FIXING TRADEMARK LAW WITH *ROMAG FASTENERS*: A NEW THEORY OF UNFAIR COMPETITION

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I. INTRODUCTION

Why do luxury companies burn their unsold products at the end of the year?[1] The practice seems absurd. The products obviously have value; why not sell them at a discount and make some money? A surprising part of the answer is trademark law.

Trademark law protects consumers and businesses from harm resulting from consumer confusion.[2] Consumer confusion occurs when consumers look at a product bearing a mark, and the mark causes them to mistake or be unsure about certain aspects of the product's manufacture.[3] Consumer confusion can cause harm in multiple ways. For instance, a watch bearing the Rolex trademark carries certain associations for consumers. A consumer purchasing a Rolex watch in a store is likely willing to pay a premium based on the manufacturer's reputation for quality.[4] If the consumer purchases the watch and later finds out it was a knockoff, then her harm is the amount she overpaid.[5] Additionally, the Rolex watch manufacturer has suffered harm

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1. *See, e.g.*, Matthew Dalton, *Why Luxury Brands Burn Their Own Goods*, WALL ST. J. (Sept. 6, 2018), https://www.wsj.com/articles/burning-luxury-goods-goes-out-of-style-at-burberry-1536238351 [https://perma.cc/8RPE-AQ4R].

2. *See* 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:1 (5th ed. 2020) (explaining the historical "dual goals of trademark law").

3. *See* Robert G. Bone, *Taking the Confusion Out of Likelihood of Confusion: Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307, 1338–39 (2012) (listing origin confusion, licensing confusion, post-sale confusion, and initial-interest confusion).

4. *See* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1690 (1999) (explaining that the ability of trademarks is particularly important for characteristics "that consumers cannot readily verify except by buying the product").

5. *See* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844 (2007) (describing the "narrow sense" of trademarks' benefits to consumers—"protecting them from being deceived into buying products they do not want").

because, absent the knockoff, it would have made a sale.[6] Its harm is the amount of profit lost.

Under the Lanham Act, courts have expanded trademark protection to prevent more abstract forms of harm, including to a trademark owner's reputation.[7] The Lanham Act is the statute that defines trademark infringement and specifies remedies.[8] Unfortunately, it does not define "confusion."[9] In the Rolex example, a more comprehensive definition of the confusion that occurred is confusion as to the origin of a good at the point-of-sale. The consumer assumed that the watch she was buying was manufactured by, or originated from, the well-known Rolex watch manufacturer, when in reality it was a knock-off. That is the very first type of confusion that trademark law ever protected against.[10] However, modern courts have expanded the definition of confusion. The Lanham Act specifies the types of actionable confusion as those to the "affiliation, connection or association of [one] person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities . . . ."[11] Also, courts have found that actionable confusion can occur even if the consumer is initially confused but the confusion is cleared up before purchase,[12] or if a third party is confused after observing a product post-sale.[13] Often, courts will characterize these less-direct forms of harm as harm to a trademark owner's reputation, or "goodwill."[14] By strongly protecting reputational value, trademark law incentivizes trademark owners to engage in activities that increase that value, such as creating artificial scarcity by burning unsold designer clothes.[15]

6. *See* Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. INTELL. PROP. L. 245, 260 (2010) ("[E]ach sale made by the defendant apparently was a sale the plaintiff would have made but for the infringement . . . .").

7. *See id.* (explaining that the poor quality of the defendant's infringing product could also harm the plaintiff's reputation, "likely [leading] to additional lost sales").

8. Lanham Act § 43(a), 15 U.S.C. § 1125(a) (infringement); Lanham Act § 35(a), 15 U.S.C. § 1117(a) (monetary remedies).

9. Bone, *supra* note 3, at 1338.

10. *See* McKenna, *supra* note 5, at 1850–51 (describing the "clothier's case," often cited as the first English trademark case).

11. Lanham Act § 43(a), 15 U.S.C. § 1125(a).

12. *See* Bone, *supra* note 3, at 1339 (describing initial-interest confusion).

13. *Id.*

14. *See, e.g.*, Thurmon, *supra* note 6, at 267 ("part of the injury is the damage done to the plaintiff's reputation").

15. *See* Deven R. Desai, *The Chicago School Trap in Trademark: The Co-Evolution of Corporate, Antitrust, and Trademark Law*, 37 CARDOZO L. REV. 551, 603–04 (2015) (describing how current trademark protection facilitates branding strategies that permit trademark owners "to turn a mark into a thing with value that is desired on its own").

Some courts, driven by concern that trademark protection was too strong, developed a rule that limited one available remedy, leading to a split in the U.S. Courts of Appeals. The remedy at issue was an award of the infringer's profits: some circuits held that a profits remedy would only be available in cases of willful infringement.[16] Because the profits remedy often overcompensated the plaintiff for actual harm, courts imposing this rule reasoned that equity only permitted it when the infringer acted with a more culpable mental state.[17] Other circuits, noting that the Lanham Act did not impose an explicit mental state requirement, held that the defendant's mental state was only one factor to consider when determining an appropriate remedy.[18]

The U.S. Supreme Court in *Romag Fasteners v. Fossil* held that willful infringement was not a prerequisite to the profits remedy.[19] The majority opinion stated that while it "might be possible" to read the statute as requiring willfulness if courts of equity had historically imposed such a requirement, courts of equity had not consistently done so.[20] Therefore, a willfulness prerequisite failed to meet the majority's definition of a "principle of equity," as the Lanham Act uses the phrase. The majority explained that principles of equity are usually "fundamental rules that apply more systematically across claims and practice areas."[21]

Courts should use *Romag* and the remedial discretion provided by the Lanham Act to rein in trademark protection by utilizing a new theory of unfair competition law. Scholars have explained that trademark law and unfair competition law are related because "[t]rademark law is part of the branch of tort law known as unfair competition."[22] Unfortunately, existing theories as to what constitutes "unfair," as opposed to legitimate, competition all inevitably lead to unlimited protection, increasingly characterizing once-legitimate competition as unfair. This Note proposes a new theory—the Consumer

16. *See, e.g.*, George Basch Co. v. Blue Coral, 968 F.2d 1532, 1540 (2d Cir. 1992), *superseded in relevant part by statute*, Lanham Act § 35(a), 15 U.S.C. § 1117(a) ("[A] plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting."). An accounting is another name for the profits remedy.

17. *See id.* ("[A]n accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense.").

18. *See*, *e.g.*, Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) ("Other than general equitable considerations, there is no express requirement . . . that the infringer willfully infringe . . . to justify an award of profits.").

19. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1497 (2020).

20. *Id.* at 1496–97.

21. *See id.* at 1496.

22. William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 267 (1988).

Approach—to separate unfair from legitimate competition and explains how courts can implement it under the current Lanham Act.

The Consumer Approach defines an act of unfair competition as a business practice that is anticompetitive, wherein anticompetitive means that the business practice harms consumers more than it benefits them. The relevant consumer benefits are lower prices or higher quality goods. By conducting an economic analysis, courts can use consumer benefit to limit the situations in which harm, either business or consumer, is actionable. In unfair competition cases where harm seems very abstract, the consumer benefits arising out of the defendant's activities might well outweigh the harm.

In trademark cases, courts can apply the Consumer Approach at the remedy stage. Although the Lanham Act currently requires courts to use the likelihood-of-confusion test to determine infringement,[23] courts have significant discretion to adjust remedies according to the "principles of equity,"[24] as defined in *Romag*. One such principle that meets the *Romag* majority's definition is promoting competition.[25] Based on this principle, courts following the Consumer Approach should simply deny the plaintiff a remedy if the defendant's activities are procompetitive, meaning the consumer benefits they produce outweigh the consumer harm.

To manage the administrative costs of determining whether a defendant's activities are procompetitive, courts should utilize the burden shifting already present in the Lanham Act. For the damages remedy, plaintiffs currently bear the burden of proving actual harm.[26] For the profits remedy, the plaintiff must only prove the defendant's sales; the defendant then has the burden to prove deductions not due to the infringement.[27] Under the Consumer Approach, courts would determine the appropriate remedy based on the defendant's

23. *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (imposing liability for acts that are "likely to cause confusion").

24. *See id.* § 35(a) (permitting courts to adjust damages and profits awards "according to the circumstances of the case").

25. *See, e.g.*, 1 LOUIS ALTMAN & MALLA POLLACK, CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 4:1 (4th ed. 2020) ("It is the primary function of the law of unfair competition to safeguard the competitive community . . . . The antitrust laws are equally designed to maintain the competitive order . . . ."); Eastman Co. v. Reichenbach, 20 N.Y.S. 110, 116 (N.Y. Sup. Ct. 1892), *aff'd sub nom.* Eastman Kodak Co. v. Reighenbach, 29 N.Y.S. 1143 (N.Y. Gen. Term 1894) ("[I]t is always the policy of the law to foster and encourage [legitimate competition.]").

26. *See* Mark A. Thurmon, *Federal Trademark Remedies: A Proposal for Reform*, 5 AKRON INTELL. PROP. J. 137, 149 (2011) ("[T]o recover actual damages a prevailing trademark owner must be able to accurately quantity its monetary injury and show a causal connection between that injury and the infringement.").

