Texas*, 596 U.S. 685 (2022) 34

Statutes:

The Lanham Act, ch. 540, 60 Stat. 427 (15 U.S.C. 1051 *et seq.*) 1
15 U.S.C. 1051 3
15 U.S.C. 1052(d) 6
15 U.S.C. 1057(b) 4
15 U.S.C. 1072 4
15 U.S.C. 1114(1)(a) (§ 32(1)(a)) 4
15 U.S.C. 1115(a) 4
15 U.S.C. 1116(a) (§ 34) 4
15 U.S.C. 1117(a) (§ 35) 1, 2, 4, 5, 9-10, 12-18, 23, 24, 28, 29, 32-34
15 U.S.C. 1117(b) 4
15 U.S.C. 1125(a)(1)(A) (§ 43(a)(1)) 4
15 U.S.C. 1127 2
Trademark Act of 1905, ch. 592, 33 Stat. 724 16
§ 19, 33 Stat. 729 16
35 U.S.C. 2(a)(1) 1

Miscellaneous: Page

Black's Law Dictionary (3d ed. 1933) 22, 23

1 Carol A. Jones, *Fletcher Cyclopedia of the Law of Corporations* (2015 rev. vol.) 27, 28

Century Dictionary and Cyclopedia (1899) 23

Cyclopedic Dictionary of Law (1901) 23

H.R. Rep. No. 219, 79th Cong., 1st Sess. (1945) 23, 24

J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (5th ed. 2024):

Vol. 2 3

Vol. 3 .... 26, 28

Vol. 4 .... 16, 17, 30

8 *The Oxford English Dictionary* (reprint 1978) (1933) 22

2 John Norton Pomeroy, *A Treatise on Equity Jurisprudence* (Spencer W. Symons ed., 5th ed. 1941) 19

Restatement (Third) of Restitution and Unjust Enrichment (2011) 23

S. Rep. No. 1333, 79th Cong., 2d Sess. (1946) 23, 24

In the Supreme Court of the United States

No. 23-900

DEWBERRY GROUP, INC., FKA DEWBERRY CAPITAL CORPORATION, PETITIONER

v.

DEWBERRY ENGINEERS INC.

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

BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING NEITHER PARTY

INTEREST OF THE UNITED STATES

The question presented in this case concerns the proper interpretation and application of Section 35 of the Lanham Act, ch. 540, 60 Stat. 427 (15 U.S.C. 1051 *et seq.*), which allows the owner of a registered trademark to obtain an award of the infringer's profits in an appropriate case. 15 U.S.C. 1117(a). The United States Patent and Trademark Office administers the federal trademark-registration scheme, see 35 U.S.C. 2(a)(1); *Iancu* v. *Brunetti*, 588 U.S. 388, 390 (2019), and has a broader interest in the proper functioning of the U.S. trademark system, including uniform, predictable, and adequate remedies for trademark infringement. The United States therefore has a substantial interest in the Court's disposition of this case.

STATUTORY PROVISION INVOLVED

The pertinent statutory provision, 15 U.S.C. 1117(a), is reproduced in an appendix to this brief. App., *infra*, 1a.

STATEMENT

1. a. A trademark is a "word, name, symbol, or device" used "to identify and distinguish" goods in commerce and "to indicate the source of the goods." 15 U.S.C. 1127.[1] Under common-law principles, "[o]ne who first uses a distinct mark in commerce * * * acquires rights to that mark," including a right to "prevent[] others from using the mark." *B&B Hardware, Inc.* v. *Hargis Indus., Inc.*, 575 U.S. 138, 142 (2015); see *K Mart Corp.* v. *Cartier, Inc.*, 485 U.S. 176, 185 (1988) ("Trademark law, like contract law, confers private rights, which are themselves rights of exclusion.").

An owner's right to exclude others from using its mark allows trademarks to fulfill their essential function of "help[ing] distinguish a particular" person's goods or services "from those of others." *B&B Hardware*, 575 U.S. at 142. Consumers rely on trademarks "to select 'the goods and services that they wish to purchase, as well as those that they want to avoid.'" *Jack Daniel's Props., Inc.* v. *VIP Prods. LLC*, 599 U.S. 140, 146 (2023) (citation omitted). "At the same time," trademark law "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product" or

---

[1] Much as a "'trademark'" provides information regarding goods, a "'service mark'" is used to "identify and distinguish," and "to indicate the source of," a person's services. 15 U.S.C. 1127. Consistent with this Court's decisions and the parties' submissions, this brief treats the terms "trademark" and "service mark" as interchangeable.

service. *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995); see *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003). When a mark has become associated with a specific source, permitting others to use the same mark "would in effect represent" their goods or services to be the mark owner's and would "tend to deprive" the owner "of the profit [the owner] might make through the sale of the goods [or services] which the purchaser intended to buy." *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403, 412 (1916); see *Jack Daniel's*, 599 U.S. at 146. A competitor's infringing use of a trademark can also harm the owner's "trade reputation" if, for example, consumers begin to associate the mark with inferior goods or services. *Steele* v. *Bulova Watch Co.*, 344 U.S. 280, 286 (1952).

b. Protections against trademark infringement have "ancient origins" with roots in "common law and in equity." *Matal* v. *Tam*, 582 U.S. 218, 224 (2017). Although "[t]rademark rights are primarily a matter of state law," *Vidal* v. *Elster*, 602 U.S. 286, 291 (2024), "Congress has long played a role in protecting them," *B&B Hardware*, 575 U.S. at 142.

The Lanham Act is the "foundation of current federal trademark law." *Tam*, 582 U.S. at 224. Under the Act, the owner of a mark may register it with the United States Patent and Trademark Office (USPTO) if certain prerequisites are met. 15 U.S.C. 1051. "Registration of a mark is not mandatory," but it "gives trademark owners valuable benefits." *Iancu* v. *Brunetti*, 588 U.S. 388, 391 (2019); see 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:9, at 1001-1003 (5th ed. 2024) (McCarthy) (listing benefits). A registration, for example, serves as "prima facie evidence" of the mark's "validity" and of the owner's "exclusive

right" to use the mark in commerce in connection with specified goods or services. 15 U.S.C. 1057(b), 1115(a). It also provides "constructive notice of the registrant's claim of ownership." 15 U.S.C. 1072.

Federal law establishes enforcement mechanisms for the owners of registered and unregistered marks alike. See *Tam*, 582 U.S. at 225-226. Section 32(1)(a) of the Lanham Act imposes civil liability upon "[a]ny person" who, without the registrant's consent, "use[s] in commerce" a "reproduction, counterfeit, copy, or colorable imitation" of a registered mark where "such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a). Section 43(a)(1) in turn provides a cause of action to the owner of a mark, whether registered or unregistered, against "[a]ny person" who "uses in commerce" a mark, description, or representation that "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1125(a)(1)(A).

