No. 02-428

IN THE

Supreme Court of the United States

DASTAR CORPORATION,
Petitioner,

v.

TWENTIETH CENTURY FOX FILM CORPORATION, SFM ENTERTAINMENT LLC, AND NEW LINE HOME VIDEO, INC.,
Respondents.

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

BRIEF FOR RESPONDENTS

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STATEMENT OF THE CASE

This case is about commercial misrepresentations of a fundamental order. Petitioner Dastar Corp. ("Dastar") sold a video documentary using the false representation that the video was a new creative work produced entirely by Dastar. In truth, the product was a nearly exact copy of a documentary series produced and marketed by respondent Twentieth Century Fox Film Corporation ("Fox") and others, retitled and repackaged to look like a new, Dastar-only production. Respondents filed an action under § 43(a) of the Lanham Act, alleging that Dastar's misrepresentations had confused consumers and inflicted competitive injuries on respondents. Respondents prevailed and were awarded twice the amount Dastar profited by selling respondents' production under the false pretense that it was Dastar's own creative work. The issue presented is whether the record supports the finding of Lanham Act liability and the award of double profits.

1. The Lanham Act, 15 U.S.C. § 1051 *et seq.*, seeks to protect consumers from confusion as to the source and qualities of products and to safeguard the goodwill that producers spend energy, time, and money to obtain. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 n.14 (1982). To those ends, § 43(a) of the Act prohibits "any false or misleading description [or representation] of fact" that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of 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." 15 U.S.C. § 1125(a)(1)(A). Section 43(a) confers standing on "any person who believes that he or she is or is likely to be damaged by such act." *Id.* § 1125(a)(1)(B).

One example of a "false or misleading" statement of origin to which the Act has been applied is known as "reverse passing off": the "false representation that a product is created, designed, or authorized by someone other than the true creator." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§ 25:6, 27:75 (2002) ("McCarthy"); 2 Jerome Gilson, *Trademark Protection & Practice* § 7.02[5][b] (2002). Courts have applied this rule to misrepresentations about authorship of creative works. 4 McCarthy §§ 27:81, 27:84, 27:85. The premise of the reverse passing off claim is that false claims of origin deceive purchasers and foster the erroneous belief that the seller has the skills of the true creator. The true creator is "likely to be damaged," 15 U.S.C. § 1125(a)(1)(B), by such misrepresentations because it loses goodwill derived from customer satisfaction with a quality product.

A plaintiff who establishes a violation of § 1125(a) "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." *Id.* § 1117(a). In awarding damages, the court may enter judgment "for any sum above the amount found as actual damages, not exceeding three times such amount." *Id.* In calculating profits, the plaintiff bears the burden of "prov[ing] defendant's sales only," and "defendant must prove all elements of cost or deduction claimed." *Id.* Upon a finding that "the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just. . . ." *Id.* "Such sum in either of the above circumstances, shall constitute compensation and not a penalty." *Id.*

2. In the late 1940s, as Fox was launching its television division, its Vice President, Peter Levathes, conceived the idea of a documentary television series based on General Eisenhower's memoirs of World War II, *Crusade in Europe* ("Book"). Joint Appendix ("JA") 248-49. After acquiring exclusive television rights to the Book, Levathes engaged Time Inc.'s *March of Time* unit, to create for Fox a television series ("Series") based on the Book. JA 249; Supplemental Appendix ("SA") 73-88.

On behalf of Fox, Levathes worked closely with Time to adapt the Book for television. JA 250. Levathes reviewed scripts and film footage for each episode, commented on drafts and rough cuts, and oversaw the production process, a major project that involved, among other things, writing scripts, selecting and assembling film footage to match the Book's content and structure, and incorporating music. *Id.* The final product resulted from a "close collaboration" between Fox and Time, as reflected by the fact that both companies received credits in the Series. *Id.* The Book became a critically acclaimed best seller, and the Series was well received by the public. JA 83, 91, 251.

In 1988, Fox licensed respondent SFM Entertainment, Inc ("SFM") to distribute the Series on video. JA 103, SA 90-110. With respondent New Line Home Video, Inc. ("New Line"), SFM repackaged the Series as a six-volume boxed set of videos ("Videos"), and began selling the Videos in 1993. JA 102-04. The credits and packaging make clear that the Videos are a reproduction of the Series, JA 104, SA 24-25, identifying New Line and SFM, and also stating "A March of Time Production By Arrangement with 20th Century Fox" and "Eisenhower's Crusade in Europe Based on the Book by General Dwight D. Eisenhower." SA 12-15.

In April 1995, petitioner Dastar decided to enter the video business. JA 156, 189. For Dastar's first video, Norman Andersen, Dastar's President, and Lanny Tarter, a freelance producer (now Dastar's employee), decided to copy the Series, which they remembered watching as youths. JA 157-58, 161-62, 189-92. Believing that such a video would sell well on the 50th anniversary of the War's end, they rushed it to market in October 1995. JA 194-96, 270, 358.

To create *Campaigns*, Tarter purchased 8 beta cam reels of *Crusade* and reproduced them, JA 163-64, 209-10, making only the following changes: creating a new title sequence and credits, and incorporating new 10-second long chapter titles corresponding to the Series' 26 chapter titles, which

Dastar deleted as part of a broader effort to remove all images of and references to the Book and the Series. JA 166-70, 172-74, 176, 328-30, 333, 335-37, 341-42. Tarter also moved the Series' "recap" to the beginning of Dastar's video. JA 178, 341. Dastar renamed the product *Campaigns in Europe*. The changes were neither substantive nor material: their sole purpose and effect was to replace any image that would have revealed that *Campaigns* was not an original product. Pet. App. 18. Over one year after *Campaigns'* initial release, Dastar sold a new version, whose only change was the addition of a repetitive two-minute "wrap-around" at the beginning of each tape. JA 179-82; SA 55-60.

Although *Campaigns* was nothing more than *Crusade* with the slightest modifications, Dastar sold it as an original work, with a 1995 copyright notice listing only Dastar and its co-defendant below. JA 186-87, 201-02, 286. Dastar also omitted all original credits and substituted only itself and its co-defendant below: the title sequence of *Campaigns* announces that "Dastar Corp presents" "an Entertainment Distributing Production." SA 1-4. Dastar inserted a "special thanks" to the U.S. National Archive, SA 5, although Dastar never communicated with the Archives in connection with *Campaigns*. JA 342. The only other credits identify Dastar employees as "executive producer," "producer," and "associate producer." SA 1-9. No other credit, and nothing anywhere in *Campaigns*' packaging, informs consumers that *Campaigns* was *not* an original work, but instead a copy of *Crusade*, or that Dastar was *not* its sole originator.

Dastar released *Campaigns* in October 1995. JA 270. In January 1997, it ordered 5,000 stickers for *Campaigns*' packaging stating "contains film footage from the previously released *Crusade in Europe*." JA 109-10, 278-79. Although Andersen felt "that if somebody had purchased *Crusade in Europe* already from some other source . . . if they purchased our package . . . they might not be happy," JA 309-10, Dastar stopped using the stickers because, according to Andersen, it deemed the effort "a waste of time and a waste of money." JA 311. Dastar continued to ship units after receiving a "cease and desist" letter in 1997. JA 287-90, 312, SA 53-54. Even after the district court held it liable in January 2000, Dastar continued to sell *Campaigns*. JA 307. *Campaigns* was one of Dastar's top releases, selling almost 36,000 units, JA 266-68, SA 53-54; Dastar has since released more than 150 videos. JA 265-66.