27. Lanham Act § 35(a), 15 U.S.C. § 1117(a).

mental state. If the defendant's infringement is unintentional, then the court could award damages. To realize the award, the plaintiff would have the burden to prove that consumer harm outweighs benefit. If the defendant's infringement is at least negligent, then the court could award profits. To prevent the award, the defendant would have the burden to prove that consumer benefit outweighs harm. Because quantifying harm and benefit is difficult, shifting the burden to the defendant is likely to increase the ultimate monetary award.[28] If the infringement is unintentional, then the increase is not appropriate because the only purpose of the monetary award is to provide compensation to the plaintiff.[29] However, if the infringement is at least negligent, then the increase is appropriate because the monetary award serves the additional purpose of deterring future infringers.[30]

This Note has four additional Parts. Part II describes how the Lanham Act came to provide its current, expansive trademark protection and how the circuit split over the profits remedy developed. Part III explains *Romag Fasteners v. Fossil*. Part IV proposes the Consumer Approach to identifying unfair competition and applies it to trademark law. Part V concludes.

II. THE LANHAM ACT'S PROPERTY-LIKE PROTECTION

Although modern law does not consider trademarks to be a form of property in themselves akin to patents and copyrights,[31] judicial expansion of trademark infringement under the Lanham Act has created a nearly-equivalent level of protection.[32] Nominally, trademark protection serves a dual role of protecting consumers and the trademark owner's underlying business from harm.[33] However, courts have interpreted the infringement provision of the Lanham Act broadly, protecting trademark owners from very abstract forms of business harm.[34] Eventually, some courts grew concerned that the high level

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28. *See* Thurmon, *supra* note 6, at 313 ("[A]ctual damages are hard to quantify in most modern trademark cases . . . .").

29. *See* Oren Bracha & Talha Syed, *The Wrongs of Copyright's Statutory Damages*, 98 TEX. L. REV. 1219, 1236–37 (2020) (explaining the absence of a deterrence rationale in innocent infringement cases).

30. *See id.* (explaining the presence of a deterrence rationale "[o]nce the negligence line is crossed").

31. *See* Lemley, *supra* note 4, at 1337 ("The justifications for trademark law are different from those for other forms of intellectual property.").

32. *See* Bone, *supra* note 3, at 1337 ("Over the past thirty years or so, courts have given the likelihood of confusion test very broad interpretations that risk high social cost without clear trademark-related benefits.").

33. *See* MCCARTHY, *supra* note 2, at § 2:1.

34. *See* Bone, *supra* note 3, at 1338 ("The likelihood of confusion test merely instructs courts to determine whether 'confusion' is likely [without defining 'confusion']. Many judges

of protection may be overburdening some defendants and imposed a rule limiting an award of the infringer's profits.[35] Disagreement over the rule led to a circuit split that the Supreme Court eventually resolved in *Romag Fasteners v. Fossil*.[36]

This Part explains the three candidate interests that courts have historically proposed as the interests that trademark law protects, the potential harms to those interests, and how one—the property interest—was ultimately rejected by the Supreme Court. Then, it explains how courts, despite the Supreme Court's rejection, have interpreted the Lanham Act's infringement and remedy provisions to essentially protect the property interest in some cases by preventing all consumer confusion. Finally, it describes the evolution of a circuit split over the profits remedy.

A. THREE CANDIDATE PROTECTED INTERESTS

Courts have developed three candidates for the interest that trademark law protects: the consumer interest, the business interest, and the property interest. Consumer confusion potentially harms all three. However, a division exists between the consumer and business interests on one side and the property interest on the other. Harm from consumer confusion to the consumer and business interest is monetary and theoretically measurable. Harm to the property interest is not measurable. Although some courts throughout history have intermittently protected the property interest,[37] modern trademark law nominally protects only the consumer and business interests.

The consumer interest is customers' confidence in the accuracy of their past experiences with a trademark.[38] Trademarks label products, either goods or services. Consumers form associations with trademarks based on their past experiences with those products.[39] Trademarks therefore provide consumers with information.[40] By protecting the consumer interest, trademark law

have followed this instruction quite literally by broadly giving credit to any possible way that consumers might be confused.").

35. *See, e.g.*, George Basch Co. v. Blue Coral, 968 F.2d 1532, 1540 (2d Cir. 1992), *superseded in relevant part by statute*, Lanham Act § 35(a), 15 U.S.C. § 1117(a) ("[W]e believe that this [willful infringement] requirement is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases.").

36. *See* Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1494 (2020) (noting that "some circuits" had adopted a willful infringement prerequisite to an award of profits and holding that no such prerequisite existed).

37. *See* McKenna, *supra* note 5, at 1882 ("[C]ourts sometimes said that exclusive use of a mark made it the producer's property.").

38. Desai, *supra* note 15, at 602.

39. *Id.*

40. *Id.*

provides consumers with confidence that they are associating those past experiences accurately.

Infringers can harm the consumer interest in two ways. The first method is by causing a consumer to overpay.[41] If a consumer's past experiences have led her to form a positive association with a trademark, then she will perceive a future purchase of a product bearing the trademark as less risky.[42] Her possibility of dissatisfaction is lower because of her positive past experiences. Therefore, she is willing to pay a higher price for a product with the trademark than she would be for a product with which she has no prior experiences. An infringer, by appropriating the trademark, can also appropriate the consumer's willingness to pay a higher price. The measure of this harm is the difference between what a consumer pays for the infringer's product with the trademark and what she would have paid for the infringer's product without the trademark.

The second method of harm to the consumer interest is an increase in search costs.[43] Trademarks provide consumers with a shortcut. Without them, consumers would spend more time researching and inspecting a product before purchase.[44] This harm is more difficult to quantify for two reasons. First, some trademarks are more effective than others, and an effective trademark causes a greater reduction in search costs.[45] Second, time value differs among consumers. Increased search costs cause less harm to a consumer with a plethora of free time.

The business interest is the trademark owner's future profits due to consumers' associations with the trademark. Once consumers form positive associations with a trademark, the trademark owner can charge a higher price because the purchase carries less risk of disappointment for the consumer and because the consumer's search costs have decreased.[46] Consumer associations comprise the trademark owner's reputation, or "goodwill."[47] By protecting the

41. *See* McKenna, *supra* note 5, at 1844.

42. *See id.*

43. *See* Landes & Posner, *supra* note 22, at 277 (asserting that a consumer may be willing to pay more for the assurance that a product is of sufficient quality).

44. *See id.* at 271 ("Rather than investigating the attributes of all goods in order to determine which one [to purchase], the consumer may find it less costly to search by identifying the relevant trademark . . . .").

45. *Id.* at 278.

46. *Id.*

47. *See* Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 549 (2006) ("Goodwill . . . denotes the special value that attaches to a mark when the sellers' advertising and investments in quality generate consumer loyalty . . . .").

business interest, trademark law ensures that trademark owners reap the rewards of building a favorable reputation.[48]

Infringers can harm the business interest by causing the trademark owner to lose future profits. Infringers can cause this harm directly through trade diversion. Trade diversion can occur if the trademark owner and the infringer operate in the same market, meaning they sell substitute products in the same geographical area.[49] Substitute products are those that can easily replace each other such that a consumer would likely buy one or the other.[50] Trade diversion happens when consumers intend to buy the trademark owner's product but mistakenly purchase an infringer's product instead.[51] The measure of the harm is the amount of profit the trademark owner would have made on the sale. An underlying assumption is that the trademark owner had sufficient inventory to make the sale.

Infringers can also harm the business interest indirectly by tarnishing the trademark owner's reputation.[52] This harm can occur even if the trademark owner does not have sufficient inventory to make the infringer's sale and even if the trademark owner and the infringer do not operate in the same market. An infringer tarnishes a trademark owner's reputation by selling inferior products bearing the trademark. Consumers' experiences with the inferior product negatively impact their associations with the trademark, leading them to perceive a greater risk of dissatisfaction when purchasing future products bearing the trademark.[53] Because consumers perceive a greater risk, the trademark owner will either sell fewer products or have to lower the product price, decreasing future profits.

The property interest is the trademark itself as the owner's exclusive property,[54] and it shares some similarities with the business interest. For both, positive consumer associations create a reputation for the trademark that allows the trademark owner to increase profit.[55] Also for both, protecting

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48. *See id.* ("[T]rademark law prevents others from appropriating [goodwill] by using a similar mark.").

49. *See* Thurmon, *supra* note 6, at 260.

50. *See* Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63, 99–100 (2009) ("Substitute products tend to have common applications and use contexts such that one product could replace the other in usage and satisfy the same needs.").

51. *See* Thurmon, *supra* note 6, at 260.

52. *See id.* (explaining that the poor quality of the defendant's infringing product could also harm the plaintiff's reputation, "likely [leading] to additional lost sales").

53. *See* Landes & Posner, *supra* note 22, at 277 (asserting that a consumer may be willing to pay more for the assurance that a product is of sufficient quality).

54. *See* McKenna, *supra* note 5, at 1882 ("A . . . possible reading of the cases . . . is that courts sought to protect a property right in the trademark itself.").

55. *See* Landes & Posner, *supra* note 22, at 277.

trademarks allows trademark owners to reap the rewards due to the favorable reputation.[56]

However, the property interest differs from the business interest in terms of the harm that infringers inflict. Infringers harm the property interest through unauthorized use.[57] Similar to a trespass upon real property, this harm occurs regardless of any actual damage the infringer causes.[58] The harm exists simply because the trademark owner has lost exclusive control of the trademark's reputation.