The Lanham Act authorizes various remedies for trademark infringement. See *Romag Fasteners, Inc.* v. *Fossil Grp., Inc.*, 590 U.S. 212, 213 (2020). Section 34 of the Act vests courts with "power to grant injunctions." 15 U.S.C. 1116(a). Section 35 provides that, "subject to the principles of equity," a prevailing trademark owner may "recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. 1117(a). In certain circumstances a district court may also award treble damages and attorney's fees. See 15 U.S.C. 1117(a) and (b).

To obtain an award of the "defendant's profits," the plaintiff must "prove defendant's sales only." 15 U.S.C. 1117(a). It then becomes the defendant's burden to "prove all elements of cost or deduction claimed." *Ibid.* If the district court concludes that "the amount of the

recovery based on profits is either inadequate or excessive," the court "may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." *Ibid.* The Lanham Act states that "[s]uch sum * * * shall constitute compensation and not a penalty." *Ibid.*

2. This case involves a long-running dispute between two similarly named companies, each of which operates a commercial real-estate business.

Petitioner Dewberry Group, Inc., is based in Atlanta, Georgia. Pet. App. 4a. Petitioner develops, leases, and manages commercial real estate, and it is owned and controlled by a real-estate developer named John Dewberry. *Ibid.*; *id.* at 82a. Petitioner provides its services to numerous affiliated companies that are not parties to this suit but are also owned and controlled by John Dewberry. *Ibid.*; see 10/13/21 Trial Tr. 6-10 (Tr.).

Those affiliated companies are single-purpose entities that own commercial properties for lease in the southeastern United States. Pet. App. 82a; see Tr. 10. The affiliates have no employees, and their business address is the same as petitioner's. Tr. 33-34. Petitioner maintains the affiliates' financials (in separate accounts) and provides accounting, human-resources, legal, and real-estate development services to those entities. Pet. App. 45a; Tr. 15. In exchange for its services, petitioner receives fees from the affiliates in amounts set by contract. Tr. 7-8. Petitioner is neither the parent nor the subsidiary of any of those landlord entities. Tr. 9. Petitioner also provides limited services to John Dewberry himself. Tr. 7. It has no other customers. *Ibid.*

Respondent Dewberry Engineers, Inc., is a commercial real-estate development company that was founded

in Virginia nearly 70 years ago. Pet. App. 3a. Although respondent started its operations as a regional civil-engineering and surveying firm, today it provides commercial real-estate development services throughout the country. *Id.* at 3a-4a. Respondent owns several registered marks for "Dewberry." *Id.* at 5a.

In 2006, petitioner and respondent entered into a settlement agreement setting terms for their respective uses of the "Dewberry" name. Pet. App. 96a. The agreement states that petitioner will not use the "Dewberry" name for real-estate development services in Virginia, Maryland, or the District of Columbia, and that it will not use the "Dewberry" name in connection with any architectural or engineering services. *Id.* at 5a-6a. The contract permits respondent to continue using "Dewberry" in all of its services. *Id.* at 5a.

In 2017, petitioner rebranded from "Dewberry Capital" —a name permitted under the parties' agreement—to "Dewberry Group." Pet. App. 6a-8a (citation omitted). Petitioner also adopted sub-brands labeled "Studio Dewberry," "Dewberry Living," and "Dewberry Office," in order to "match" the "real estate development services provided to and by each property" that petitioner manages. *Id.* at 97a (citation omitted).

After its rebranding, petitioner sought to register with the USPTO several trademarks that used the "Dewberry" name in connection with commercial real-estate development services. Pet. App. 7a-9a, 97a. The USPTO denied those applications on the ground that petitioner's claimed marks were likely to cause consumer confusion. *Id.* at 9a, 97a-98; see 15 U.S.C. 1052(d). The agency explained that the marks petitioner was seeking to register were nearly identical to—and were to be used in performing the same category of

services as—trademarks that respondent had previously registered. Pet. App. 9a, 98a. Respondent, for its part, sent petitioner several cease-and-desist letters. *Id.* at 7a-9a.

In addition to applying to register various "Dewberry" marks, petitioner began to use the name in its operations. Pet. App. 75a. Petitioner launched a new website using the "Dewberry Group" name and added the disputed "Dewberry" marks to its website, letterhead, and email signatures. *Ibid.* On behalf of its affiliates, petitioner also included the disputed marks on leasing packages and loan documents that were sent to prospective tenants and lenders, and on physical signs that petitioner placed at several commercial properties owned by the affiliates. *Ibid.*

3. In 2020, respondent filed suit against petitioner in the United States District Court for the Eastern District of Virginia, alleging breach of contract under state law and trademark infringement and unfair competition under the Lanham Act. Pet. App. 9a. The court entered summary judgment in favor of respondent on each claim and issued a permanent injunction. *Id.* at 96a-120a. Neither the liability determination nor the injunction is at issue in this Court. See Pet. 3-6; Pet. Br. 11-19.

The district court held a three-day bench trial to determine the appropriate monetary remedies. Pet. App. 62a. In its posttrial order, the court concluded that, although respondent had not "provided direct evidence of lost sales" resulting from petitioner's infringement, *id.* at 79a, an award of petitioner's profits would be appropriate, *id.* at 82a. The court based that conclusion on petitioner's "willful" and "bad faith" infringement that had "generated millions" of dollars in revenue; on the resulting injury to respondent's "positive reputation";

and on the "dilut[ion of respondent's] significant investment in its brand." *Id.* at 78a-81a. The court "order[ed] disgorgement of profits" totaling $42,975,725.60. *Id.* at 93a-94a.[2]

The district court recognized that nearly all of the revenues generated by petitioner's services, including petitioner's provision of infringing marks, "show up exclusively on the [affiliated companies'] books," whereas petitioner's own tax returns showed "losses" for the relevant period. Pet. App. 83a. The court observed, however, that petitioner's affiliates "do not and cannot perform the work and services necessary to generate" the vast majority of the income on their balance sheets. *Ibid.* The court found that, while petitioner was ostensibly losing money, its affiliates had received more than $50 million in revenues. *Id.* at 86a, 88a-91a. The court further observed that the companies' common and controlling owner, John Dewberry, had contributed at least $23 million over several decades to cover petitioner's losses. *Id.* at 84a. The court also explained that, because "no real estate or other business could continue as a going concern after decades of losses like" the losses petitioner had claimed, it was reasonable to conclude that petitioner's tax returns "do not tell the whole economic story." *Ibid.*