3. In September 1998, respondents brought this action under the Copyright Act, alleging that Dastar's sale of *Campaigns* infringed their exclusive right to distribute videos based on the Book. In March 1999, respondents filed an amended complaint, claiming that by falsely crediting itself as the origin of *Campaigns*, Dastar had engaged in "reverse passing off" under the Lanham Act and unfair competition under California law.

a. On cross-motions for summary judgment, the district court granted judgment to respondents on all three claims.[1] Addressing the Lanham Act claim, the court found that the undisputed facts established reverse passing off as a matter of law. The court held that, except for "minor changes," Dastar had copied "substantially all of the television series" to create *Campaigns*, yet credited only itself as producer. Pet. App. 52-53. The court concluded that Dastar's "failure to identify the television series and the Book is misleading to the public" because it "gives the false impression that the series contains only the work of those listed in the credits even though the television series was produced by Fox and Time and significant portions of the Book are used verbatim." *Id.* at 53. The court noted that the use of the "Contains Film Footage from the Previously Released *Crusade in Europe*" stickers on a limited number of sets of *Campaigns*

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[1] The district court noted that Dastar provided no evidence controverting any of the 121 facts in respondents' Statement of Uncontroverted Facts. Pet. App. 40-41.

"confirms" the "conclusion that the two video series are similar enough to cause confusion among consumers." *Id.* Observing that the "ultimate test" for respondents' claims both under the Lanham Act and state unfair competition law is "whether the public is likely to be deceived or confused," *id.* at 54 (citation and quotation marks omitted), the court held that Dastar had also engaged in unfair competition. *Id.*

After a bench trial on remedies, the court found that Dastar's Lanham Act violation was willful. *Id.* at 18-19, 24-26. The court found that Dastar "purposefully and intentionally" changed and marketed Crusade in manner designed to "give the impression that *Campaigns* was an original work," when in fact it was not. *Id.* at 18. The court also found Dastar's conduct "willful" under the Lanham Act because Dastar "knew that the work [it] misappropriated was created by someone else, [but] still took credit for [itself]," and because it "continued to sell *Campaigns* even after [respondents] had alleged their claims for reverse passing off." *Id.* at 26.

The court held that Dastar's willful reverse passing off had caused actual damages. The court concluded that respondents would have benefited "from being associated with and viewed as responsible for the misappropriated work," and thus "lost valuable goodwill when a purchaser of *Campaigns* was led to believe by [Dastar's] false attribution that it was produced by [Dastar]." *Id.* The court also found that respondents lost sales. *Id.* Though finding respondents entitled to actual damages, the court did not calculate the amount. Instead, it proceeded directly to hold that respondents were entitled to Dastar's profits "under the equitable theory of unjust enrichment based on [their] willful Lanham Act infringement." *Id.* Noting its authority to increase the award of profits under § 35(a), the court found an "award of double damages particularly appropriate here because the infringement was willful." *Id.* at 27.

b. In an unpublished *per curiam* opinion, the court of appeals (per Kozinski, Gould, JJ., and Breyer, D.J., sitting by designation), affirmed the grant of summary judgment on the Lanham Act claim.[2] The court found that by copying "substantially the entire *Crusade in Europe* series created by Fox," making only "minimal changes," and labeling the "resulting product with a different name and market[ing] it without attribution to Fox," Dastar "committed a 'bodily appropriation' of Fox's series." *Id.* at 3. Recognizing that its "bodily appropriation test subsumes the less demanding consumer confusion standard," the court rejected petitioner's argument that respondents had to "make an independent showing" that their product "resulted in consumer confusion." *Id.* at 3-4 (internal quotation marks and citation omitted). The court of appeals also affirmed the monetary award. As the finding of willfulness was not clearly erroneous, the court held that the award of profits was appropriate. *Id.* at 4. Because the district court considered the circumstances of the case and doubled the award to deter future violations, the court of appeals found its award permissible. *Id.*

SUMMARY OF ARGUMENT

I.A. Reverse passing off is a straightforward act of falsely designating the origin of a product. The prohibition of this conduct falls well within the language of § 43(a) of the Lanham Act and advances its fundamental goals of preventing consumer confusion and competitive injuries. Dastar's arguments for reading reverse passing off claims out of the statute – including its contention that such reverse passing off claims constitute an impermissible extension of copyright and patent protections – all rest on the incorrect premise that § 43(a) confers on the makers of creative works a free-standing perpetual right of attribution. The statute does

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[2] On the copyright claim, the court of appeals remanded for trial about whether the Book was a work for hire. Pet. App. 3. After a bench trial, the district court held that the Book is a work for hire, and thus remains protected by copyright. By agreement of the parties, further proceedings were stayed pending resolution of the litigation in this Court.

no such thing. It bars only false or misleading statements likely to cause mistake or confusion among consumers as to the true origin of a product. If an issue of non-attribution arises in any § 43(a) case, it is only because the defendant made *other* false or misleading statements. Avoiding reverse passing off falsehoods under § 43(a) is not difficult: the copier of a creative work need only avoid misinforming consumers about the extent of its own contributions to the work.

B. Dastar made no such effort here. To the contrary, Dastar took numerous affirmative steps to make *Campaigns* look for all the world like a new documentary created entirely by Dastar. In fact the product was a documentary created decades earlier entirely by someone else, to which Dastar made no substantive creative contributions. There is no serious question that Dastar's affirmative misrepresentations were "likely to cause confusion, or . . . mistake," 15 U.S.C. § 1125(a)(1)(A), among consumers as to the true origin of *Campaigns* and as to Dastar's own contributions. The Lanham Act does not establish any particular test to evaluate whether a misrepresentation is likely to cause confusion as to the true origin of a product. But under any test imaginable, the false representation that *Campaigns* was a new documentary created entirely by Dastar was likely – indeed almost certain – to cause consumers to believe, erroneously, that *Campaigns* was a new documentary created entirely by Dastar. Liability under the Lanham Act is entirely proper.

II. A. The award of double profits is also proper. Dastar did not argue below or in its petition for certiorari that profits themselves were an inappropriate basis for damages award; that aspect of their argument is waived. It is also wrong: the law has never excluded disgorgement of profits as a basis for remedying trademark law violations; to the exact contrary, because of the difficulty of measuring precisely the amount of loss in such cases, disgorgement of profits has long been the *preferred* remedy in trademark cases.

B. Nor does the clause stating that an enhanced award "shall constitute compensation and not a penalty" bar the award of enhanced profits here. *Id.* § 1117(a). The plain language, history and purpose of that provision all establish that it simply describes or defines enhanced awards as compensatory – to make clear, that is, that such remedies are to be regarded as compensatory for purposes of the court's exercise of its equitable remedial authority. Moreover, even if the provision were directive rather than descriptive, it would not bar an award intended solely to deter. This Court's precedent and common usage clearly distinguish between deterrence and punishment in the award of damages; an award made solely for deterrent purposes thus cannot be a "penalty" precluded by the clause. Deterrence is, however, a longstanding feature of equity; an award aimed at deterrence is thus authorized by § 35(a)'s "principles of equity" language.

ARGUMENT

I. THE DECISIONS BELOW REFLECT A PROPER APPLICATION OF THE LANHAM ACT TO FALSE AND MISLEADING STATEMENTS ABOUT THE ORIGIN OF *CAMPAIGNS*.

Dastar contends that the Framers of our Constitution exalted imitations of creative works for the role imitations play in the commercial dissemination of such works. But the Framers did not exalt outright falsehoods. And falsehood is what this case is about.