Some courts throughout American history have intermittently protected the property interest, but the Supreme Court rejected it in favor of the business interest. In *Oakes v. Tonsmierre*, the now-abolished U.S. Circuit Court for the Southern District of Alabama found infringement "on account of the unauthorized . . . use" by the defendant because "trade-marks are protected . . . on the ground of property."[59] However, the Supreme Court in *Hanover Star Milling Co. v. Metcalf* situated trademark law in unfair competition, not property, law.[60] The Court further specified the extent of a trademark owner's property right, stating that the trademark owner has no property right "except as appurtenant to an established business or trade in connection with which the mark is used."[61] The Seventh Circuit's earlier opinion in the same case was even clearer: "It is not the trade-mark, but the trade, the business reputation and good will, that is injured . . . ."[62] These opinions describe trademark law as protecting the business interest, even though couched in property terms.

Modern trademark law protects both the consumer and business interests. Because consumer confusion harms both interests, the modern trademark

56. *See* Bone, *supra* note 47, at 549 ("[T]rademark law prevents others from appropriating [goodwill] by using a similar mark.").

57. *See* James M. Koelemay Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 TRADEMARK REP. 458, 469–70 (1982) (describing an early case in which the court "spoke of the plaintiff having 'title to the marks in question' and a right of 'exclusive use'").

58. *See id.* at 476 ("[A] definite trend developed toward awarding damages and an accounting as a matter of right in cases of technical trademarks . . . because of the defendant's 'trespass' on the plaintiff's absolute right of property.").

59. Oakes v. Tonsmierre, 49 F. 447, 453 (C.C.S.D. Ala. 1883).

60. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 413 (1916), *superseded by statute*, Lanham Act § 22, 15 U.S.C. § 1072, *as recognized in* Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189 (1985).

61. *Id.* at 414.

62. Hanover Star Milling Co. v. Allen & Wheeler Co., 208 F. 513, 516 (7th Cir. 1913), *aff'd*, 240 U.S. 403 (1916), *superseded by statute*, Lanham Act § 22, 15 U.S.C. § 1072, *as recognized in* Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189 (1985).

statute—the Lanham Act[63]—protects both by simply preventing consumer confusion.[64] However, as the next Section explains, judicial expansion of the types of actionable "confusion" has caused trademark law to effectively re-protect the property interest under some circumstances.

B. THE LANHAM ACT PROVIDES EXPANSIVE PROTECTION

Congress drafted the infringement and monetary remedy provision of the Lanham Act broadly, and courts have interpreted the provisions to provide extensive protection.[65] The likelihood-of-confusion test for trademark infringement now protects trademark owners against abstract forms of reputational injury.[66] Increased protection at the infringement stage of a case also leads to increased protection at the remedy stage by affecting the remedies available. The damages remedy places the burden of proving harm on the plaintiff,[67] but as the injuries recognized become more abstract, they also become harder for trademark owners to prove.[68] This leads courts to place more emphasis on the profits remedy, which shifts the burden of proof onto the defendant.[69] However, the profits remedy tends to overcompensate the plaintiff in relation to actual harm suffered.[70] Thus, current trademark protection has expanded to both recognize additional types of injury and overcompensate for the injuries recognized. This Section describes the infringement and remedy provisions of the Lanham Act and details how courts have interpreted them to expand trademark protection.

1. *Trademark Infringement*

> Any person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol, or device . . . which is **likely to cause confusion**, or to cause mistake, or to deceive as to the **affiliation, connection, or association** of

63. Pub. L. No. 79-489, 60 Stat. 427 (codified as amended in scattered sections of 15 U.S.C.).

64. *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (imposing liability for defendant trademark uses that are "likely to cause confusion").

65. *See* Bone, *supra* note 3, at 1338.

66. *See, e.g.*, *id.* at 1339 ("The court worried that third parties viewing purchased jeans worn in public might [mistakenly] infer from the stitching pattern that they were Levi's jeans.").

67. Thurmon, *supra* note 26, at 149.

68. *See*, *e.g.*, *id.* at 138 n.2 ("It may be difficult, even impossible, to quantify the monetary damage resulting from a particular instance of trademark infringement, but if the goodwill is harmed, then it follows that economic harm has occurred.").

69. *See id.* at 169 ("Under the current rules, when profits are awarded, defendants bear the burden of proving up any deductions from gross revenue . . . .").

70. *Id.*

> such person with another person, or as to the **origin, sponsorship, or approval** of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action . . . .[71]

Courts determine infringement based on a likelihood-of-confusion test that equates confusion with harm.[72] The test is multi-factor. Although the specific factors differ between the circuits, there is some overlap.[73] For example, the Ninth Circuit uses eight non-exhaustive factors in cases involving related goods:[74]

1. strength of the mark;
2. proximity of the goods;
3. similarity of the marks;
4. evidence of actual confusion;
5. marketing channels used;
6. type of goods and the degree of care likely to be exercised by the purchaser;
7. defendant's intent in selecting the mark; and
8. likelihood of expansion of the product lines.[75]

Actual harm is not a listed factor. The closest factor to actual harm is "evidence of actual confusion." However, although actual harm is logically impossible without actual confusion, "[e]very circuit . . . has made clear that evidence of actual confusion, though probative, is not required [to find infringement]."[76] Because proving actual harm and actual confusion is very difficult, it makes sense that the lack of such proof should not preclude finding infringement where the other factors make confusion likely. Especially important is the defendant's intent—"[t]he facile assumption, evidently quite pervasive among the courts, [is] that if the defendant intended to confuse, then it succeeded in doing so . . . ."[77]

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71. Lanham Act § 43(a)(1)–(A), 15 U.S.C. § 1125(a)(1)–(A) (emphasis added).

72. McKenna, *supra* note 50, at 67.

73. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1582–83, 1589–90 (2006) (describing the disparities between the Circuits and "five core factors").

74. "Related goods are those 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.'" AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 n.10 (9th Cir. 1979) (quoting Standard Brands, Inc. v. Smidler, 151 F.2d 34, 37 (2d Cir. 1945)). Related goods contrast with competitive goods, those that "compete for sales with [the goods] of the trademark owner." *Id.* at 348.

75. *Id.* at 348–49.

76. McKenna, *supra* note 50, at 67 n.5.

77. *See* Beebe, *supra* note 73, at 1631.

The Lanham Act does not define "confusion," and courts have expanded the term to further divorce infringement from actual harm.[78] Traditionally, actionable confusion meant a customer confused at the point-of-sale.[79] Today, however, consumer confusion both before and after the sale is also actionable.[80] For instance, the Second Circuit found infringement of the distinctive back-pocket stitching on Levi's jeans, not because a customer might be confused at the point-of-sale, but under the theory that a third party might observe someone wearing the defendant's jeans with similar stitching and mistake the defendant's jeans for Levi's.[81] The court reasoned that even though the similarity was unintentional, the defendant may have benefitted from "bootstrapping" to Levi's goodwill in making the sale (if the customer purchased the defendant's jeans hoping others would mistake them for Levi's), or that the third party's future buying decisions might somehow be affected by the mistaken observation.[82] In either case, harm to the business or consumer interest is possible. The customer's hope that others would mistake the defendant's jeans for Levi's could lead her to pay more than she otherwise would, harming the consumer interest. Harm to the business interest would result if, absent the defendant's similar stitching, the customer would instead have bought Levi's. However, those harms are much more abstract than the harms resulting from the customer herself being confused at the point-of-sale.

The expansion of actionable confusion has caused a similar expansion of "intent."[83] Logically, expanding confusion to encompass more abstract forms of harm means that intent should also broaden to encompass those abstract forms of harm. For instance, if the confusion caused by a customer buying non-Levi's jeans hoping that third party observers will confuse them for Levi's is actionable, then it makes sense for courts to hold that a defendant that intends for such "bootstrapping" to occur has bad faith intent. Some courts

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78. *See* Bone, *supra* note 3, at 1338.

79. *See id.* at 1315 ("'Source confusion' lies at the heart of trademark law. It exists when the defendant's use of a similar mark leads consumers to believe that the [defendant] is actually selling the [plaintiff's] products.").

80. *Id.* at 1339.

81. *Id.* (citing Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867 (2d Cir. 1986)).

82. *See Lois Sportswear*, 799 F.2d at 872–73, 875 (explaining the possible types of post-sale confusion present in the case even though the evidence indicated that the defendants "happened on the stitching pattern serendipitously").

83. *See* Bone, *supra* note 3, at 1337 ("In the nineteenth century, the relevant intent was limited to subjective intent to deceive, but over time it has been construed much more broadly.").

have gone even further and said that simple knowledge of the plaintiff's mark coupled with adoption of a similar one is enough to infer intent.[84]

The related goods doctrine further enlarges trademark protection. Related goods are "products which would be reasonably thought by the buying public to come from the same source if sold under the same mark."[85] Historically, only a direct competitor could infringe a trademark.[86] This limitation made sense before nationwide marketing was possible, as firms usually stayed within a single product or service category.[87] However, the limitation stopped making sense in the early twentieth century when firms began to use one trademark across many categories.[88] For instance, in the case of *Aunt Jemima Mills Co. v. Rigney & Co.*, the plaintiff used the Aunt Jemima's mark for flour.[89] The defendant, with knowledge of the plaintiff's prior use, used the Aunt Jemima's mark for maple pancake syrup.[90] The Eastern District of New York upheld the direct competitor limitation, stating "[n]o one desiring to purchase flour would purchase syrup without knowing the difference. That is the test."[91] The Second Circuit rejected the direct competitor limitation, making it one of the earliest courts to do so,[92] reasoning that the goods were related because they were both food products commonly used together.[93] Such a relationship would lead "the public, or a large part of it, seeing this trade-mark on a syrup, [to] conclude that it was made by the complainant."[94] In related goods cases, consumer confusion resulting from the defendant's use of a similar mark can harm both the consumer and business interests, but the harm is less direct than the trade diversion that occurs when the parties are direct competitors.