In light of those observations, the district court decided that petitioner and its affiliated companies should "be treated as a single corporate entity when calculating the revenues and profits generated by [petitioner]'s use of the Infringing Marks." Pet. App. 85a. The court

---

[2] In its decree, the district court stated that it was awarding "damages." Pet. App. 94a (emphasis omitted). The parties agree, however, that the court ordered an award based on "profits," not damages. Pet. Br. 2; Br. in Opp. 3.

found that the "equitable purpose" underlying the Lanham Act's profits remedy justified overriding corporate separateness in these circumstances. *Ibid.* The court explained that it would not "ignore the economic reality of how [petitioner]'s business operates" by allowing "non-arms' length corporate dealings and tax treatment of" petitioner's "business enterprise" to shield petitioner from "the financial consequences of its willful, bad faith infringement." *Id.* at 85a-86a. The court also concluded that respondent need not prove contributory infringement or alter-ego liability to recover the affiliates' profits. *Id.* at 86a.

The district court then calculated the "total profits earned from" all the affiliated companies' properties "while using the Infringing Marks from 2018-2020." Pet. App. 88a; see *id*. at 88a-92a. The court found the affiliates' illicit revenues to be nearly $43 million, which was 20% less than respondent had sought. *Id.* at 94a. The court explained that the 20% "reduction account[ed] for the fact that some leases in the Dewberry Group Properties predated the use of the Infringing Marks, and that [respondent] did not allege that the use of THE DEWBERRY® for hospitality services is an infringement." *Ibid*. Because petitioner had not proved any "deductions" or "non-infringement revenues," *id.* at 91a, the court awarded respondent the entire amount of the illicit revenues, totaling nearly $43 million, *id.* at 94a.

4. A divided panel of the court of appeals affirmed. Pet. App. 1a-48a.

The court of appeals affirmed the judgment finding petitioner liable, and it agreed with the district court that an award of profits under 15 U.S.C. 1117(a) was appropriate. Pet. App. 12a-34a, 36a-39a. The court of

appeals then turned to the issue that is currently before this Court: "how much [petitioner] profited from its infringing activities." *Id.* 39a.

The court of appeals found "no error of fact or law" in the district court's profits award. Pet. App. 40a. The court emphasized petitioner's concession at trial that petitioner "is responsible for the accounting and cash management for each of its affiliates." *Id.* at 39a. The court also described two witnesses' trial testimony that petitioner's business was "structured so that [petitioner] and its employees promoted, managed, and operated all of the properties owned by the affiliates" by "using the Infringing Marks," *ibid.* (brackets and citation omitted), which then allowed the affiliates to "lease commercial property to commercial tenants for a profit using those marks," *id.* at 45a.

Petitioner argued on appeal that the district court had "failed to appreciate the corporate distinctions between [petitioner] and its affiliates." Pet. App. 43a. The court of appeals "view[ed] the district court's decision differently," stating that the district court instead had appropriately "considered the revenues of entities under common ownership with [petitioner] in calculating [petitioner]'s true financial gain from its infringing activities that necessarily involved those affiliates." *Ibid.* Drawing on the Lanham Act's directive that a profits award is "subject to the principles of equity," 15 U.S.C. 1117(a), the court of appeals found that the district court had appropriately "'weighed the equities of the dispute and exercised its discretion' to hold [petitioner] to account for the revenues generated in part from infringing materials used by its affiliates," Pet. App. 45a (brackets and citation omitted). The court of appeals concluded that a contrary approach would give "in-

fringers the blueprint for using corporate formalities to insulate their infringement from financial consequences" and would frustrate Congress's "fundamental desire" to "give trademark registrants" maximum protection. *Ibid.* Relying on the Fifth Circuit's decision in *American Rice, Inc.* v. *Producers Rice Mill, Inc.*, 518 F.3d 321 (2008), the court explained that, even if petitioner "did not receive the revenues from its infringing behavior directly," it "still *benefited* from its infringing relationship with its affiliates." Pet. App. 45a.

Judge Quattlebaum dissented in relevant part. Pet. App. 49a-61a.[3] He would have held that, because petitioner's affiliated companies "are separate entities and not named defendants," the district court should not have included the affiliates' profits in the profits award. *Id.* at 49a. Judge Quattlebaum explained that the Lanham Act's remedial provision "speaks to the infringer's profits," not to the profits of "third parties" who have not been found liable. *Id.* at 59a. In response to the majority's concern that a failure to consider affiliates' profits would "insulate" infringers from liability, Judge Quattlebaum noted that respondent could have named the affiliates as defendants or sought to pierce the corporate veil. *Ibid.*

The court of appeals denied petitioner's request for rehearing en banc. Pet. App. 121a-122a.

---

[3] Judge Quattlebaum joined the court of appeals' affirmance of the district court's grant of summary judgment to respondent on respondent's breach-of-contract claim and on petitioner's prior-use defense. Pet. App. 49a n.1.

SUMMARY OF ARGUMENT

Both parties to this case agree that, in a trademark-infringement action, an award of the "defendant's profits," 15 U.S.C. 1117(a), should reflect the district court's estimate of the profits that are properly ascribed to the defendant itself, as opposed to a legally separate non-party corporation. Compare Pet. Br. 20-23, with Br. in Opp. i, 27-29. The parties' dispute concerns the criteria that a court may consider when fashioning such an award.

The courts below erred in treating petitioner and its affiliates "as a single corporate entity" for purposes of calculating petitioner's profits. Pet. App. 85a. But petitioner is wrong to the extent that it suggests that its own tax and accounting practices should control the court's quantification of petitioner's "profits" from the infringement. The judgment below should be vacated, and the case should be remanded for further proceedings.

A. Consistent with longstanding equity practice, the Lanham Act permits a trademark owner to recover the revenues earned by the infringer less any costs or deductions. The calculation of the profits award in this case is complicated by the fact that petitioner provided infringing services in non-arm's-length transactions with companies under common ownership and appears to have charged below-market rates for those services. As a result, petitioner's tax returns showed consistent losses even as petitioner's infringing conduct helped to generate substantial revenues for the affiliates. The common owner of petitioner and its affiliates, in turn,

covered petitioner's losses through monies presumably obtained from the affiliates under the owner's control.

When facing such creative financial maneuvers, courts are not bound by an infringer's potentially self-serving tax or accounting practices. In measuring the defendant's profits, a court may instead consider the economic realities of a transaction, and the court may award the plaintiff an amount that reflects the infringer's true financial gain.