Page after page of Dastar's brief is devoted to establishing the proposition – entirely uncontested by respondents – that imitators have a statutory, constitutional, even moral right to copy and disseminate products in the public domain. More pages are devoted to establishing the proposition – entirely uncontested by respondents – that Dastar had a right to put its own name on *Campaigns*. And yet *more* pages are devoted to establishing the proposition – entirely uncontested by respondents – that respondents have no free-standing perpetual "moral right" to "credit" for their work on *Crusade*.

Those arguments are all beside the point. The issue here is *not* whether Dastar was entitled to copy Fox's creative work, but whether Dastar was entitled to copy Fox's work *and then intentionally misrepresent to consumers that the product was an original work created entirely by Dastar.* Surely Dastar could give itself credit for whatever contributions it actually made, but just as surely Dastar could not mislead consumers about what they were buying. That is what Dastar did. The undisputed record established that Dastar took the entire body of *Crusade in Europe*, retitled it *Campaigns in Europe* and repackaged it to make it look like a new and different work by (1) removing or changing any material that would have revealed that *Campaigns* was not Dastar's original creative work, and (2) giving itself and its employees sole credit for *Campaigns*. The obvious purpose and necessary effect was to mislead consumers into thinking that they were purchasing a new product created only by Dastar, when they were really buying an old product created by someone else.

The Lanham Act issue presented on those undisputed facts is neither difficult nor controversial. The courts below held Dastar liable for marketing a product with falsehoods likely to confuse, mislead or deceive consumers about the true origin of the product they were buying. The sole – and mundane – question of Lanham Act liability here is whether the record in the district court supported that conclusion.

The answer is yes. Both courts below held, on the undisputed record, that Dastar's reproduction of *Crusade* was so nearly complete that it was a "bodily appropriation" of the work, and that such bodily appropriation, *along with the relabeling and intentional misattribution of the product solely to Dastar*, established that consumers likely would be deceived into thinking that *Campaigns* was a new original work created entirely by Dastar. It is flatly incorrect to say, as Dastar and the Solicitor General do, that the decisions below rested merely on the omission of attribution. The courts did not hold, and no one here contends, that there are any free-standing rights to attribution or perpetual "moral rights." What the courts below held is that Dastar affirmatively misattributed *Campaigns*, by falsely claiming that the entire documentary was a new work original to Dastar, rather than a copy of an old work created by someone else. Under the standard applied by both courts below, or any other conceivable standard for evaluating the likelihood of consumer confusion, the only possible conclusion is that Dastar's false attribution would likely mislead consumers into thinking that the product was just what Dastar said: a new and original work created only by Dastar.

A. The Lanham Act Prohibits All False Or Misleading Statements Likely To Confuse Consumers As To Product Origin, Including Reverse Passing Off Statements

1. Section 43(a) of the Lanham Act prohibits any "false designation of origin" or "false or misleading description of fact" that is "likely to cause confusion, or to cause mistake, or to deceive . . . as to the origin, sponsorship or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a)(1)(A). The Lanham Act's false designation of origin provision codified "the related common-law torts of technical trademark infringement and passing off, which were causes of action for false descriptions or representations concerning a good's or service's source of production." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 785 (1992) (Thomas, J., concurring). The tort of "passing off" or "palming off" was an impermissible effort to pass off one's goods as those of another – to trade on the goodwill built up in the name and mark of the other. *See* 4 McCarthy § 25:1.

As its name implies, "reverse passing off" is the flip-side of "passing off": it is an effort to pass off the goods of another as one's own. Because reverse passing off "confuse[s] consumers as to the actual source of goods," U.S. Br. 14, a cause of action to remedy such practices is firmly "grounded in the text of Section 43(a)," *id.* at 15, as well as the fundamental principles of unfair competition law underlying the Act, *see Restatement (Third) of Unfair Competition* §§ 1, 2, 5 (1995) ("Restatement") ("reverse passing off" claims are "specific application" of "general principles" forbidding "deceptive marketing" through representations about goods that are "likely to deceive or mislead prospective purchasers to the likely commercial detriment of another").

This Court long ago recognized the harms caused by reverse passing off. In *International News Service v. Associated Press*, 248 U.S. 215 (1918), this Court upheld an injunction prohibiting a news service from copying stories published in early editions of newspapers and selling them as if it had gathered the news itself. The Court described the defendant's practice as including the element of "false pretense": "the entire system of appropriating complainant's news and transmitting it as a commercial product to defendant's clients and patrons amounts to a false representation to them and to their newspaper readers that the news transmitted is the result of defendant's own investigation in the field." *Id.* at 242. While acknowledging that the "defendant's conduct differ[ed] from the ordinary case of unfair competition in trade" in that the defendant did not "sell[] its own goods as those of complainant" but instead sold "complainant's goods as its own," *id.*, the Court concluded that it "cannot concede that the right to equitable relief is confined to [traditional passing off]." *Id.* at 241-42.

International News recognizes that reverse passing off is not "harmless or even beneficial," as Dastar contends. Pet. Br. 14. To the contrary, as Justice Holmes observed in a concurring opinion, even though the "ordinary case" of unfair competition at common law was "palming off the [seller's] product as the [producer's]," the "same evil may follow from the opposite falsehood – from saying, whether in words or by implication, that the [producer's] product is the [seller's]." 248 U.S. at 247 (Holmes, J.). "The falsehood is a little more subtle, the injury a little more direct, . . . but . . . the principle that condemns the one condemns the other." *Id.*[3] Other decisions of this Court also recognize the "evil" of misinforming consumers about the origin of products. *See F.T.C. v. Royal Milling Co.*, 288 U.S. 212, 216 (1933) ("If consumers or dealers prefer to purchase a given article because it was made by a particular manufacturer or class of manufacturers, they have a right to do so, and this right cannot be satisfied by imposing upon them an exactly similar article, or one equally as good, but having a different origin."); *F.T.C. v. Colgate-Palmolive Co.*, 280 U.S. 374, 387 (1965) ("The public is entitled to get what it chooses, though the choice may be dictated by caprice or by fashion or perhaps by ignorance") (citation and quotation marks omitted).

The obvious harm inflicted by misinforming consumers through reverse passing off falls well within the fundamental ambit of trademark law. The central purpose of trademark law is to allow consumers to rely on trademarks and other designations of origin as a guarantee of consistent quality from a particular source. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995) (trademark ensures that a product sold under a particular mark "is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past"). Thus, a consumer who likes a product may buy again from the same producer expecting goods of similar quality. But if the seller lies about who

[3] The discussion of *International News* in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999), related only to the question whether *International News* created a "property right" in being free from unfair competition. *See id.* at 673-74. Of course it did not. *Id.* Contrary to the Solicitor General's intimation, U.S. Br. 29 n.20, that discussion in no way undermines the recognition in *International News* of the "evil" inherent in reverse passing off.

produced its goods, the consumer will not have an accurate sense of that seller's true capabilities, and may be disappointed if goods later purchased do not meet the standard initially set. The harm may be even more immediate. If a seller says not only "I produced these goods," but also, "and they are not the same as anything else on the market," a consumer may buy the same product twice. Trademark law seeks to prevent precisely these consumer harms.

Misleading consumers in this way also harms producers. As the Solicitor General recognizes, each time a consumer purchases and enjoys goods under the misimpression that the seller produced them, the seller takes for itself the goodwill generated by the true producer, and thereby gives itself competitive advantage. U.S. Br. 14 The misappropriation of goodwill can inflict a competitive injury well beyond the immediate loss: by selling quality goods created by another under the false pretense of having created them itself, the seller can build up a false reservoir of goodwill about the seller's *own* "capabilities or accomplishments, thus creating the likelihood of a future diversion of trade to the [defendant]." Restatement § 5 cmt. a. Reverse passing off, in other words, gives the seller a way to build a reputation for quality in the market – a reputation on which the actor can later trade, to the direct detriment of the producer – without having to do any real work of its own. *See, e.g., Arrow United Indus., Inc. v. Hugh Richards, Inc.*, 678 F.2d 410, 415 (2d Cir. 1982) (seller relabeled slightly modified air damper of competitor to gain "a foothold in the market").