The Lanham Act's expansive protection essentially protects the property interest for well-known trademarks. One study found that if a court finds both similarity between the marks and bad faith intent by the defendant, then the

84. *Id.*

85. AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 n.10 (9th Cir. 1979).

86. *See* McKenna, *supra* note 50, at 74 (explaining that courts only found a defendant's use infringing if it led to trade diversion and that trade diversion was impossible "absent direct competition between the parties").

87. *Id.*

88. *See id.* ("[M]ark owners wanted broader trademark rights that would allow them to prevent certain noncompetitive uses.").

89. Aunt Jemima Mills Co. v. Rigney & Co., 247 F. 407, 408 (2d Cir. 1917).

90. *Id.*

91. Aunt Jemima Mills Co. v. Rigney & Co., 234 F. 804, 808 (E.D.N.Y. 1916), *rev'd*, 247 F. 407 (2d Cir. 1917).

92. Bone, *supra* note 3, at 1316 n.51.

93. *Aunt Jemima Mills*, 247 F. at 409–10.

94. *Id.* at 410.

court finds a likelihood of confusion, regardless of any other factors.[95] Therefore, because a defendant will presumably be aware of well-known trademarks, the defendant's simple adoption of a mark that a later court concludes is similar will likely lead to the court inferring a bad faith intent.[96] Then, the similarity of the marks and the bad faith intent will likely lead the court to find a likelihood of confusion, and therefore infringement.[97] Recall that if trademark law protects the property interest, then it protects against a defendant's unauthorized use, regardless of any actual harm.[98] For well-known trademarks, this seems to be an apt description of current trademark protection under the Lanham Act.

2. *Trademark Monetary Remedies*

> When 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 . . . the plaintiff shall be entitled . . . **subject to the principles of equity**, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.[99]

After finding infringement, courts can award three monetary remedies to the plaintiff "subject to the principles of equity."[100] Similar to § 1125(a), the infringement provision, Congress drafted § 1117(a), the remedies provision, expansively. The first sentence of the provision, provided above, seems to direct courts to award all three remedies for every violation.[101] However, the limitation, "subject to the principles of equity," means that the provision only makes the three remedies technically available and leaves to courts the task of determining whether any or all the remedies are appropriate based on the circumstances of the case.[102] The rest of § 1117(a) clarifies the vastness of the court's discretion:

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95. *See* Beebe, *supra* note 73, at 1607 ("[T]wo findings—that the similarity of the marks factor favors a likelihood of confusion and the defendant's intent factor also favors a likelihood of confusion—are together sufficient to trigger an overall finding of a likelihood of confusion . . . regardless of the outcomes of any other factors.").

96. *See* Bone, *supra* note 3, at 1337 ("Intent to deceive can now be inferred merely from the defendant's adoption of a similar mark with knowledge of the plaintiff's prior use.").

97. *See* Beebe, *supra* note 73, at 1607.

98. *See* Koelemay, *supra* note 57, at 476 ("[A] definite trend developed toward awarding damages and an accounting as a matter of right in cases of technical trademarks . . . because of the defendant's 'trespass' on the plaintiff's absolute right of property.").

99. Lanham Act § 35(a), 15 U.S.C. § 1117(a) (emphasis added).

100. *Id.*

101. *See id.* ("[T]he plaintiff *shall be entitled* . . . to recover [profits, damages, and costs]." (emphasis added)).

102. *See* Koelemay, *supra* note 57, at 486 ("It may be hypothesized, therefore, that the purpose of the [principles of equity] phrase was to affirm the principle, established in prior

> In assessing **profits** the plaintiff shall be required to prove the 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 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 just, according to the circumstances of the case. Such sum . . . shall constitute compensation and not a penalty. The court in exceptional cases may away **reasonable attorney fees** to the prevailing party.[103]

The provision requires a clear formula to determine the profits award but then allows a court to increase or decrease the award "in its discretion."[104] Additionally, it permits a court to treble the actual damages assessed.[105] In neither case does the provision detail *how* a court should exercise its discretion, except vaguely as "subject to the principles of equity" and to compensate rather than penalize.[106]

The sweeping discretion of the remedies provision reflects the reality that harm from trademark infringement is difficult to prove. Because any monetary remedy is meant to be "compensation and not a penalty,"[107] courts understandably focus on harm to the plaintiff's business interest, meaning the ways in which the infringement has caused the plaintiff to directly or indirectly lose sales.[108] Even in the most direct case, where the parties are direct competitors and customers are confused at the point-of-sale, any remedy involves assumptions and approximations.[109] Business sales can increase or decrease for a multitude of reasons, so separating any impact specifically due to the infringement becomes more challenging as the harm becomes more

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case law, that monetary relief was not automatic but was governed by equitable principles; this hypothesis is consistent with the natural import of the amending language.").

103. Lanham Act § 35(a), 15 U.S.C. § 1117(a) (emphasis added).

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.*

108. *See* Koelemay, *supra* note 57, at 487 ("Throughout the 1800s and early 1900s the purpose of monetary relief in trademark cases, both at law and in equity, was to compensate the trademark owner for loss of sales and good will . . . .").

109. *See* Thurmon, *supra* note 6, at 314 (describing the correlation between an infringer's profits and a plaintiff's lost profits in historical cases as merely "reasonably close").

indirect.[110] Remedial discretion allows courts to address these difficulties by tailoring monetary awards to the individual facts of each case.[111]

The Lanham Act also uses burden shifting to mitigate the difficulties of proving harm. For a damages remedy, the plaintiff bears the burden of proving harm, such as by showing a decrease in sales during the period of infringement.[112] However, even if the plaintiff can show a decrease, the plaintiff must also prove that the decrease resulted from the infringement, as opposed to any other reason.[113] For a profits remedy, the roles are reversed: "The plaintiff shall be required to prove the defendant's sales only; defendant must prove all elements of cost or deduction claimed."[114] Said another way, the defendant must prove that its sales did *not* result from the infringement.

As courts have expanded infringement to protect against more abstract forms of harm, the profits remedy has become increasingly important in compensating plaintiffs.[115] The simple reason is that as the harms become more abstract, they become more difficult to prove.[116] Returning to the earlier example regarding Levi's jeans, to receive damages, Levi's would have to prove that consumers purchased the infringer's jeans because of the similar back pocket stitching and further that, had the infringer used a different back pocket stitching, the consumers would have purchased Levi's jeans instead. If Levi's cannot meet that burden (which is likely), the damages remedy is unavailable. Therefore, the profits remedy effectively becomes the only option for courts to compensate for abstract harm like Levi's.[117] However, the profits remedy often overcompensates for harms because the defendant now bears the burden.[118] In the Levi's case, it becomes the defendant's task to prove that its sales were not due to consumers purchasing its jeans as imitation Levi's due to

110. *See id.* ("[A] reasonably close correlation between the defendant's profits as a result of the infringement and the plaintiff's lost profits . . . will seldom exist today, given the many complexities of modern markets.").

111. *See* Koelemay, *supra* note 57, at 480 (noting that the legislative history of the 1905 trademark statute indicated a congressional intent to provide courts with discretion due to "[t]he difficulty of providing exact damages in cases of this character").

112. *See* Thurmon, *supra* note 26, at 149.

113. *Id.*

114. Lanham Act § 35(a), 15 U.S.C. § 1117(a).

115. *See* Thurmon, *supra* note 6, at 313 ("The defendant's profits remedy has become the primary monetary remedy in Lanham Act cases.").

116. *See id.* ("[A]ctual damages are hard to quantify in most modern trademark cases . . . .").

117. *See id.* ("An accounting of defendant's profits is, as a practical matter, the sole remedy available to compensate injured plaintiffs . . . .").

118. Lanham Act § 35(a), 15 U.S.C. § 1117(a) ("[D]efendant must prove all elements of cost or deduction claimed.").

the similar back pocket stitching. The profits from any sales for which the defendant cannot meet this heavy burden go to the plaintiff.

Increasing reliance on the profits remedy increases the protection afforded by the infringement provision, creating a potentially very harsh doctrine. After finding infringement, the natural pressure is to award some monetary remedy to compensate. It seems unfair to say, on one hand, that the defendant's use of a mark has harmed the plaintiff in a way that trademark law recognizes and, on the other hand, withhold compensation for that harm.[119] However, as courts have increasingly divorced the likelihood-of-confusion from actual harm, the plaintiff's burden of proving actual harm to establish a damages remedy has commensurately increased. Because the increased plaintiff's burden means a damages remedy is often unavailable, courts turn to the only alternative: the often-overcompensating profits remedy.[120] The end result is a form of protection that incentivizes a new business to be *very* careful when selecting its trademark to avoid any similarity to any known, preexisting trademarks, at risk of losing its profits based on assumed harm to the trademark owner.

C. CIRCUIT SPLIT OVER THE PROFITS REMEDY

Courts generally agreed that a profits remedy was only available if the infringer acted with a culpable mental state, but the exact threshold varied.[121] Recognizing that a profits remedy often overcompensated the plaintiff, courts almost never awarded it in cases of "good-faith" or "innocent" infringement, where the infringer adopted its mark without being aware of the plaintiff's and the similarity between them occurred by chance.[122] At the other end of the spectrum, courts agreed that "willful" infringement, where an infringer purposefully imitates a plaintiff's mark hoping to create confusion, supported a profits remedy[123] because the remedy served unjust enrichment and deterrence purposes in addition to compensating the plaintiff for harm to its business interest.[124] Because the willful infringer acts deliberately, ensuring she does not profit from her infringement deters future harm to both the business

119. *See, e.g.*, Thurmon, *supra* note 6, at 248 (describing the Lanham Act's remedial scheme as "seriously flawed" in part because "most victims of infringement receive no monetary compensation").