A defendant may be fairly considered to have profited from a transaction if the defendant's conduct has generated (or helped to generate) the funds and the defendant controls their disposition. In at least two circumstances, a court could conclude that certain funds represent the infringer's profits even if they are not so characterized on the infringer's books. First, in certain instances, indirect payments can be treated as the "defendant's profits." A court may consider, for example, whether the infringer provided infringing products or services for less than fair market value, and then received additional revenues for the same services through a separate transaction. Second, in an appropriate case, a court may treat income that the infringer's activities have produced as the infringer's profits, even if the infringer has agreed or directed that the funds will be paid to a different recipient.

The text and history of the relevant Lanham Act provision indicate that a court's assessment of the defendant's profits should reflect the economic realities of the infringer's transactions. The term "profits," 15 U.S.C.

1117(a), includes any form of value, proceeds, or consequential gains. The Senate and House Reports accompanying the Lanham Act confirm Section 1117(a)'s focus on economic substance.

Petitioner correctly identifies additional ways—such as contributory-infringement or veil-piercing principles —in which a trademark owner may be able to recover ill-gotten gains resulting from an infringer's conduct, even when the relevant funds have flowed to a third party. But those are not the *only* potential rationales for treating funds that an infringer diverted elsewhere as part of the infringer's profits.

B. This Court should vacate the court of appeals' judgment and remand for further proceedings. Although an award of money that flowed to or through petitioner's affiliates may ultimately be appropriate, further analysis of the relevant facts is necessary to quantify the profits that are properly ascribed to petitioner rather than to distinct corporate entities. The courts below did not conduct that analysis; they disclaimed reliance on alternative doctrines that might have justified the award; and they identified no persuasive rationale for treating *all* of the $43 million generated by the entire group of affiliated entities as profits of petitioner. On remand, the district court in the first instance can apply the proper standards and determine (to the extent the relevant issues have been preserved) the amount of profits that are properly attributed to petitioner.

ARGUMENT

IN DETERMINING THE AMOUNT OF THE "DEFENDANT'S PROFITS" IN A LANHAM ACT TRADEMARK-INFRINGEMENT SUIT, THE COURT MAY INCLUDE FUNDS THAT DID NOT FLOW TO THE INFRINGER BUT THAT NEVERTHELESS REFLECTED THE INFRINGER'S TRUE FINANCIAL GAIN

The disputed question in this case concerns the Lanham Act provision that authorizes the district court to award, as an element of relief in a successful trademark-infringement suit, the "defendant's profits" from the infringement. 15 U.S.C. 1117(a). The courts below correctly recognized that petitioner's failure to treat particular funds as its own profits for accounting and tax purposes did not preclude the district court from including that money in a Lanham Act profits award. Those courts erred, however, in treating petitioner and its affiliated companies "as a single corporate entity when calculating the revenues and profits generated by [petitioner's] use of the Infringing Marks." Pet App. 85a; see *id.* at 39a-40a. This Court should vacate the court of appeals' judgment and remand for further proceedings under the correct legal standards.

A. In Determining The Amount Of A Defendant's Profits Under The Lanham Act, The District Court May Take Account Of Economic Realities And Is Not Bound By The Defendant's Accounting Or Tax Treatment Of Particular Funds

1. Courts sitting in equity "have routinely deprived wrongdoers of their net profits from unlawful activity." *Liu* v. *SEC*, 591 U.S. 71, 79 (2020). Sometimes called "disgorgement," that remedy, "[n]o matter the label," reflects the principle that it would be inequitable for

wrongdoers to "make a profit out of" their own wrongs. *Id.* at 79-80 (quoting *Root* v. *Railway Co.*, 105 U.S. 189, 207 (1882)). In many cases, courts order disgorgement as a form of "restitution that simply 'restores the status quo.'" *Id.* at 80 (quoting *Tull* v. *United States*, 481 U.S. 412, 424 (1987)) (brackets omitted).

Restitution remedies have long been available for trademark infringement. English equity courts explained that "an action for damages" would not always suffice because in some cases "it is nearly impossible to know the extent of the damage," such that the proper remedy is "an account of the profits" derived from the infringement. *Hogg* v. *Kirby*, (1803) 32 Eng. Rep. 336 (Ch) 339. Section 19 of the Trademark Act of 1905, ch. 592, 33 Stat. 724, authorized courts to award "the profits to be accounted for by the defendant." 33 Stat. 729; see *Romag*, 590 U.S. at 217-218. An infringer was thought to hold its ill-gotten gains in trust for the rightful owner of the trademark, *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916), and an "award of profits" was "designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to [the infringer]," *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 206 (1942). Since its enactment in 1946, the Lanham Act has similarly authorized courts to award to the plaintiff the "defendant's profits." 15 U.S.C. 1117(a).

The profits remedy for trademark infringement "originated in the law" as "a way of compensating the plaintiff for sales lost to the infringer." 4 McCarthy § 30.59, at 1065-1066. The Lanham Act coheres with that view by stating that an award of the infringer's profits "shall constitute compensation and not a penalty." 15 U.S.C. 1117(a). Precisely because actual

diversion of sales, trademark dilution, and reputational damage can be difficult to prove, see *Hogg*, 32 Eng. Rep. at 339, a profits award may serve as a "rough" and "reasonable" measure of the plaintiff's harm, 4 McCarthy § 30.59, at 1066.

Once a court determines that an award of profits would be appropriate, the Lanham Act establishes a burden-shifting framework for quantifying the award. First, "the plaintiff shall be required to prove defendant's sales only." 15 U.S.C. 1117(a). The defendant then must "prove all elements of cost or deduction claimed." *Ibid.*; cf. *Liu*, 591 U.S. at 79 (explaining that "courts have routinely deprived wrongdoers of their net profits from unlawful activity").

A plaintiff is "not entitled to [a defendant's] profits demonstrably not attributable to the unlawful use of [the plaintiff's] mark." *Mishawaka Rubber*, 316 U.S. at 206; see *Lexmark Int'l, Inc.* v. *Static Control Components, Inc.*, 572 U.S. 118, 132-134 (2014) (explaining that Lanham Act liability ordinarily requires a showing of "proximate cause") (citation omitted). And a profits award must be based on "actual gains and profits" derived from the infringing sales, rather than "the amount of profits which may have been, or with due diligence and prudence might have been, realized." *Livingston* v. *Woodworth*, 56 U.S. (15. How.) 546, 559 (1854). A profits award under the Lanham Act is "subject to the principles of equity" and may be adjusted in the court's "discretion" if the court "find[s] that the amount of the recovery based on profits is either inadequate or excessive." 15 U.S.C. 1117(a).