2. The consumer confusion and unfair competition harms addressed by § 43(a) reverse passing off claims explain why such claims do not blur the line between trademark and copyright/patent. Dastar's argument to the contrary rests on the premise that reverse passing off claims impose a "generalized" duty on copiers to provide attribution when they copy and sell works in the public domain. This duty, Dastar warns, effectively extends copyright- and pat-

ent-style protection beyond the life of the copyright or patent. The problem is that nobody believes that § 43(a) imposes such a duty. The courts below did not find one, *see infra* at 23-24, and respondents do not urge one.

It is common ground here that the "case law does not recognize an affirmative duty on the part of a seller to disclose the identity of the [producer]." Restatement § 5 Reporters' Note, cmt. b. The law imposes only the duty not to make false or misleading statements about the origin of a product. *See id.* (liability may be imposed for "an express or implied misrepresentation that the goods have been produced by the actor"). The Ninth Circuit has been perfectly clear on this point. *See Cleary v. News Corp.*, 30 F.3d 1255, 1260 (9th Cir. 1994) ("the case law does suggest that the Lanham Act does not create a duty of express attribution, but does protect against misattribution"); 4 McCarthy § 27:85 (explaining that *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), "holds only that mis-attribution violates § 43(a), not that the mere removal of a credit created falsity and not that every actor and everyone who worked on a film is entitled under § 43(a) to receive screen credit"). The Solicitor General agrees that a reverse passing off case of "mis-attribution" is actionable under § 43(a). U.S. Br. 14-15, 18.

Mis-attribution, of course, can occur where a copier's claim of credit leaves the impression that the copier is the *only* originator, when it is not. The false half-truth may give rise to a specific duty to disclose the contributions of other originators, at least to the extent necessary to clarify the false impression left by the selective claim of credit. As Professor McCarthy observes:

> It has often been stated that a failure to disclose facts is not actionable under Section 43(a). But it is equally true that a statement is actionable under Section 43(a) if it is affirmatively misleading, partially incorrect, or untrue as a result of failure to disclose a material fact. That is, telling a half-truth may be "misleading" and

> trigger an obligation to tell the whole truth in order to make the advertising claim "un-false."

4 McCarthy § 27:65. In this respect § 43(a) merely replicates familiar common law liability for fraud, deceit, or misrepresentation: while there is no generalized duty to disclose (absent a specific duty imposed by contract or law), a person will be liable for a false statement when he or she speaks a half-truth, omitting information whose disclosure would render the statement true. *See, e.g.*, *Restatement (Second) of Torts* § 529 (1977) ("A representation stating the truth so far as it goes but which the maker knows or believes to be materially misleading because of his failure to state additional or qualifying matter is fraudulent misrepresentation."). Omitting an attribution, then, is only actionable if the omission renders other attributions inaccurate or misleading. But even then it is not correct to say that there is a true "duty" to give credit to the originator. The duty is always and only to avoid making false attributions; a copier/seller can fulfill that duty *either* (1) by accurately describing the particular contributions for which the seller desires credit, *or* (2) by giving a fuller attribution, *or* (3) by not claiming credit at all.

If the issue in a reverse passing off case were merely whether the defendant copied a work in the public domain without giving credit to the originator, then reverse passing off *would* expand the boundaries of copyright and patent. But § 43(a) *also* requires proof of a false or misleading statement likely to mislead consumers as to the actual extent of the defendant's contribution to the creation of the good. The Act thus permissibly aims at consumer protection and unfair competition concerns, *see supra* at 12-14, apart from the interests protected by copyright and patent. *See Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964) (State may "require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods"); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989) (government may regulate "the use of unpatented designs in order to prevent consumer confusion as to source").

3. The other policy concerns Dastar cites as reasons to read reverse passing off claims out of § 43(a) also rest on the erroneous view that a free-standing duty of attribution is inherent in the claim. Since the true gravamen of reverse passing off is a commercial misrepresentation (*i.e.*, a false or misleading statement of origin), there is no reason such a claim should be more difficult to administer judicially than any other type of commercial misrepresentation claim.

a. First, Dastar contends that copiers and courts will often be led down a futile "search for the Nile" to identify true authorship. At least where creative works are concerned, Dastar says it is unreasonable to expect copiers to speak accurately about origin because there may be many origins. Dastar reasons implicitly that copiers are free to take exclusive origination credit as a substitute for the truth.

The flaw in Dastar's argument is that there *is no* requirement that copiers identify every originator of a creative work. The copier need only avoid false or misleading statements likely to cause confusion as to origin. A copier can avoid the "search for the Nile" by not crediting itself as the sole originator, or by not crediting itself at all. Even if the copier wants to claim credit for its contribution, it still need not identify and credit every other contributor – it need only make reasonably clear to the consumer the contributions for which it is claiming credit.[4] It may be that in some cases, a

[4] This case exemplifies the point. As discussed below, Dastar suggests no reason why it could not have credited itself for copying and selling *Crusade*, without further claiming creative authorship of a purportedly original product. *See infra* at 27.

copier could accurately describe its own contributions only by disclosing the contributions of others. *See* IP Law Profs. Br. 8-10. But Dastar points to *nothing* suggesting that this is a serious problem in practice – and certainly nothing to show a problem so great as to justify immunizing copiers from Lanham Act liability for outright lies about their own contributions to creative product, as Dastar urges. In any event, the reality is that where a copier of a public domain work seeks to identify itself, only "the most minimal steps" are typically necessary "to distinguish the publisher of the original from that of the copy." *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 887 (9th Cir. 1996). The short of the matter is that very few copiers of creative works resell them under a false pretense of originality. Most do what little is necessary to let consumers know that the copier is not an original author of the work. No paralyzing onslaught of federal litigation has resulted.[5]

To the contrary, decades of history in analogous contexts show that copiers of creative works can comply with the duty not to make false or misleading claims of origin. Courts long ago imposed truthtelling requirements on those who copy and disseminate uncopyrighted creative works, and copiers unsurprisingly managed to comply. Courts at the turn of the 20th century required publishers of copies of public domain works to disclaim any association with the original publication and its authors. *See* IP Law Profs. Br. 8-10 (citing cases). Publishers did so without difficulty. More than 50 years ago, the Federal Trade Commission ("FTC") required the sellers of abridged books and books that had

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[5] To be sure, the efforts of a copier to provide nonmisleading credits may be affected to some extent by "the plausible threat of a successful lawsuit." *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 214 (2000). That is as it should be: the prospect of legal liability for *any* behavior exists in part to deter that behavior *ex ante*. W. Page Keeton, et al., *Prosser and Keeton on the Law of Torts* § 4, at 25 (5th ed. 1984).

previously been published under different titles to disclose prominently the prior title and the fact of abridgement, to avoid consumer confusion. *See In re Bantam Books, Inc.*, 55 F.T.C. 779 (1958), *aff'd*, 275 F.3d 680, 682-83 (2d Cir. 1960); *New Am. Library Of World Literature, Inc. v. F.T.C.*, 213 F.2d 143, 146 (2d Cir. 1954); *Hillman Periodicals Inc. v. F.T.C.*, 174 F.2d 122, 123 (2d Cir. 1949). Foresaging Dastar's argument here, the booksellers objected vehemently, claiming that it was too difficult to determine in advance what kinds of disclaimers would provide adequate, non-misleading notice. *See, e.g.*, *Bantam Books*, 275 F.2d at 683. The FTC and the courts rejected this argument, *id.*, and the calamity of confusion and unfairness predicted by the booksellers of course did not ensue.