120. *See id.* ("Those lucky few [plaintiffs] who do obtain money judgments often receive windfalls that far exceed their injury.").

121. *See* Koelemay, *supra* note 57, at 498–99 (describing the "clash" of decisions over the appropriate mental state to support a profits remedy).

122. *See id.* ("[A]n unknowing or accidental infringement warrants only injunctive relief.").

123. *Id.* at 498.

124. *See id.* at 487–94 (explaining how courts adopted unjust enrichment and deterrence rationales to justify a profits remedy when the compensation rationale alone was insufficient).

and consumer interests.[125] Similarly, because the willful infringer acts with a culpable mental state, disgorging profits prevents unjust enrichment.[126] The difficult questions arise when the infringer's mental state is somewhere between "innocent" and "willful," such as when the infringer is aware of the plaintiff's mark but thinks either that the plaintiff's mark is invalid or that there will be no confusion.[127]

Some circuits imposed a willfulness prerequisite to rein in trademark protection on equitable grounds. A willfulness prerequisite was necessary "to avoid the conceivably draconian impact [of] . . . overcompensat[ing] for a plaintiff's actual injury and creat[ing] a windfall judgment at the defendant's expense."[128] Although this prerequisite does nothing to decrease protection at the infringement stage, it does limit protection in real terms, as it often leaves plaintiffs without any monetary remedy.[129] Courts grounded this rule in the flexible language of the Lanham Act—"every award is 'subject to equitable principles' and should be determined 'according to the circumstances of the case.'"[130]

Circuits rejecting a willfulness prerequisite simply pointed out that the remedies statute lacked any mention of intent.[131] Originally, § 1117(a), the remedies provision, did not contain the clause, "or a willful violation under section 1125(c) of this title."[132] Congress added this language in 1999, explained below. Therefore, at the time of the initial circuit split, § 1117(a) specified the available remedies without any mention of the defendant's mental state. Some circuits reasoned that the omission meant that a defendant's intent

125. *See id.* at 491 ("The appellate panel noted that one purpose of the Lanham Act was to protect the public from deception, and found that if the infringer could retain his unjustly earned profits, an injunction alone would not adequately deter willful infringements . . . .").

126. *See* Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1498 (2020) (Sotomayor, J., concurring in the judgment) ("[L]ongstanding equitable principles . . . seek to deprive only wrongdoers of their gains from misconduct.").

127. Koelemay, *supra* note 57, at 498.

128. George Basch Co. v. Blue Coral, 968 F.2d 1532, 1540 (2d Cir. 1992), *superseded in relevant part by statute*, Lanham Act § 35(a), 15 U.S.C. § 1117(a).

129. *See* Thurmon, *supra* note 6, at 247 ("Trademark owners . . . seldom recover money when they win.").

130. *George Basch*, 968 F.2d at 1540–41 (quoting Lanham Act § 35(a), 15 U.S.C. § 1117(a)).

131. *See, e.g.*, Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) ("The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity.").

132. Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 787 (Fed. Cir. 2016), *vacated in part*, 140 S. Ct. 1492 (2020).

was "simply a 'relevant factor[ ] to the court's determination of whether an award of profits is appropriate.'"[133]

Considering the defendant's mental state as only a factor instead of a strict prerequisite has an equitable appeal. Even if equitable principles should bar a profits remedy against an innocent infringer, a willfulness prerequisite goes further and also bars a profits remedy for infringers acting with mental states between innocent and willful, such as knowing of the plaintiff's mark but thinking the mark is invalid.[134] In those cases, the equities are less clear. While a profits remedy might overcompensate the plaintiff, it also seems inequitable to deny the plaintiff all compensation where Congress had chosen to label the defendant's actions infringing (assuming the plaintiff could not prove damages).[135]

The 1999 amendment to the Lanham Act made the willfulness prerequisite more difficult to maintain. Three years earlier, Congress had created a new cause of action for trademark dilution under § 1125(c).[136] However, Congress failed to also amend the remedies provision to actually provide a monetary remedy in trademark dilution cases.[137] The 1999 amendment fixed the oversight and provided that monetary remedies were available for "a willful violation under section 1125(c) of this title."[138] This language had a potentially unintended consequence. For courts simply reading the remedies provision after the amendment, the natural, negative inference was that Congress, by adding a willfulness prerequisite for trademark dilution under § 1125(c), specifically chose not to impose a willfulness prerequisite for trademark infringement under § 1125(a).[139] That inference heavily influenced the Supreme Court's *Romag Fasteners v. Fossil* opinion resolving the circuit split.

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133. *Id.* at 786 (quoting Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998), *abrogated on other grounds by* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001)) (alterations in original).

134. *See* Koelemay, *supra* note 57, at 498–99 (describing how some courts have found less-culpable mental states sufficient for a profits remedy).

135. *See, e.g.*, Thurmon, *supra* note 6, at 313 ("Any gain obtained through trademark infringement is unjustified, even if the infringement is unintentional.").

136. *Romag Fasteners*, 817 F.3d at 787.

137. *Id.*

138. *Id.* at 787–88.

139. *See id.* at 788 (describing the contention that with the 1999 amendment Congress "made plain that it did not intend willful infringement to be a prerequisite to monetary recovery" for violations other than trademark dilution).

III. *ROMAG FASTENERS V. FOSSIL*

The Supreme Court's decision in *Romag Fasteners v. Fossil* will likely further increase trademark protection. The issue in the case was whether the "principles of equity" demanded that courts only award a profits remedy when the defendant infringed willfully.[140] The Supreme Court held that willful infringement was not a necessary prerequisite to a profits remedy because the language of the remedies provision made it unlikely that Congress intended such a prerequisite and because, historically, courts of equity were not unanimous in requiring willfulness.[141] The decision re-emphasizes the enormous discretion that courts have to adjust trademark remedies within equitable bounds. Most likely, *Romag* will increase the availability of the profits remedy, increasing trademark protection in real terms by overcompensating plaintiffs.

This Part describes the initial facts, procedural history, and Supreme Court decision in *Romag Fasteners v. Fossil*. Specifically, it compares the majority and concurring opinions and concludes that Justice Sotomayor's concurrence was more correct. Finally, it predicts that *Romag* will likely increase trademark protection but also suggests that such an outcome is not inevitable.

A. FACTS & PROCEDURAL HISTORY

The primary parties were Romag Fasteners, Inc. ("Romag") and Fossil, Inc. ("Fossil").[142] Romag sells its patented magnetic snap fasteners under its registered ROMAG trademark.[143] The fasteners are used in various products, such as wallets, purses, and handbags.[144] Fossil designs and sells various fashion accessories, including jewelry and handbags.[145] Both parties contracted with separate business entities in China to manufacture their respective products.[146]

In 2002, Fossil contracted with Romag to use ROMAG fasteners in Fossil's products, and Fossil instructed its manufacturer in China to purchase

140. *See* Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1495 (2020) (explaining Fossil's argument that the Lanham Act required willfulness).

141. *Id.* at 1495–97.

142. *Romag Fasteners*, 817 F.3d at 783.

143. *Id.*

144. *Id.*

145. Romag Fasteners, Inc. v. Fossil, Inc., 29 F. Supp. 3d 85, 93 (D. Conn. 2014), *aff'd*, 817 F.3d 782 (Fed. Cir. 2016), *vacated in part*, 140 S. Ct. 1492 (2020) ("[Fossil's manufacturer] informed Fossil that it had purchased ROMAG snaps from a manufacturer that was 'not the authorized licensee of Romag.'").

146. *Id.* at 92.

the fasteners from Romag's manufacturer in China.[147] This arrangement continued in relative harmony for multiple years, but eventually, Fossil's manufacturer began to purchase counterfeit ROMAG fasteners.[148] In 2010, Romag sued Fossil for, *inter alia*, trademark infringement pursuant to 15 U.S.C. § 1125(a).[149]

A jury found Fossil liable for trademark infringement under 15 U.S.C. § 1125(a) and awarded a profits remedy.[150] However, the jury did not find willful infringement.[151] The district court set aside the profits award because Second Circuit precedent only allowed disgorgement of profits in cases of willful infringement.[152]

The Federal Circuit affirmed, holding that the Second Circuit had endorsed a willfulness requirement for a profits remedy after the 1999 amendment to the remedies provision.[153] Although required to follow Second Circuit precedent, the Federal Circuit went further and added four reasons why it agreed that a willfulness prerequisite was appropriate.[154] First, the legislative history indicated that Congress did not intend the 1999 amendment to change the available remedies for trademark infringement, as Congress did not even acknowledge the circuit split.[155] Second, Congress could not have ratified a consistent interpretation of whether the "principles of equity" required willfulness because there was no consistent judicial consensus.[156] Third, as the statutory provision requiring willfulness for trademark dilution was enacted separately from the rest of the statute, it could not have created a negative presumption that "willfulness is always required in dilution cases but never for infringement."[157] Finally, equitable principles did not require willfulness to award *damages*. Therefore, an explicit willfulness requirement for violations of § 1125(c) was not superfluous; it was necessary to limit *damage* awards to willful

147. *Id.*

148. *See id.* ("From 2002 through 2008, [Fossil's manufacturer] purchased tens of thousands of ROMAG snaps . . . . However, between August 2008 and the commencement of this action, [Fossil's manufacturer] purchased on a few thousand ROMAG snaps . . . .").