2. a. Estimating a defendant's profits can be a complex endeavor even in the mine run of cases. This case is further complicated by the fact that petitioner did not

receive or retain all the funds attributable to its infringement and claimed to operate at a loss over a multi-year period. In exchange for fees that were insufficient to sustain petitioner's business, petitioner engaged in infringing activity that resulted in a flow of funds to affiliated companies, which were controlled by the same owner (John Dewberry) but were not named as defendants in this lawsuit. See, *e.g.*, Pet. App. 39a. The complexity of the financial arrangements among petitioner, its affiliates, and John Dewberry makes it particularly difficult to quantify the financial gain that petitioner realized from its own infringing conduct. Based on at least two possible rationales, however, a court could conclude that certain funds are properly viewed as petitioner's profits, even though the funds did not flow directly to petitioner and petitioner did not treat them as its own money for accounting and tax purposes.

First, when an infringer receives payment, even indirectly, as a result of its infringement, those funds could be assessed as the "defendant's profits" regardless of how the infringer classified them. 15 U.S.C. 1117(a). That might occur, for example, if the fees a company charges for infringing products or services are supplemented by additional money provided through a separate transaction. Here, for example, John Dewberry—the owner of petitioner and of the single-purpose affiliated companies that received revenues as a result of petitioner's infringing activities—personally funded petitioner's budget shortfalls. Pet. App. 84a. Those cash infusions, in turn, allowed petitioner to remain in business while providing infringing services to the affiliates at rates that did not cover petitioner's operating expenses. *Id.* at 83a-84a.

To the extent the funds that petitioner received from John Dewberry were derived from money that the affiliates had obtained as a result of petitioner's infringing conduct, those funds could reasonably be viewed as petitioner's own profits from the infringement. Clearly that would be so if the money had come directly from the affiliates in the form of higher rates for petitioner's services. To treat the indirectness of the payments here as compelling a different outcome would give "trademark infringers the blueprint for using corporate formalities to insulate their infringement from financial consequences," Pet. App. 45a, and would be contrary to the Lanham Act's design to give trademarks "the greatest protection that can be given them," *Park 'N Fly, Inc.* v. *Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985) (citation omitted).

It is an established equitable principle that companies cannot evade the legal consequences of their generation of revenue through creative accounting practices. Equity "regards substance rather than form." 2 John Norton Pomeroy, *A Treatise on Equity Jurisprudence* § 378, at 40 (Spencer W. Symons ed., 5th ed. 1941) (citation omitted). In the tax context, for instance, this Court has long recognized that taxpayers may not minimize liabilities through form alone, except where expressly provided by the Internal Revenue Code. See, *e.g.*, *Frank Lyon Co.* v. *United States*, 435 U.S. 561, 572 (1978) ("This Court, almost 50 years ago, observed that 'taxation is not so much concerned with the refinements of title as it is with actual command over the property taxed—the actual benefit for which the tax is paid.'") (quoting *Corliss* v. *Bowers*, 281 U.S. 376, 378 (1930)). In applying that "doctrine of substance over form," this Court "has looked to the objective economic realities of

a transaction rather than to the particular form the parties employed." *Id.* at 573.

Second, in certain circumstances courts may treat revenues generated by the infringer's wrongful conduct as the infringer's profits, even if the infringer has directed or agreed that the funds will be sent elsewhere. A defendant may fairly be viewed as having profited from a transaction if the defendant has generated income and controls its disposition, whether or not the defendant ultimately receives the money. The difference between receiving payment and then transferring the funds to a third party of the defendant's choosing, and agreeing that funds generated by the defendant's activities will be sent directly to that third party in the first instance, should not control the determination whether the defendant has profited from an infringing act.

That approach, too, is not novel. Again in the tax context, this Court has held that "[a] taxpayer cannot exclude an economic gain from gross income by assigning the gain in advance to another party." *Commissioner* v. *Banks*, 543 U.S. 426, 433 (2005). Known as the "anticipatory assignment doctrine," this principle "is meant to prevent taxpayers from avoiding taxation through 'arrangements and contracts however skillfully devised to prevent [income] when paid from vesting even for a second in the [person] who earned it.'" *Id.* at 434 (quoting *Lucas* v. *Earl*, 281 U.S. 111, 115 (1930)). The "crucial question" in those circumstances is "whether the assignor retains sufficient power and control over the assigned property or over receipt of the income to make it reasonable to treat [the assignor] as the recipient of the income." *Commissioner* v. *Sunnen*, 333 U.S. 591, 604 (1948).

That principle is potentially implicated here. As discussed, the fees that petitioner charged were insufficient to cover petitioner's operating expenses. A court could fairly infer that petitioner was content with below-market rates *because* it performed services only for affiliated entities, and that John Dewberry allowed petitioner to incur losses for a prolonged period only because petitioner's services produced substantial income for the commonly-owned affiliates. See Pet. App. 84a. The effect of that arrangement was to leave with the affiliates significant revenues (*i.e.*, the difference between petitioner's rates and the market rates for petitioner's services) that would have flowed to petitioner if petitioner's rates had been established through arm's-length negotiations. Petitioner's decision to forgo receipt of those additional revenues, and to leave those funds with the affiliates instead, might be viewed as the practical equivalent of a pre-assignment of anticipated income.

Petitioner asserts in various places (Br. 24, 33, 34, 44) that the affiliates "received" all of the profits at issue here, and in others (Br. 16, 18, 20, 23, 24, 35, 48) that the affiliates "earned" all the profits and petitioner "earned" none. As explained above, however, it is well established that income sometimes may properly be attributed to a person who did not receive it. And there is no apparent basis for asserting that the affiliates *earned* all of the profits at issue, since petitioner's management services were indispensable to the generation of those profits.

Other equitable principles reflect a similar focus on the defendant's control over assets when assessing what may properly be disgorged. Under the "nominee doctrine," courts may consider whether a wrongdoer has

"engaged in a legal fiction by placing legal title to property in the hands of a third party while actually retaining some or all of the benefits of true ownership." *Berkshire Bank* v. *Town of Ludlow*, 708 F.3d 249, 252, 254 (1st Cir. 2013) (quoting *Holman* v. *United States*, 505 F.3d 1060, 1065 (10th Cir. 2007)); see *National Bank* v. *Case*, 99 U.S. 628, 632 (1879) (explaining that "[a] transfer for the mere purpose of avoiding" liability "is fraudulent and void"). In certain circumstances, an asset held by a third party under bare "legal title" may "be disgorged to satisfy a judgment against a [defendant] deemed to be the asset's true equitable owner." *SEC* v. *Ahmed*, 72 F.4th 379, 408 (2d Cir. 2023), cert. denied, 144 S. Ct. 2658 (2024). Courts have considered several factors—including a lack of adequate consideration—to determine whether defendants had transferred only nominal control over property to shield it from collection. See, *e.g.*, *Fourth Inv. LP* v. *United States*, 720 F.3d 1058, 1070 (9th Cir. 2013); *Berkshire Bank*, 708 F.3d at 252-253; *Holman*, 505 F.3d at 1065 & n.1. This Court should similarly conclude that a trademark infringer does not automatically avoid liability for a Lanham Act profits award simply by directing or agreeing that proceeds generated through its own infringing conduct will be paid to a distinct corporate entity.

b. The Lanham Act's text and history confirm that courts should consider the economic realities of an infringer's transactions in assessing the infringer's profits.