Nor has any similar calamity befallen copiers of creative works since courts began to entertain reverse passing off claims under § 43(a). By now almost every circuit allows such claims, and none has rejected them.[6] The copying and distribution of works in the public domain continues apace.

b. For much the same reason, reverse passing off claims do not create an untenable "attribution Catch-22," as both Dastar and the Solicitor General worry. They contend that, on the one hand, copiers face liability for failing to make an attribution, while on the other hand, they may be sued for *making* an attribution that is tantamount to a false claim of sponsorship by the producer. Pet. Br. 7; U.S. Br. 23. But as the Solicitor General makes clear, that concern has resonance only if reverse passing off occurs whenever there is a lack of

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[6] *See, e.g.*, *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775, 780 (2d Cir. 1994); *Williams v. Curtiss-Wright Corp.*, 691 F.2d 168, 172 (3d Cir. 1982); *Roho, Inc. v. Marquis*, 902 F. 2d 356, 359 (5th Cir. 1990); *Johnson v. Jones*, 149 F.3d 494, 502-03 (6th Cir. 1998); *Web Printing Controls, Co. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1204-06 (7th Cir. 1990); *Pioneer Hi-Bred Int'l v. Holden Found. Seeds*, 35 F.3d 1226, 1241 (8th Cir. 1994); *Cleary*, 30 F.3d at 1260-62; *Montgomery v. Noga*, 168 F.3d 1282, 1297-1300 (11th Cir. 1999).

attribution. U.S. Br. 23. Limited to affirmative mislabeling or misattribution, reverse passing off creates no Catch-22. U.S. Br. 14-16, 18. That is because a copier can easily avoid liability for a misleading claim of sponsorship by accurately describing its own contribution without reference to the true originator, or by inserting a disclaimer of sponsorship. Contrary to Dastar's claim that adequate disclaimers of sponsorship are impossible to design, the cases cited above – and discussed by Dastar's own amicus, IP Law Profs. Br. 8-10 – demonstrate the ease and efficacy of such disclaimers in avoiding misattribution and false sponsorship problems. Further, even if it were true that the copier's overlapping responsibility to avoid false claims of sponsorship complicated its responsibilities somewhat, that would provide no grounds for allowing copiers to lie to consumers about their contributions to creative works.

c. Nor does Dastar's imaginative suggestion that reverse passing off will require a finely tuned judicial "disclosure code" on the order of the guild manuals. Again, this argument rests on the mistaken notion that § 43(a) imposes a free-standing duty of attribution. When a seller chooses to credit itself with creative input, the only issue a court need resolve – in the rare instance that a lawsuit is filed – is whether the seller's claim is false or misleading. There is therefore no need for courts to "decide, case by case and credit by credit, whether the many contributors to a collaborative work have been adequately recognized." Pet. Br. 30.

d. Finally, contrary to Dastar's breathless rhetoric, reverse passing off raises no First Amendment concerns. Dastar remains entirely free to attack respondents with opinion statements about their creative capabilities in newspaper advertisements, home videos, or even in a brief to this Court. Pet. Br. 36. The statements at issue are not a critique of respondents' creative abilities. They are commercial statements of fact that combine to tell consumers: "This video is a new documentary created entirely by Dastar." That is either true or it is not. If it is not, the First Amendment offers no refuge. *See Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n*, 447 U.S. 557, 566 (1980) (no First Amendment protection for false commercial speech).

4. In an epilogue to its policy-based attacks on reverse passing off, Dastar suggests that such claims are inconsistent with the current language of § 43(a). Pet. Br. 38-40. Because Dastar did not mention this argument in either court below or in the petition for certiorari, it is waived. *See Sprietsma v. Mercury Marine*, 123 S. Ct. 518, 522 n.4 (2002); *TRW Inc. v. Andrews*, 534 U.S. 19, 34 (2001); *Lopez v. Davis*, 531 U.S. 230, 244 n.6 (2001). In any event, Dastar's textual argument is meritless, as the Solicitor General also recognizes. *See* U.S. Br. 15 (reverse passing off is "grounded in the text of Section 43(a)"). No court has held that the text of § 43(a) excludes reverse passing off claims.

Dastar claims that the 1988 amendment to § 43(a) "eliminate[d] the cause of action for 'reverse' passing off." Pet. Br. 40. Dastar's argument focuses on language requiring proof of likely consumer confusion "as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities *by another person*" (emphasis added). Dastar reads "by another person" to mean that the statement of origin must falsely state that "another person" was the origin of the good – *i.e.*, traditional passing off. That reading is unsound. First, it does not make grammatical sense. Dastar would read the statute as saying that a plaintiff must prove likely confusion "as to the origin . . . by another person." But one does not typically speak of *origin by* a person. One *does* speak, however, of *sponsorship or approval by* a person. It thus makes the most sense to read the plain text as prohibiting (1) false statements of origin, and (2) false statements of approval or sponsorship by another.

Second, Dastar's reading does not even establish the limitation Dastar advances. To say that a plaintiff must prove likely confusion "as to the origin by another person" would not mean that the statement must have falsely asserted "origin by another person." It would mean that there must be likely *confusion as to* "origin by another person" – *i.e.*, confusion as to whether the goods were *or were not* produced by another person. That plainly would encompass both traditional passing off (*i.e.*, a mistaken belief that goods were made by another) as well as reverse passing off (*i.e.*, a mistaken belief that goods were *not* made by another).

Finally, Congress was explicit that it intended the 1988 amendment to codify and even expand *all* existing caselaw under § 43(a). *See Two Pesos*, 505 U.S. at 783-84 (Stevens, J., concurring); S. Rep. No. 100-515, at 40 (1988). As discussed above, *see supra* at 2, 12, by 1988 reverse passing off was well-established both at common law and under § 43(a). It is unreasonable to conclude that Congress intended to eliminate this well-recognized and sensible claim *sub silentio*, with a grammatically incoherent textual construction.[7]

B. The Court Of Appeals Did Not Misapply § 43(a).

If this Court rejects Dastar's view that reverse passing off claims should be read out of § 43(a), the only remaining

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[7] There is another reason to reject Dastar's textually incoherent construction. The same year that it amended § 43(a), Congress enacted the Berne Convention Implementation Act of 1988 ("BCIA"), Pub. L. No. 100-568, 102 Stat. 2853, which intended to satisfy the United States' obligations under the Convention. *See* BCIA § 3(b), 102 Stat. 2853; U.S. Br. 9-10. Although the Convention has a broad "moral rights" provision more reflective of European law, Congress found, based on the Final Report of the Ad Hoc Working Group on U.S. Adherence to the Berne Convention, that U.S. law adhered to the minimum requirements of the moral rights provision at least insofar as "[f]alse identification of another as author also may give rise to a claim by the actual author under section 43(a) of the Lanham Act," specifically citing *Smith v. Montoro* as exemplifying the point. Although requiring false attributions, as cases under § 43(a) like *Montoro* do, is not truly equivalent to "moral rights," Congress deemed § 43(a) sufficient to satisfy this aspect of the Berne Convention, and specifically relied on the existence of the false attribution/reverse passing off claim in acceding to the Berne Convention.

question is whether the record supports the two courts' determination that respondents were entitled to summary judgment. The undisputed evidence established that (1) Dastar falsely informed consumers that it was selling an original documentary video of which Dastar was the sole author, and (2) those statements were likely to cause consumers to believe mistakenly that they were buying an original documentary video of which Dastar was the sole author. There being no genuine issue for trial on either element, summary judgment was proper.