149. *Romag Fasteners*, 817 F.3d at 783.

150. *Romag Fasteners*, 29 F. Supp. 3d at 90.

151. *Id.* Interestingly, the district court also imposed sanctions on Romag and found that Fossil had established an equitable defense of laches. *Id.* at 112. The court based both conclusions on Romag's "unmistakable pattern of relying on the pressure point of the holiday season . . . to orchestrate a strategic advantage and improperly obtain emergency injunctive relief . . . ." *Id.* at 102, 106.

152. *Id.* at 111.

153. *Romag Fasteners*, 817 F.3d at 789.

154. *Id.* at 789–91.

155. *Id.* at 789–90.

156. *Id.* at 790.

157. *Id.*

violations, even if equitable principles already imposed the same limit on a profits remedy.[158]

The Supreme Court granted *certiorari* to resolve the circuit split.[159] At the time, five circuits had imposed a willfulness prerequisite, six circuits had held that a profits remedy was available without willful infringement, and one circuit had issued no opinion.[160]

B. JUSTICE GORSUCH FOR THE COURT

Justice Gorsuch, writing for a majority of the Court, held that willfulness is not a prerequisite for an award of profits.[161] He began with the plain language and structure of the statute.[162] He noted that the text of the remedies provision lacked an explicit precondition of willfulness for a monetary remedy for trademark infringement.[163] The Act did, however, explicitly contain such a requirement for trademark dilution.[164] Justice Gorsuch stated, "[T]his Court usually [does not] read into statutes words that aren't there," especially when the term is included elsewhere in the same provision.[165] The fact that the rest of the Lanham Act also used direct terms to describe mental state requirements, the majority concluded, made it even less likely that Congress included one implicitly.[166]

The majority did not reject outright Fossil's argument that equity could limit the profits remedy to cases of willful infringement. Even though principles of equity are usually "fundamental rules that apply more systematically across claims and practice areas"[167] and that definition seemed unlikely to encompass a rule about a single remedy confined to trademark law,[168] the majority admitted such a reading "might be possible."[169] However, even assuming that a willfulness prerequisite could amount to a principle of

158. *Id.* at 790–91.

159. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1494 (2020).

160. *See Romag Fasteners*, 817 F.3d at 785–86, 788–89 (discussing circuit court rulings both before and after the 1999 amendment to the Lanham Act remedies provision).

161. *Romag Fasteners*, 140 S. Ct. at 1497.

162. *Id.* at 1495.

163. *Id.*

164. *Id.*

165. *Id.*

166. *Id.*

167. *Id.*

168. *Id.*

169. *Id.* at 1496.

equity, whether trademark historically required such a showing was a separate question.[170]

The Court ultimately concluded that the case history was not clear enough to require willfulness.[171] Here, the majority's analysis stumbled. The opinion cited three cases that, it said, "expressly rejected any such rule."[172] However, of the three, only *Oakes v. Tonsmierre* actually authorized a profits award for unintentional infringement.[173] The statements in the other two cases were dicta because both cases involved willful infringement.[174] Further, the *Oakes* court awarded the profits under a property theory that, as mentioned previously, the Supreme Court later rejected in *Hanover Star Milling Co. v. Metcalf*.[175] Despite this slight distortion, the majority correctly recognized that courts historically were very confused as to what mental state justified a profits remedy and, therefore, did not reach a clear consensus.[176] Ultimately, this led the majority to reject any strict prerequisite; it held that while a defendant's mental state is "highly important," willfulness is not required to award a defendant's profits.[177]

C. JUSTICE SOTOMAYOR, CONCURRING IN THE JUDGMENT

While Justice Sotomayor agreed that a profits remedy lacked a willfulness prerequisite, she would have denied the remedy in cases of innocent infringement.[178] She correctly characterized the equitable case law as using the "willfulness" label for "a range of *culpable* mental states."[179] Justice Sotomayor's reasoning was somewhat ambiguous on whether profits should be available

170. *See id.* ("But even if we were to spot Fossil that first essential premise of its argument, the next has problems too.").

171. *See id.* ("[I]t's far from clear whether trademark law historically required a showing of willfulness before allowing a profits remedy.").

172. *Id.*

173. *See* Oakes v. Tonsmierre, 49 F. 447, 453 (C.C.S.D. Ala. 1883) ("[T]he case may go to a master for an account of gains and profits, on account of the unauthorized, though not intentional and fraudulent, use by respondents of the name of Peter Oakes.").

174. *See* Stonebraker v. Stonebraker, 33 Md. 252, 268–69 (1870) (describing the defendant's trademark use as "well calculated to produce, upon the public mind, the impression" that the defendant's goods were those of the plaintiff); Lawrence-Williams Co. v. Societe Enfants Gombault et Cie, 52 F.2d 774, 778 (6th Cir. 1931) ("[T]he case does not sufficiently show that the infringement was not willful.").

175. *See* Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 414 (1916) ("[T]he trade-mark is treated as merely a protection for the good-will, and not the subject of property except in connection with an existing business."), *superseded by statute*, Lanham Act § 22, 15 U.S.C. § 1072, *as recognized in* Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189 (1985).

176. *See* Koelemay, *supra* note 57, at 498–99 (describing the "clash" of decisions over the appropriate mental state to support a profits remedy).

177. *Romag Fasteners*, 140 S. Ct. at 1497.

178. *Id.* at 1498 (Sotomayor, J., concurring in the judgment).

179. *Id.*; *see* Koelemay, *supra* note 57, at 498–99.

for negligent infringement, but her conclusion clarified that it should be. She first stated that historical definition of willfulness excluded negligence, but then confined the rest of her analysis to "innocent or good-faith trademark infringement."[180] Her conclusion, however, was clear: "[A] district court's award of profits for innocent or good-faith trademark infringement would not be consonant with the 'principles of equity' . . . ."[181] The implication by omission was that the principles of equity would permit an award of profits for negligent infringement.

Justice Sotomayor was correct on all counts. Historically, courts of equity were near unanimous in denying a profits remedy in cases of innocent trademark infringement.[182] Justice Sotomayor seemed to primarily disagree with the majority on how the principles of equity affect the case analysis. The majority analyzed whether a willfulness prerequisite could itself be a principle of equity.[183] Justice Sotomayor recognized that equitable principles could dictate one rule for trademark law and different ones for "patent infringement cases and other arguably analogous suits,"[184] even if the rules themselves were not principles of equity.[185] Trademark law, as part of unfair competition law, is meant to protect trademarks in a way that promotes competition.[186] Patent law, in contrast, protects patents through explicit constitutional power to reduce competition.[187] Far from being analogous, trademark and patent law are in some ways opposites. Therefore, equitable principles should affect them differently.

D. RESULT: BROAD PROTECTION, FEW RULES, AND GREAT DISCRETION

The *Romag* decision will most likely further increase trademark protection because willfulness is now not required in any circuit. Further, although some

180. *Romag*, 140 S. Ct. at 1498 (Sotomayor, J., concurring in the judgment).

181. *Id.*

182. *See* Koelemay, *supra* note 57, at 498–99 ("Courts have generally agreed that . . . an unknowing or accidental infringement warrants only injunctive relief.").

183. *See Romag*, 140 S. Ct. at 1495 (majority opinion) ("But, Fossil says, trademark is different. There alone, a willfulness requirement was so long and universally recognized that today it rises to the level of a 'principle of equity' the Lanham Act carries forward.").

184. *Id.*

185. *See id.* at 1498 (Sotomayor, J., concurring in the judgment) ("Nor would [disgorging an innocent infringer's profits] seem to be consistent with longstanding equitable principles which, after all, seek to deprive only wrongdoers of their gains from misconduct.").

186. *See* Glynn S. Lunney Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 370–71 (1999) (describing the need for balance in trademark law because "trademark protection can both advance and disserve the development of an efficient and desirably competitive market").

187. *See* U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . . .").

courts may agree with Justice Sotomayor and continue to deny a profits remedy in innocent infringement cases, the profits remedy is now unambiguously available in cases where the defendant's mental state is somewhere between innocent and willful. For example, a defendant that adopted a trademark knowing of a plaintiff's prior use but believing the plaintiff's trademark to be invalid now faces an increased risk of profits disgorgement if the plaintiff's trademark is ultimately valid. Other courts may go further still. The Lanham Act does not contain any express mental state requirement, and Justice Sotomayor's concurrence could prove counterproductive to her goal of preventing a profits award against innocent infringers. In cases of innocent infringement, a plaintiff can legitimately argue that it would be inequitable to deny a profits remedy where damages are unavailable because doing so would leave the plaintiff uncompensated for harms that trademark law protects against.[188] And after *Romag*, the plaintiff could use Justice Sotomayor's statement that "the majority is agnostic about awarding profits for both 'willful' and innocent infringement"[189] for the further argument that the *Romag* majority believed that a profits remedy could be appropriate in such cases. The argument would be that the majority could have agreed with Justice Sotomayor and held that a profits remedy was never available in innocent infringement case. It declined to do so. Therefore, through its silence, the profits remedy must be available in at least some innocent infringement cases.

However, *Romag* also provides courts with a new opportunity to rein in trademark protection. The key is to align the majority's definition of an equitable principle with the purpose of trademark law. As the majority stated, "in the context of this statute, [the phrase 'principles of equity'] more naturally suggests fundamental rules that apply more systematically across claims and practice areas."[190] Trademark law's purpose is to protect trademarks in a way that promotes competition.[191] It would be difficult to find a more fundamental rule in any area of law relating to business than promoting robust competition.[192] As the next Part argues, courts should, absent congressional action, use the fundamental rule of promoting competition and their equitable discretion to adopt a new limit on trademark remedies that focuses on the

188. *See, e.g.*, Thurmon, *supra* note 6, at 313.