In this context, the term "[p]rofit" refers to any "advantage or benefit," or "[t]he advantage or benefit of something or resulting from something." 8 *The Oxford English Dictionary* 1431 (reprint 1978) (1933) (emphasis omitted); see *Black's Law Dictionary* 1440 (3d ed.

1933) ("The term 'profit,' as applied to a corporation, * * * covers benefits of any kind, the excess of value over cost, acquisition beyond expenditure, gain or advance."); Restatement (Third) of Restitution and Unjust Enrichment § 51(5)(a), at 203 (2011) (explaining that "[p]rofit" means "any form of use value, proceeds, or consequential gains" that are "identifiable and measurable and not unduly remote" from the defendant's wrongdoing). Dictionaries roughly contemporaneous with Congress's 1905 enactment of the Lanham Act's predecessor statute included similarly broad definitions of the term. See, *e.g.*, *Cyclopedic Dictionary of Law* 733 (1901) (defining "profits" as "[a]n excess of the value of returns over the value of expenditures") (capitalization altered; emphasis omitted); *Century Dictionary and Cyclopedia* 4757 (1899) (defining "profit" as "[a]dvancement; improvement," "[a]ny advantage; accession of good from labor or exertion; the acquisition of anything valuable," and "the advantage or gain resulting to the owner of capital from its employment in any undertaking") (emphasis omitted). The existence and amount of "profits" under 15 U.S.C. 1117(a) thus do not depend on the infringer's ledgers and instead should be determined by reference to the infringer's actual economic gain.

The House and Senate Reports accompanying the Lanham Act reinforce that conclusion. Those Reports express an intent to "protect[] the public against spurious and falsely marked goods," to "protect[]" an owner's "investment from [a mark's] misappropriation by pirates and cheats," and to "mak[e] infringement and piracy unprofitable." S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946) (Senate Report); H.R. Rep. No. 219, 79th Cong., 1st Sess. 2 (1945) (House Report). By incorporating a

preexisting profits remedy into the Lanham Act—and by granting courts additional discretion to adjust profits awards that are found to be "inadequate or excessive," 15 U.S.C. 1117(a); see pp. 32-34, *infra*—Congress also aimed to "make" trademark registrations "stronger," to "dispense with mere technical prohibitions," and to "make * * * relief against infringement prompt and effective." Senate Report 3; House Report 2. The House and Senate Reports thus reinforce the conclusion that an infringer's bookkeeping entries are not dispositive when a court seeks to quantify the infringer's profits.

Both before and since the Lanham Act was enacted, courts of appeals have similarly considered economic realities in imposing and quantifying profits awards in trademark-infringement cases. Before the Lanham Act was enacted, the Seventh Circuit considered whether a profits award imposed against the defendant corporation could include certain funds that the corporation had disbursed to shareholders. See *Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F.2d 708, 713 (1941). The court held that certain payments made to one shareholder-officer as salary for his actual "management and conduct of the business" were legitimate business expenses and therefore were properly deducted "in determining the actual profits for which [the defendant company] should account." *Ibid.* The court concluded, however, that payments to two shareholders who had *not* performed services for the company, while likewise characterized by the defendant corporation as "salaries," were in substance a "distribution[] of profit[s]" and therefore should not be deducted in computing the profits award. *Ibid.*

The Fifth Circuit's more recent decision in *American Rice, Inc.* v. *Producers Rice Mill, Inc.*, 518 F.3d 321 (2008), similarly focused on economic substance. In that case, the Lanham Act defendant was a "corporation that operate[d] as a farmer-owned cooperative. A number of farmer members provide[d] rice which the corporation then process[ed] and [sold]." *Id.* at 326. The defendant argued that it could not be held liable for any profits award "because due to the nature of its business, it retains no profits—they flow through to the member farmers." *Id.* at 338. The court of appeals rejected that argument, holding that money earned through the defendant's marketing activities should be treated for Lanham Act purposes as "profits" of the defendant cooperative, even though those funds were passed through to the farmers rather than retained by the defendant. See *id.* at 340 (concluding "that [the] profits earned by [the defendant] are [the defendant]'s profits for purposes of the Lanham Act, regardless of how such profits are passed on or how they are taxed"); *id.* at 338-340. To hold otherwise, the court observed, would be contrary to the purpose of Section 35 of the Lanham Act, which "is to take all the economic incentive out of trademark infringement." *Id.* at 340 (citation omitted).

3. In this Court, petitioner has not addressed the equitable principles discussed above. Instead, petitioner's arguments rely on the premise that "[i]t is *undisputed* that petitioner earned $0 in profits from the purportedly infringing activity." Pet. Br. 18 (emphasis added); see, *e.g.*, *id.* at 10-14, 18-20, 24, 33, 51. Whether that premise is disputed is a matter that the courts below can address on remand. See pp. 29-34, *infra*. But petitioner identifies no sound basis for disregarding the principle that courts may take account of economic

realities—and are not bound by the infringer's accounting practices—when quantifying a profits award under the Lanham Act.

As petitioner points out (Br. 48-49), there are additional ways for a trademark owner to recover from one defendant ill-gotten monies that flowed to a separate entity. Those doctrines, however, are not the *exclusive* means of identifying the defendant's true financial gain as contemplated by the Lanham Act.

One alternative method of recovering ill-gotten gains is to establish "secondary liability" under the Lanham Act. Under that doctrine, "liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another." *Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 853 (1982). For example, a party may be held "contributorially responsible" if it "intentionally induces another to infringe a trademark" or "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement." *Id.* at 854; see 3 McCarthy §§ 25.17-25.22, at 1270-1293 (listing additional examples).

The "historic profits remedy" also "allows some flexibility to impose collective liability." *Liu*, 591 U.S. at 90-91. For instance, courts have long imposed joint liability on "partners engaged in concerted wrongdoing." *Id.* at 90 (citing *Ambler* v. *Whipple*, 87 U.S. (20 Wall.) 546, 559 (1874)). In certain cases, that approach could be applied to multiple infringers of the same trademark.