1. *There Is No Genuine Dispute That Dastar Affirmatively Misrepresented The Origin Of Campaigns*

a. <u>Dastar's Liability Rests On Affirmative Misattribution, Not Non-Attribution</u>

This case involves affirmative commercial misrepresentations, not mere "non-attribution," as Dastar and the Solicitor General contend. Pet. Br. 14-15; U.S. Br. 28. As Dastar elsewhere concedes, its "liability for using a 'false designation of origin' was based *both* on the names it included in its video series – its own and its employees – *and* on those it omitted – the names of the three respondents." Pet. Br. 20 (emphasis added). Dastar correctly states that the "court of appeals summed up the theory of liability succinctly: 'Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, *labeled the resulting product with a different name* and marketed it without attribution to Fox. Dastar therefore committed a 'bodily appropriation' of Fox's series.'" Pet. Br. 15 (quoting Pet. App. 3.). The district court explained Dastar's liability in similar but more detailed terms: Dastar "copied substantially all of the television series," then added an attribution that was "misleading to the public" in that "it gives the false impression that the series contains only the work of those listed in the credits even though the television series was produced by Fox and Time." Pet. App. 53; *see also* Pet. App. 26 (respondents injured by "false attribution").

The conclusions of the two courts below cannot be read as finding anything other than "false attribution," in the district court's plain words. The key problem, both courts recognized, was Dastar's decision to give itself sole credit without accurately specifying the limited nature of its contribution. The problem was *not* the mere failure to identify Fox in the abstract; it was the failure to identify Fox *once Dastar claimed all creative credit for itself.* The two acts together left a "false impression" that was "misleading to the public" as to the creative originator of the Series. Pet. App. 53.

b. The Record Compelled The Conclusion That Dastar Falsely Designated The Origin Of *Campaigns*

The first question for this Court is whether a reasonable factfinder could find on the summary judgment record that Dastar did not make a false attribution. The answer is no. Dastar's statements of *Campaigns*' origin (1) represented *Campaigns* to be an entirely new documentary, and (2) represented Dastar itself to be the sole creator of the document. Both representations were false.

Campaigns was not a new documentary – it was *Crusade* dressed up to look like something new. The undisputed record establishes that *Campaigns* was essentially identical to *Crusade*; that is, that the two video sets were the same product – *Campaigns* was a "bodily appropriation" of *Crusade.* The Solicitor General believes that Dastar altered *Crusade* in some meaningful way, but he is mistaken. He cites the new music and opening title sequences, the move of the recap from end to beginning, and Dastar's addition of a brief new closing, U.S. Br. 25, and refers to Dastar's claim that *Campaigns* is "nearly an hour shorter than respondents' *Crusade* series, [with] about 30 minutes of new footage," *id.* at 3 (citing Pet. 5). The Solicitor General's reliance on Dastar's representations has led him astray. The "30 minutes of new footage" is not substantive viewing material. It is nothing more than a change in the credits (substituting Dastar for the true creators), the addition of new chapter openings (to conceal references to the *Crusade* book), and, in a later version, the addition of a largely duplicative 2 minute and 20 second introduction to each of the seven video cassettes. These changes are *the entire sum and substance of Dastar's additions*, and together add slightly less than 30 minutes. The asserted "hour" difference between the two video sets – likely based on the 50 minute difference in run-times listed on the outer sleeves of each cassette – derives not from substantive editing by Dastar, but from the fact that the new titles and credits in *Campaigns* were shorter than the ones that they replaced, and that each of the six volumes of *Crusade* is actually about 5-8 minutes shorter than the run-times listed on the outer sleeves. Finally, the "selection and arrangement of new music" to which the Solicitor General refers, U.S. Br. 25, is absent. The only "new music" is the brief fanfare celebrating Dastar's new self-credit, and the music played over the ten-second chapter openings. As both courts below determined upon review of the extensive undisputed record, the "changes" changed nothing: *Campaigns* was *Crusade*.

But Dastar made sure consumers didn't know that. It gave the documentary a new title. It put the videos in new packaging devoid of any reference to *Crusade*. And it erased all references to any person or entity who had anything to do with creating *Crusade*. In their places Dastar put itself. The box in which Dastar marketed the Videos said only *Campaigns*, with no mention of *Crusade*, and bore a 1995 copyright notice listing only Dastar (and its co-defendant below), apparently covering the entire work.[8] After an FBI warning about copyright violations, the credits for *Campaigns* begin with musical fanfare and a full screen shot of "DASTAR CORP Presents," SA 2, followed immediately with "an ENTERTAINMENT DISTRIBUTING Production," *id.* at 3, and then the title. The closing credits begin with "Special

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[8] The advertising for *Campaigns* also makes no mention of *Crusade*, but credits Dastar's co-defendant below. *See, e.g.*, SA 29, 30, 36.

Thanks To THE U.S. NATIONAL ARCHIVE," *id.* at 5, and continue by listing Dastar employees Barbara Kay, Norman Anderson, and Lanny Lee as "Associate Producer," *id.* at 6, "Executive Producer," *id.* at 7, and "Producer," *id.* at 8, respectively. The credits list no contributions by any other party, and make no reference to *Crusade*. The clear message is that Dastar, its employees, and its co-defendant were the *only* creators of *Campaigns*.

Dastar's retitling, repackaging, and recrediting of *Crusade* together gave consumers a single unambiguous message: *Campaigns* is not just *Crusade* relabeled, but a new documentary series created entirely by Dastar and its employees. As the record establishes, that message was also unambiguously false. Dastar's own evidence made clear that Dastar undertook no creative efforts in "producing" *Campaigns*. Dastar's "production" of *Campaigns* had nothing to do with the National Archive or any research or editorial selection. Other than moving the Series' "recap" to the beginning, Dastar's entire effort in "producing" *Campaigns* consisted of copying the original *Crusade* Series, deleting identifying materials, and adding new credits and packaging so that the Series would look like a new product. Dastar and its employees were not the creative producers or authors of *Campaigns* – and they most certainly were not the *sole* creators – as Dastar labored mightily to make it appear.

c. Dastar's Counter-Arguments Are Meritless

On those facts, the lower courts' determination that Dastar falsely designated the origin of *Campaigns* is unassailable. Dastar's arguments to the contrary focus primarily on its self-credits. All of these arguments miss a fundamental point: Dastar's misrepresentations were not limited to its false self-credit, but included the overall combination of retitling, repackaging, and advertising *Campaigns* to make it look like a *new documentary* created entirely by Dastar. None of Dastar's arguments explain or justify all the other steps it took to keep consumers in the dark about the true origin of *Campaigns*. But even focusing on the credits alone, Dastar's arguments are meritless.

i. Dastar's first argument is that the credits' description of Dastar's originating role was literally accurate in two respects. First, Dastar claims that because it manufactured and sold the physical *Campaigns* videotapes, it was the true "origin" of the black plastic cassettes themselves. But this is at best only a misleading "half-truth" of the kind treated by the common law as a basic misrepresentation and by the Lanham Act as a false statement of origin. *See supra* at 15-16. There is nothing – not a word – in the packaging, advertising or credits suggesting that Dastar meant only to inform consumers that it made the physical cassettes. The unavoidable implication of Dastar's singular self-credit is that Dastar created the entire documentary.