189. *Romag Fasteners*, 140 S. Ct. at 1498 (Sotomayor, J., concurring in the judgment).

190. *Id.* at 1496 (majority opinion).

191. *See* Lunney, *supra* note 186, at 370–71 (describing the need for balance in trademark law because "trademark protection can both advance and disserve the development of an efficient and desirably competitive market").

192. *See, e.g.*, ALTMAN & POLLACK, *supra* note 25, § 4:1; Eastman Co. v. Reichenbach, 20 N.Y.S. 110, 116 (N.Y. Sup. Ct. 1892), *aff'd sub nom.* Eastman Kodak Co. v. Reighenbach, 29 N.Y.S. 1143 (N.Y. Gen. Term 1894).

impact of the infringement on consumers to rein in trademark protection in practical terms.

IV. FIXING TRADEMARK OVERPROTECTION

Courts can and should rein in trademark overprotection using the equitable discretion provided by the Lanham Act and re-emphasized in *Romag Fasteners v. Fossil*. Trademark law and unfair competition law are linked because "[t]rademark law is part of the branch of tort law known as unfair competition."[193] Unfair competition law is meant to promote competition, but current theories lead to expansive protection that stifle it. Courts can limit protection by adopting a new theory of unfair competition law—the Consumer Approach—focused on how business practices affect consumers. For trademark law, while Congress would ideally amend the infringement provision of the Lanham Act to align with the Consumer Approach, courts can fully implement it within the current language of the remedies statute.

This Part first introduces the Consumer Approach and supports it by explaining how the three current alternative theories each lead to unlimited protection. Then, it outlines how courts could implement the Consumer Approach under current trademark law using remedies and without increasing administrative costs.

A. DEFINING UNFAIR COMPETITION

> "One has only to read a few judicial opinions to recognize the semantic quagmire that awaits the lawyer or judge who attempts to give a precise definition to that evasive concept called 'unfair competition.'"[194]

Despite past difficulties, the law should define an act of unfair competition as a business practice that is anticompetitive, wherein anticompetitive means that the business practice harms consumers more than it benefits them. Consumer benefit should be defined in the traditional sense: lower prices and higher quality goods.[195] The law should adopt these definitions because the only alternatives lead to unfair competition laws providing protection with no theoretical limit. Because unfair competition laws prohibit certain business practices, unlimited protection erases the line between unfair and legitimate competition.

193. Landes & Posner, *supra* note 22, at 267.

194. MCCARTHY, *supra* note 2, § 1.9.

195. *See, e.g.*, N. Pac. Ry. Co. v. United States, 356 U.S. 1, 4 (1958) ("[T]he unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress . . . .").

The first alternative is to define unfair competition as "conduct that 'shocks the judicial sensibilities.'"[196] As judicial sensibilities are based on current norms, the fact that this test provides no real limit to protection is almost self-evident. Different judges will be shocked in different ways, and current norms will evolve.[197] For instance, the common law once limited trademark infringement to cases involving direct competitors.[198] When that level of protection no longer seemed adequate, courts expanded it.[199]

The second alternative is to limit unfair competition law by confining it to certain categories, such as "passing off one's goods as those of another."[200] However, this alternative provides no theory to explain why only those categories are appropriate. It at least recognizes that some limit on protection is needed, but it provides no mechanism to limit protection within the categories that already exist. And the categories themselves are expandable. The clearest example of both the lack of a limiting mechanism and the categorical expandability is the enlargement of trademark protection to cover trademark dilution. Dilution allows "holders of famous marks [to] sue junior users 'regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.'"[201]

The third alternative is to define an act of unfair competition as a business practice that is anticompetitive, wherein anticompetitive means that the business practice harms existing businesses more than it benefits them. The theory is that "trademark law, like tort law in general (and trademark law is part of the branch of tort law known as unfair competition), can best be explained on the hypothesis that the law is trying to promote economic efficiency."[202] Economic efficiency here means overall wealth maximization.[203] Therefore, the definition of an act of unfair competition becomes any act that decreases overall wealth.

The law should reject the wealth maximation theory because it too results in unlimited protection. If an unfair business practice is one that decreases

196. MCCARTHY, *supra* note 2, § 1.9.

197. *See id.* ("[P]recedent that defines unfair competition as conduct that 'shocks the judicial sensibilities' gives no guidance either to a businessperson or a judge.").

198. *See* McKenna, *supra* note 50, at 74.

199. *See* Koelemay, *supra* note 57, at 488 ("The advent of nation-wide advertising and marketing altered the commercial realities on which [the direct competition] requirement was based, however, and courts began expanding the rights of trademark owners accordingly.").

200. MCCARTHY, *supra* note 2, § 1.9.

201. Desai, *supra* note 15, at 605 (citation omitted).

202. Landes & Posner, *supra* note 22, at 267.

203. *See* Desai, *supra* note 15, at 601 ("Modern trademark law operates as a subset of the Chicago School's approach to firms and competition, and in that approach trademark law's true goal is to enable the firm to maximize wealth.").

overall wealth, then fair business practices must be those that increase overall wealth. Theoretically then, the law should not prevent a defendant's activity that increases overall wealth, even if it falls into one of the traditional categories of unfair competition and causes the plaintiff some harm. Unfortunately, that theoretical possibility can never occur in any individual case because courts are not omniscient. Courts simply cannot predict how any individual defendant's activity will affect overall wealth. The wealth maximization theory recognizes that and resolves the issue through a generalizing assumption: firms are best placed to maximize wealth.[204] Therefore, any act that harms the plaintiff's firm value becomes an act of unfair competition. Given that all new firms harm existing firms in the same market in the sense that the new firms increase supply amid consistent demand and therefore reduce price and profits, a full application of this theory would support preventing all new firms from forming. Because that result is extreme, at least according to current norms, this theory simply collapses back into the second alternative, providing theoretically unlimited protection within existing, though expandable, categories of unfair competition.

Instead of maximizing wealth, unfair competition law should limit protection by focusing on consumers directly. It can do this through an economic analysis comparing the consumer benefit and harm of the defendant's activity. Under this theory, consumer benefit limits the harm the law recognizes. To use a trademark example, assume that the defendant's trademark use causes some consumer confusion, however defined. That consumer confusion causes some harm to consumers by causing them to overpay.[205] However, the defendant's use also causes some consumer benefit by increasing competition in the market, which lowers prices and increases quality.[206] If the benefits created are greater than the harm caused, then the defendant's use is a fair business activity and not an infringement. Fully enacting this change into trademark law would require Congress to amend § 1125. However, the next Section provides an example of how courts can implement this Consumer Approach under current trademark law using remedies.

B. THE CONSUMER APPROACH TO LIMITING TRADEMARK PROTECTION

Under the Consumer Approach, courts adopt a consumer harm-benefit analysis when determining remedies. After determining infringement, courts

204. *See id.* ("Under [the Chicago School] view, firms are better placed to manage resources and increase wealth . . . .").

205. *See* McKenna, *supra* note 5, at 1844.

206. *See, e.g.*, N. Pac. Ry. Co. v. United States, 356 U.S. 1, 4 (1958).

analyze the consumer harm and consumer benefit of the defendant's trademark use. If harm outweighs benefit, then the difference becomes the amount of the monetary award. If benefit outweighs harm, then the defendant's use is a fair business activity, and the court grants no award.

The key justification for the Consumer Approach is the Supreme Court's definition of a principle of equity in *Romag Fasteners v. Fossil*.[207] According to the majority, "[i]n the context of [§ 1117, the phrase 'principles of equity'] more naturally suggests fundamental rules that apply more systematically across claims and practice areas."[208] A fundamental rule that applies systematically at least across all areas of business law is to promote competition.[209] By recognizing the promotion of competition as a principle of equity, courts can legitimately adjust trademark remedies in service of that goal within the considerable discretion the Lanham Act currently provides.

As an example of how the Consumer Approach would operate in practice, consider *Romag* with some altered facts. Romag is still the plaintiff using the ROMAG mark for magnetic snap fasteners. However, assume a different defendant starts using the ROMAG mark to sell zippers. Magnetic snap fasteners and zippers are in different markets—no one specifically looking for a magnetic snap fastener is going to mistakenly buy a zipper.[210] However, some overlap exists: a handbag manufacturer like Fossil could use either as a sealing mechanism for its products.[211] The overlap is likely enough for a court to find a likelihood of consumer confusion and therefore a violation of § 1125(a), especially if the defendant used the ROMAG mark willfully, hoping to benefit from Romag's goodwill.[212]

207. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492 (2020).

208. *Id.* at 1496.

209. *See, e.g.*, ALTMAN & POLLACK, *supra* note 25, § 4:1; Eastman Co. v. Reichenbach, 20 N.Y.S. 110, 116 (N.Y. Sup. Ct. 1892), *aff'd sub nom.* Eastman Kodak Co. v. Reighenbach, 29 N.Y.S. 1143 (N.Y. Gen. Term 1894).

210. *See* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979) (agreeing that two boat lines were not competitive because they "appeal[ed] to separate sub-markets" within the boating community).

211. *See id.* at 348 n.10 ("Related goods are those 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.'" (citation omitted)).

212. *See* Beebe, *supra* note 73, at 1607 ("[T]wo findings—that the similarity of the marks factor favors a likelihood of confusion and the defendant's intent factor also favors a likelihood of confusion—are together sufficient to trigger an overall finding of a likelihood of confusion . . . regardless of the outcomes of any other factors."); *see also* Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149, 155 (9th Cir. 1963) (finding a likelihood of confusion where scotch and beer sellers used the same mark).