Another way to recover funds that flowed to an entity other than the defendant is to invoke various equitable doctrines overriding corporate separateness. Although "separately incorporated organizations are separate legal units with distinct legal rights and obligations,"

Agency for Int'l Dev. v. *Alliance for Open Soc'y Int'l, Inc.*, 591 U.S. 430, 435 (2020), principles of corporate separateness are not absolute. See, *e.g.*, *First Nat'l City Bank* v. *Banco Para el Comercio Exterior de Cuba*, 462 U.S. 611, 628-629 (1983) (explaining that an "incorporated entity" is "not to be regarded as legally separate from its owners in all circumstances"); cf. *American Needle, Inc.* v. *NFL*, 560 U.S. 183, 196 (2010) (observing that, in many antitrust cases, corporate formalities are "not determinative").

For example, a corporation may function as the alter ego of another, such that the "corporate entity is so extensively controlled by its owner that a relationship of principal and agent is created," where "one may be held liable for the actions of the other." *First Nat'l City Bank*, 462 U.S. at 629. Under the related doctrine of piercing the corporate veil, shareholders can be "held liable for the corporation's conduct." *United States* v. *Bestfoods*, 524 U.S. 51, 62 (1998); see *Dole Food Co.* v. *Patrickson*, 538 U.S. 468, 475 (2003); *Rubber Co.* v. *Goodyear*, 76 U.S. (9 Wall.) 788, 802 (1870). Veil-piercing may be appropriate when, for example, "the corporate form would otherwise be misused to accomplish certain wrongful purposes, most notably fraud, on the shareholder's behalf." *Bestfoods*, 524 U.S. at 62. Formulations of the test for piercing the corporate veil vary by jurisdiction, but courts generally consider (1) the exercise of pervasive control by the shareholders (corporate or individual), such that the corporation had no separate mind, will, or existence of its own; (2) that such control was used by the defendant to commit fraud or breach a legal duty owed to the plaintiff; and (3) that such control and breach of duty proximately caused the plaintiff's injury. 1 Carol A. Jones, *Fletcher Cyclopedia*

of the Law of Corporations § 41, at 156-165 (2015 rev. vol.).[4] In deciding whether to disregard one company's corporate separateness from another, courts consider factors including (but not limited to) inadequate capitalization, common officers or directors, one entity's financing of the other, and failure to observe corporate formalities. *Ibid.*[5]

Although the doctrines described are available to trademark owners in certain cases, they are not the *only* means to account for an infringer's profits that were diverted or directed elsewhere. The fact that petitioner had claimed losses on its books and tax returns does not necessarily mean that respondent must prove secondary or joint liability, or pierce the corporate veil, in order to obtain a profits award. Under the Lanham Act, the term "defendant's profits," 15 U.S.C. 1117(a), can encompass money that the defendant generated through its infringing conduct, even if the infringer directed that money elsewhere or received it indirectly through additional non-arm's-length transactions. See pp. 17-25, *supra*. A contrary approach could prevent the recovery of funds that were generated by the defendant's

---

[4] As petitioner observes (Pet. 35-36; Br. 25), this case does not present the question whether "courts should borrow state law, or instead apply a federal common law of veil piercing." *Bestfoods*, 524 U.S. at 63 n.9.

[5] These examples are not exhaustive. Still other doctrines may support an award of another entity's profits. See, *e.g.*, Profs. Bray & Miller Cert. Amici Br. 10 (discussing "established principles of accessory liability"). And courts have frequently found corporate officers or owners personally liable for their own infringing conduct. See, *e.g.*, *4SEMO.com Inc.* v. *Southern Ill. Storm Shelters, Inc.*, 939 F.3d 905, 912-913 (7th Cir. 2019), cert. denied, 140 S. Ct. 2642 (2020); *Mead Johnson & Co.* v. *Baby's Formula Serv., Inc.*, 402 F.2d 19, 23 (5th Cir. 1968); 3 McCarthy § 25:24, at 1294-1298.

conduct and benefited the defendant financially—a result inconsistent with the purposes of the Lanham Act. Cf. *Park 'N Fly*, 469 U.S. at 193. That outcome would be particularly troubling given petitioner's suggestion (Pet. 32-34) that its payment arrangement is common in certain industries.

B. The Court Of Appeals' Judgment Should Be Vacated, And The Case Should Be Remanded For Further Proceedings

This Court should vacate the court of appeals' judgment and remand for further consideration of the profits award in this case. The courts below did not apply the principles described above, and their analytical approaches were flawed. In particular, those courts offered no persuasive justification for awarding, as "defendant's profits," 15 U.S.C. 1117(a), *all* of the revenues that petitioner's affiliates received through the use of infringing marks. Petitioner is likewise wrong, however, to the extent it suggests (Br. 24) that its acceptance of fees too low for petitioner to recoup its costs insulates it from a potential profits award. On remand, the district court should have the opportunity to apply the proper standards and to determine (to the extent the relevant issues have been preserved) what portion of the combined revenues of petitioner and its affiliates are properly viewed as petitioner's profits.

1. In determining the amount of the "defendant's profits" in this case, 15 U.S.C. 1117(a), the courts below should have measured petitioner's financial gain (as distinguished from its nonparty affiliates' gain) from the infringing acts. Neither court did so.

In calculating "the revenues and profits generated by [petitioner]'s use of the Infringing Marks," the district court "treated" petitioner and its corporate affili-

ates "as a single corporate entity," and then attributed the nonparty affiliates' revenues to petitioner. Pet. App. 85a. The court did not distinguish between the profits that petitioner had generated and the profits its affiliates had produced. The court did not, for example, attempt to quantify the difference between the fees that petitioner had charged the affiliates and the fees that petitioner would have charged if it had negotiated the fee amounts at arm's length with unaffiliated clients. That approach would have focused on economic substance while still respecting corporate separateness; but the court did not undertake it. The court also disclaimed reliance on alternative grounds—such as secondary-liability, alter-ego, and veil-piercing principles —that might have justified the $43 million profits award. See *id.* at 86a.

The Fourth Circuit compounded those errors. The court of appeals correctly described its task as "calculating [petitioner's] true financial gain from its infringing activities that necessarily involved those affiliates," Pet. App. 43a, but the court did not actually conduct that inquiry. It stated instead that respondent was entitled to the full award ordered by the district court because of "'the equities'" and the fact that petitioner had "*benefited* from its infringing relationship with its affiliates." *Id.* at 45a (citation omitted). But the court's inference that petitioner had derived *some* benefit from its infringing conduct does not reflect any attempt to quantify, even as a "rough" and "reasonable measure," 4 McCarthy § 30.59, at 1066, petitioner's own financial gain from its infringement. Nor did the court identify any persuasive rationale for treating *all* of the nearly $43 million that the affiliated companies had received

under the district court's calculation as the profits of petitioner.