This does not mean that Dastar was legally disabled from identifying itself as *a* source of *Campaigns*. Nothing in the Lanham Act prevented Dastar from accurately describing its limited role in physically manufacturing and distributing *Campaigns*, so long as it did not do so in a manner suggesting that Dastar, and only Dastar, was responsible for the creative content of the Videos.[9] Indeed, Dastar at one point recognized that consumers might not want to buy both *Crusade* and *Campaigns*, and ordered a small number of stickers to inform consumers that the latter "contains footage" from the former. JA 109-10, 277-78. Had it refined this solution instead of abandoning it, Dastar could have accurately decribed its role and the true nature of *Campaigns*. Dastar chose none of these reasonable alternatives.

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[9] In contrast, SFM and New Line merely added their names to a comprehensive list of additional credits, without exaggerating their roles, and did not retitle *Crusade* to look like a new work. There is thus nothing "hypocritical" in their accusing Dastar of reverse passing off, Pet. Br. 23 – unlike Dastar, SFM and New Line chose not to mislead consumers when they added their marks to *Crusade*.

Second, Dastar argues that its credits were "accurate" in the sense that its minor changes to *Crusade* were sufficient to qualify *Campaigns* for independent copyright protection as a derivative work, *see* 17 U.S.C. § 101, such that it was proper for Dastar and its employees to place their names on the product. Pet. Br. 22-23; *see also* U.S. Br. 25. But even if one assumes that *Campaigns* had the requisite "minimal degree of creativity," *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 348 (1991), to qualify as a copyrightable derivative work – a questionable assumption since Dastar's changes did nothing but disguise *Campaigns*' real origin, Pet. App. 18 – it does not follow that Dastar's designation of itself as the *sole originator* was accurate. *See Follett v. New Am. Library, Inc.*, 497 F. Supp. 304, 311 (S.D.N.Y. 1980) (fact that editor's work was entitled to a copyright does not determine whether work violated the Lanham Act, as designation of origin could still be misleading). As Dastar concedes, copyright law requires only the most minor changes before according protection to derivative works. Pet. Br. 22; U.S. Br. 25. For example, in *Maljack Productions, Inc. v. UAV Corp.*, 964 F. Supp. 1416, 1426-27 (C.D. Cal. 1997), *aff'd*, 106 F.3d 1223 (9th Cir. 1999), a case cited by Dastar, the court found that the defendant had created a copyrightable derivative work merely by adapting a motion picture from the wide screen theater format to a narrower format for television and enhancing the film's soundtrack. Though the law may afford copyright protection to such minor changes, few consumers would deem a party who adapts screen size and enhances sound the one and only "creator" of a film. Whether or not Dastar could claim copyright in just its minor changes, what it *did* claim was exclusive credit for the entire documentary – an unambiguously false statement.

ii. Dastar next argues that its credits were not false or misleading because phrases and titles used in credits generally are not understood as making a "claim of exclusive authorship." Pet. Br. 23. But whatever may be true as general matter, the specific credits in this case *are* nothing more or less than a "claim of exclusive authorship." *Campaigns* credits a total of five parties: Dastar, its three employees, and its co-defendant below. The credits in no way indicate that any other person or entity made any contribution to the writing, researching, editing, or other acts of preparing what appeared to be an original film. Combined with the new title, new notice of copyright, and, especially, the thanks to the National Archive, the credits gave the false impression that Dastar sent someone to the Archive to review historical film, selected the footage, executed the necessary editing, drafted a narrative about World War II, and then added music and edited the whole thing into *Campaigns*. None of the credited people did any of these things. Whatever phrases like "Dastar Presents" and credits such as "Executive Producer" might mean in the context of a different kind of work or larger and more detailed collection of credits, there is no such context here.[10] A consumer could only conclude that the few listed parties are responsible for the entire creative content of the documentary, which is demonstrably untrue.

iii. Finally, Dastar spends considerable energy denigrating respondents' creative contributions to *Crusade*, in an effort to show that respondents are not the true "origin" of *Crusade*. Pet. Br. 24-31. This effort fails. The undisputed record establishes that Fox played an essential role in the creation of *Crusade* and, therefore, *Campaigns*. Levathes, a Fox executive, conceived of the idea of a documentary based

[10] The one example Dastar uses to prove its point only refutes it. Dastar says that "television productions like *Charlton Heston Presents the Bible*" show that phrases like "DASTAR Presents" are not reasonably understood as claiming exclusive authorship. But of course that is true in the context of a work *like the Bible*. "DASTAR Presents the Bible" would create no remote possibility of confusion as to the authorship of the Bible. But when used with a work explicitly marketed as original, without other credits, "DASTAR Presents" takes on a different meaning.

on Eisenhower's memoirs and, with Fox's financing, brought that idea to fruition. Levathes retained Time to create the *Crusade* Series for Fox. Levathes also chose the writer, reviewed scripts and cuts, and played an extensive role in the production process. Under the circumstances, it is only appropriate to consider Fox a creator of *Crusade*.

Dastar's arguments about the credit properly due to respondents for the creation of *Crusade* are not only incorrect, they are beside the point. Dastar's liability arose not from its failure to attribute credit to respondents, but from its misrepresentations about *Campaigns* and Dastar's limited role in its creation. Whatever Dastar has to say about the credit due to respondents is irrelevant to the accuracy of Dastar's claims to be the sole originator of a new documentary product.

2. *There Is No Genuine Dispute That Dastar's False and Misleading Statements Were Likely To Cause Confusion As To the True Origin Of Campaigns*

The next question is whether a reasonable factfinder could conclude that Dastar's false statements were not likely to mislead or confuse consumers into thinking *Campaigns* was a new documentary created entirely by Dastar. The answer again is no.

The courts below determined that the undisputed record established a likelihood of consumer confusion based in part on application of a "misattribution plus bodily appropriation" standard for evaluating reverse passing off claims. The courts held that Dastar's act of copying *Crusade* virtually wholesale constituted a "bodily appropriation" of Fox's work. Pet. App. 3, 53. Although the court of appeals then stated that respondents did not have to make an "*independent* showing" of "consumer confusion," Pet. App. 3-4 (emphasis added), this does not mean that respondents were not required to establish *likely* consumer confusion as part of their reverse passing off claim. To the contrary, satisfaction of the "mis-attribution plus bodily appropriation" test employed by the Ninth Circuit *encompasses* the determination that consumers are likely to be confused by the mislabeled copy. *See Cleary*, 30 F.3d at 1261; *see also* INTA Br. 15 (Ninth Circuit "cases acknowledge that proof of likely consumer confusion is still required for a case of reverse passing off involving the application of improper credits to creative works"). The "bodily appropriation" test is a "rigorous" standard, *Cleary*, 30 F.3d at 1261: even where a plaintiff proves both a misattribution *and* that the misattributed product is "substantially similar" to its own, the Ninth Circuit presumes that the differences between the products renders "the likelihood the [two products] will be confused . . . minimal." *Id.* (citation and quotation marks omitted). Consumers are likely to be confused, the Ninth Circuit has held, only where the *exact product* is relabeled and sold by another, or where the product is "modified slightly and then labeled with a different name." *Id.* (citations omitted). That is why a conclusion of "bodily appropriation" includes a determination of likely consumer confusion: where the product is essentially the same, but labeled incorrectly, the only reasonable inference is that a consumer would believe the incorrect label, resulting in confusion about the product's true origin.