The first step at the remedy stage is for the court to examine any harm the defendant caused. Here, the court would compare the defendant's zipper pricing and sales to those of the average zipper market entrant. If the defendant's pricing and sales were lower or similar, the court could conclude that the likely consumer confusion had not ripened into actual consumer confusion and that no harm had occurred, either to consumers or to Romag's goodwill. If the defendant's pricing and sales were higher, the court would need to assess any possible reasons for the increase independent of the likely consumer confusion. If no reasons existed, or if they only provided a partial explanation, then the remaining difference would become the measure of consumer harm. The harm would be calculated as:

> (consumer price paid – consumer price without confusion) * (quantity of zippers sold by the defendant)[213]

The second step is for the court to examine any benefit the defendant caused. Here, the court would examine the market before and after the defendant's entrance. Presumably, the defendant's entrance provides additional supply and decreases the price of zippers overall. The benefit would be calculated as:

> (average market price before defendant – average market price after defendant) * (quantity of zippers sold by all sellers)

The final step is for the court to compare benefit and harm. Because harm and benefit are directly comparable, this is a simple subtraction. There is still some misalignment between consumers harmed and consumers benefitted because those harmed are the defendant's customers while those benefitted are all customers in the overall market. However, this misalignment is likely insignificant compared to the larger imprecisions caused by the administrative difficulties of measuring benefit and harm.

To handle the administrative difficulties inherent in measuring harm and benefit, courts should use the burden shift between the damages and profits remedies that the Lanham Act already provides. This Note has already established both the difficulties of measuring business harm from trademark infringement and the Lanham Act's solution of placing the burden on the

213. This is simplified. Dennis Corgill has proposed a more sophisticated method of measuring the ways in which a junior user could benefit from decreased market entry costs over the course of the infringing product's life cycle. *See generally* Dennis S. Corgill, *Measuring the Gains of Trademark Infringement*, 65 FORDHAM L. REV. 1909 (1997) (arguing for a monetary remedy based on the difference between an infringer's gross revenue over the entire product lifecycle and what that gross revenue would have been without the benefits from the infringement).

plaintiff to prove damages and on the defendant to prove deductions from profits.[214] The Consumer Approach likely imposes even greater administrative difficulties because a court must determine both consumer harm and consumer benefit, but the solution to those difficulties is a similar burden shift.

The Consumer Approach requires four determinations:

1. That the defendant's sales and/or prices were higher than those of the normal market entrant;
2. The defendant's mental state;
3. Any reasons for the defendant's higher sales and/or prices independent from the consumer confusion; and
4. A comparison of the consumer harm and benefit caused by the defendant's activities.

The plaintiff always bears the burden of showing (1) and (2), but (2) is already part of the likelihood-of-confusion test at the infringement stage.[215] If a damages remedy is appropriate, then the plaintiff must also show (3) that the defendant's higher sales and/or prices were due to the infringement, and (4) that the defendant's activities caused more consumer harm than benefit. On the other hand, if the profits remedy is appropriate, then the defendant must show (3) any sales that were not due to the infringement, and (4) that the defendant's activities caused more consumer benefit than harm. Because the measurements of consumer benefit and harm derive from economic analysis, courts should require proof based on a reasonable, not absolute, certainty.[216]

Courts should follow *Romag* and use the defendant's mental state as a "highly important consideration"[217] in determining the appropriate remedy. Specifically, courts should follow Justice Sotomayor's concurring opinion and award the damages remedy in cases of innocent infringement and the profits remedy when the defendant is at least negligent.[218] Because a defendant can only act with one mental state, this means the two remedies are mutually exclusive. A plaintiff can pray for both, but only one will still be available after the defendant's mental state has been determined. Because of the inherent administrative difficulties, the identity of the party bearing the burden is likely

214. *See supra* Section II.B.2.

215. *See* AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 349 (9th Cir. 1979) (identifying "defendant's intent in selecting the mark" as one factor in the likelihood of confusion test).

216. *See* Thurmon, *supra* note 26, at 166 (arguing that courts should adopt a "more flexible, pragmatic approach" to measuring trademark damages).

217. Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1497 (2020).

218. *See id.* at 1498 (Sotomayor, J., concurring in the judgment) ("[A] district court's award of profits for innocent or good-faith trademark infringement would not be consonant with the 'principle of equity' . . . .").

to greatly affect the amount of the award.[219] A defendant's wrongful mental state justifies creating a larger award by placing the burden on the defendant because the award further benefits consumers by deterring future infringers.[220]

The Consumer Approach aligns with the requirements of the Lanham Act. Section 1117(a) contains two commands relevant to the Consumer Approach's four determinations. First, § 1117(a) provides that "[i]n assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."[221] In comparison, for a profits remedy under the Consumer Approach, the plaintiff has the burden to show (1) and (2), and the defendant must show (3) and (4). Because the defendant's mental state is part of the likelihood-of-confusion test for infringement, the plaintiff will in fact only need to prove (1) at the remedy stage while the defendant will still need to prove (3) and (4), exactly as the Lanham Act already commands. Second, the Lanham Act requires that the amount awarded "shall constitute compensation and not a penalty."[222] Under the Consumer Approach, courts can still characterize any award as compensation for harm to the business interest caused by the consumer confusion. That business harm, whether it results directly through trade diversion or indirectly through reputational injury, still exists. The only difference from current practice is that the Consumer Approach imposes a new limit on the compensation based on the equitable principle of promoting competition, which also aligns with the Lanham Act's command that courts award remedies "subject to the principles of equity."[223]

In addition to providing a theory that allows courts to limit trademark protection, the Consumer Approach provides two further benefits. First, it should make the damages remedy more available. Because business harm is often abstract and current practice imposes a high burden of proof on the plaintiff, courts rarely award damages.[224] The Consumer Approach, in contrast, would require the plaintiff to measure consumer harm and benefit only to a reasonable certainty. This lower burden means that a plaintiff will likely be able

219. *See* Thurmon, *supra* note 26, at 138 (noting that under the current Lanham Act burden shift "[p]revailing trademark owners usually get no monetary relief, but those few who do sometimes hit the jackpot").

220. *See* Koelemay, *supra* note 57, at 491 ("[I]f the infringer could retain his injustly earned profits, an injunction alone would not adequately deter willful infringements . . . .").

221. Lanham Act § 35(a), 15 U.S.C. § 1117(a).

222. *Id.*

223. *Id.*

224. *See* Thurmon, *supra* note 26, at 150 ("It is quite difficult to quantify the economic harm caused by trademark infringement or dilution, and for that reason, few prevailing trademark owners obtain actual damages.").

to recover damages where the infringement, though innocent, causes high levels of consumer confusion. Second, the amount awarded should naturally adjust under the Consumer Approach based on the defendant's mental state. This adjustment reflects the assumption that a negligent infringer will usually cause less harm than an intentional infringer. The negligent infringer's wrongful behavior, by definition, is only the failure to do adequate diligence.[225] The negligent infringer, presumably, fully intends to run a legitimate business and had no expectation of benefit from consumer confusion. The trademark pirate, on the other hand, presumably intends to benefit as much as possible from any consumer confusion. A reasonable assumption is that, on average, the trademark pirate will cause more consumer harm and provide less consumer benefit than the negligent infringer in otherwise-equivalent circumstances. Therefore, although the Consumer Approach grants a profits remedy in each case, the amount awarded against the trademark pirate will likely be greater.

V. CONCLUSION

The Supreme Court's decision in *Romag Fasteners v. Fossil* provides courts with the definition of a "principle of equity" as used by the Lanham Act.[226] With that definition and a new theory for determining which business practices constitute unfair competition, courts should adopt the Consumer Approach and use trademark remedies to end the modern overprotection of trademarks.

The path leading to the current trademark overprotection is clear. First, the dominant theory of unfair competition strives towards a goal of overall wealth maximization and considers existing businesses (trademark owners) as best placed to maximize overall wealth. This theory enables trademark owners to successfully push the broad language of the Lanham Act to create new types of actionable confusion. However, because the harms from these new types of actionable confusion are more difficult to prove, the damages remedy is often unavailable. This increased the importance of the profits remedy. But the profits remedy often overcompensates the plaintiff, so some courts adopted a willfulness prerequisite to limit it. *Romag* then eliminates the willfulness prerequisite, becoming the latest judicial decision to align with the wealth maximization theory.

225. *See* Restatement (Second) of Torts § 282 (Am. L. Inst. 1965) ("[N]egligence is conduct which falls below the standard established by law for the protection of others against unreasonable risk of harm.").

226. *See* Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1496 (2020) ("[I]n the context of this statute, [the phrase 'principles of equity'] more naturally suggests fundamental rules that apply more systematically across claims and practice areas.").

The Consumer Approach shifts the focus of unfair competition law from businesses to consumers. Maximizing overall wealth should not be the goal of unfair competition law because that goal is unmeasurable. Lacking a crystal ball, courts have no way to determine in many cases whether the defendant's business activity that the plaintiff alleges is unfair will or will not increase overall wealth if allowed to continue. Instead, courts should compare any harm and benefit that the defendant's activity has already caused. Performing this comparison requires using consumer, not business, harm and benefit because competition from new businesses will inevitably harm existing businesses. If business harm is the metric, then all competition will be unfair. The Consumer Approach empowers courts to preserve a zone of legitimate competition by permitting business activities that benefit consumers.