The courts below observed that John Dewberry had "contributed at least $23 million to cover [petitioner]'s extensive losses over the past thirty years," Pet. App. 40a, and explained that, "[b]ecause no real estate or other business could continue as a going concern after decades of losses like" the losses petitioner had claimed, it was reasonable to conclude that petitioner's "tax returns, standing alone, do not tell the whole economic story," *id.* at 84a. The district court also noted "the economic reality that, but-for the revenue generated by the [affiliates, petitioner] as a single tax entity would not exist." *Ibid*. Those observations provided sound bases to infer that John Dewberry would not have kept petitioner in business if petitioner were not generating *some* profits for the benefit of the affiliated companies and their owner. At least standing alone, however, they provide no good reason to believe that *all* of the funds received by the affiliates were attributable to petitioners' activities. In particular, there is no obvious reason to think that petitioner would have retained *all* the profits earned from comparable real estate activities if petitioner had rendered its services to similarly situated *unaffiliated* companies. Even assuming that the affiliates performed only "limited" services (*id*. at 83a), the affiliates owned the real estate from which profits were generated and presumably would have received a share of the profits even under an arm's-length bargain.

Although an award of money that flowed to or through petitioner's affiliates may ultimately be justified, quantification of an appropriate award requires a factual analysis to estimate how much of those profits are properly attributed to petitioner. An appropriate

determination of petitioner's true financial gain would not include profits generated by the affiliates, either through their ownership of the pertinent real estate or through any work that they performed. That approach would be consistent both with the Lanham Act's focus on the "*defendant's* profits," 15 U.S.C. 1117(a) (emphasis added), and with Congress's intent to ensure that infringers cannot avoid liability through complex maneuvers designed to obfuscate their financial gain and economic reality. See, *e.g.*, *American Rice*, 518 F.3d at 339 ("That [the defendant] passes the profits on to its patrons is irrelevant in the context of a Lanham Act profits award."). Because the courts below did not conduct that analysis—and because they did not rely on alternative grounds like secondary liability or veil-piercing—the profits award should be vacated, and the case should be remanded for further proceedings.

2. Respondent suggests (Br. in Opp. 23-30) that the judgment below rests on still another alternative ground: that Section 35 of the Lanham Act authorizes the court to award "such sum as the court shall find to be just, according to the circumstances of the case," if the court finds that "the amount of the recovery based on profits is either inadequate or excessive." 15 U.S.C. 1117(a). But while the courts below quoted that statutory text, Pet. App. 36a-37a, 76a-77a, they did not rely on it, see *id.* at 39a-46a, 82a-86a. That is a sufficient reason to vacate and remand.

"[I]n most cases, when disgorging profits, 'the district court should award actual, proven profits unless the infringer gained more from the infringement than the infringer's profits reflect." *Kars 4 Kids Inc.* v. *America Can!*, 8 F.4th 209, 224 (3d Cir. 2021) (brackets, citation, and ellipsis omitted). The "just sum" language,

however, grants courts discretion to make equitable adjustments to the calculation of profits in an individual case. 15 U.S.C. 1117(a).[6] In the circumstances of this case, for example, the "just sum" language might provide an alternative ground for requiring petitioner to disgorge the additional revenues that petitioner would have received if it had negotiated its rates at arm's length, but that petitioner instead chose to leave with the affiliates. See pp. 20-22, *supra*.

Although the "just sum" language vests the district court with significant discretion, it does not relieve a court of the obligation to estimate the defendant's profits. The "just sum" language applies when the court "find[s] that the amount of the recovery based on profits" would be "inadequate or excessive," which suggests that the court must identify the amount of the defendant's profits in the first instance. 15 U.S.C. 1117(a). It would be anomalous to read that language as authorizing a court to dispense entirely with the estimation of a defendant's gain; to invent an award the court deems appropriate; or to issue an award based on different criteria entirely. Reading Section 35 of the Lanham Act as giving a court unbounded discretion to award

---

[6] One court of appeals, for example, affirmed an adjustment where the defendant had made it "impossib[le]" to quantify its offsetting losses. *Merck Eprova AG* v. *Gnosis S.p.A.*, 760 F.3d 247, 263 (2d Cir. 2014) (citation omitted). Courts have similarly found it appropriate to disallow an infringer's proffered deductions because of its "bad faith" and "potentially devastating" infringement, *Truck Equip. Serv. Co.* v. *Fruehauf Corp.*, 536 F.2d 1210, 1222-1223 (8th Cir.) (discussing *W. E. Bassett Co.* v. *Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970)), cert. denied, 429 U.S. 861 (1976), or when the defendant had "disposed" of infringing goods "'at cost'" upon learning of the suit, *Polo Fashions, Inc.* v. *Dick Bruhn, Inc.*, 793 F.2d 1132, 1135 (9th Cir. 1986).

whatever amount it considers just would render superfluous the statutory language that governs the calculation of profits. See *Ysleta del Sur Pueblo* v. *Texas*, 596 U.S. 685, 698-699 (2022) ("[W]e must normally seek to construe Congress's work 'so that effect is given to all provisions, so that no part will be inoperative or superfluous, void or insignificant.'") (quoting *Corley* v. *United States*, 556 U.S. 303, 314 (2009)). A court also must ensure that the sum it awards "shall constitute compensation and not a penalty." 15 U.S.C. 1117(a).

To the extent any arguments concerning the "just sum" language have been properly preserved, they should be addressed on remand. That language provides no sound basis, however, for affirming the judgment below.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be vacated and the case remanded for further proceedings.

Respectfully submitted.

ELIZABETH B. PRELOGAR
Solicitor General
BRIAN M. BOYNTON
Principal Deputy Assistant Attorney General
MALCOLM L. STEWART
Deputy Solicitor General
NICHOLAS S. CROWN
Assistant to the Solicitor General
DANIEL TENNY
LAURA E. MYRON
Attorneys

FARHEENA RASHEED
Solicitor
MAI-TRANG DANG
MICHAEL CHAJON
GIULIO YAQUINTO
Associate Solicitors
United States Patent and Trademark Office

SEPTEMBER 2024

APPENDIX

TABLE OF CONTENTS

Page

Appendix — Statutory provision:
15 U.S.C. 1117(a) 1a

APPENDIX

15 U.S.C. 1117(a) provides:

Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the 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. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.