Accordingly, the question is not whether the courts below failed to require respondents to prove likely consumer confusion. They *did* require respondents to prove *likely* consumer confusion; they did *not* require respondents to make an "independent" showing of *actual* "confusion." But nobody thinks proof of "actual confusion" is necessary to prove that a statement is "likely to cause confusion" as the text of § 43(a) requires, *see infra* at 36. What matters is whether the record, viewed as a whole, compels the conclusion that if consumers saw *Campaigns* on sale, or watched its credits, they likely would be misled into thinking, erroneously, that it was a new documentary created solely by Dastar. That is the only conclusion the record supports.

a. The Record Compelled The Conclusion That Dastar's False Attributions Likely Would Have Misled Consumers Into Thinking *Campaigns* Was A New Work Created Only By Dastar

The conclusion that Dastar falsely represented to consumers that *Campaigns* was its own new creative work leads ineluctably to the conclusion such a representation would likely mislead consumers into thinking that *Campaigns* was indeed Dastar's own new creative work. The only inference necessary to reach that conclusion is that consumers likely would believe Dastar's claims. The fundamental premise of trademark law is that consumers believe what labels say about product origin. Accordingly, if a seller takes the product of another, modifies it slightly, and then falsely relabels it as made by the seller, it is impossible to conclude anything *but* that consumers probably would be misled as to the identity of the product's true maker.

For at least fifty years, courts have applied that logic to hold that when someone copies the contents of a creative work and adds a new title to make it seem like a new work, consumer confusion inevitably results. Because the "offering of a book for sale constitutes an implicit representation that the book contains the entire original text and that the title under which it is offered is the original title," the "offering of an abridged book or of an old book under a new title unquestionably has the capacity and tendency to deceive and mislead prospective purchasers." *New Am. Library*, 213 F.2d at 145; *Bantam Books*, 55 F.T.C. at 779. These decisions recognize that the representation of originality implicit in the offering of a seemingly new creative product is *inherently* likely to mislead consumers.

The opinions of the courts below follow that tradition. Having found that Dastar falsely presented *Campaigns* as its own new creative work, the courts found the likelihood that such a representation confused consumers to follow as a matter of course. Significant additional evidence in the record supported that finding, and none supported the contrary inference. That evidence includes testimony from Dastar itself that Dastar believed *Campaigns* and *Crusade* were competitive products. JA 275-76. The parties also used similar channels to advertise and sell their products. JA 274-75, SA 35-43. Dastar's president and "Executive Producer" of *Campaigns* admitted that he was concerned that confusion was likely, to the point that he ordered (but ultimately abandoned) stickers designed to distinguish the products. JA 109-10, 278-79, 309-10. He also admitted that a person who owned either *Crusade* or *Campaigns* would not want to buy the other. JA 277-78.

That evidence of likely confusion is further supported by the district court's uncontested finding of fact, made after the damage trial, that Dastar "purposefully and intentionally" edited *Crusade* "to give the impression that *Campaigns* was an original work." Pet. App. 18. It is well settled that willful misrepresentation is itself "strong evidence" of likely consumer confusion or deception, for courts recognize that rational economic actors do not endeavor to deceive consumers unless they are likely to succeed. *See, e.g.*, *Interstellar Starship Servs., Ltd. v. Epix Inc.,* 184 F.3d 1107, 1110 (9th Cir. 1999); *Shakespeare Co. v. Silstar Corp. of Am., Inc.,* 110 F.3d 234, 239 (4th Cir. 1997); *My-T Fine Corp. v. Samuels,* 69 F.2d 76, 77 (2d Cir. 1934). The court of appeals affirmed this conclusion, agreeing that Dastar acted "purposefully" with the intention of "giving the impression that its series was an original work." Pet. App. 4. The unchallenged finding of intent to mislead defeats any argument that Dastar might raise about the sufficiency of the summary judgment record supporting the conclusion that Dastar's misrepresentations were likely to mislead.

b. Dastar's Counter-Arguments Are Meritless

Dastar raises two principal objections to the finding of likely confusion. First, Dastar says that certain contextual "factors" used to assess the likelihood of confusion between trademarks show no likelihood of confusion from Dastar's false statements here. Second, Dastar points to other factors of its own devising that, it says, show that consumer confusion was not likely here. Dastar is wrong on both counts.

i. The text of the Lanham Act requires courts to determine whether a defendant's conduct is likely to cause consumer confusion, but provides no guidance about how to do so. For this reason, courts over the years have developed a non-exclusive list of factors, applied most often in the context of infringement. These factors include (1) the similarity between the trademarks in question; (2) strength of the marks; (3) proximity of the parties' goods and/or services in the marketplace; (4) quality of the defendant's goods and/or services; (5) likelihood that the prior owner will "bridge the gap" in the marketplace; (6) actual confusion between the marks; (7) the defendant's intent; and (8) the sophistication of the buyers of the respective goods and/or services. *See, e.g., Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). Contrary to Dastar's intimation, analysis of every factor deemed relevant by the courts to likelihood of confusion in infringement cases is not even required in every trademark case – much less in every reverse passing off case, especially where there is a bodily appropriation.

It has long been established that these factors are nothing more than one form of guide to determining whether consumer confusion is likely. Restatement § 21 cmt. a; *Entrepreneur Media, Inc. v. Smith,* 279 F.3d 1135, 1141 (9th Cir. 2002) (factors are merely "a 'guide' to decision making," likelihood of confusion is "not decide[d]… by giving the same weight to a particular factor from case to case."); *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1122 (6th Cir.1996). It is settled that "a plaintiff need not show that all, or even most, of the factors listed are present in any particular case." *Id.* at 1116.

Although Dastar and its amici claim that the courts below made a fundamental error by failing explicitly to apply each of the so-called "*Polaroid* factors" to this case, Dastar and its amici tellingly avoid doing so themselves. The omission is understandable: in fact, each of the factors either strongly supports the courts' conclusion of likely confusion or has little relevance to the analysis. The proximity and quality of goods factors strongly suggest likely confusion, inasmuch as the parties are selling essentially the *same* product. The same is true for the "bridging the gap" factor – the gap is already bridged. And the defendant's intent factor squarely supports a finding of likely confusion, as discussed above. On the other hand, the similarity and the relative strengths of the parties' trademarks is obviously irrelevant. *Johnson v. Jones*, 149 F.3d 494, 503 (6th Cir. 1998) (many standard confusion elements are "irrelevant" in reverse passing off cases "because they deal with the relationship between the plaintiff's and defendant's trademarks, not their products").[11] And the consumer's "sophistication" is of limited relevance in a case of reverse passing off. Courts consider this factor in the context of infringement because a more discerning or sophisticated consumer is less likely to be fooled by a similar trademark. But when a defendant sells the plaintiff's product as its own, having carefully obliterated every indication of the product's true origin, even the most sophisticated consumer has no way to discern the truth.

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[11] In *Johnson v. Jones*, the defendant, an architect, had traced "floor plans and foundation plans" drafted by the plaintiff, and then took those drawings and the "site plan that he had obtained from the city inspector, removed [plaintiff's] name and seal, and replaced them with his own name and seal." 149 F.3d at 499. Reviewing the confusion factors not specific to trademarks themselves, the court found it self-evident that the plaintiff and defendant provided the same services, used the same marketing channels, and that the defendant intended for the public to assume that he had created plaintiff's drawings. *Id.* Based on these findings, without full consideration of all the standard factors, the court could conclude that "[f]ew are the cases demonstrating a more obvious and imminent likelihood of confusion." *Id.* at 503.

The only remaining factor with any possible relevance is the existence of actual confusion. But courts not only do not consider proof of actual confusion a prerequisite to a finding of likely confusion, they do not even consider the lack of such evidence very probative of a lack of likely confusion. *See* 3 McCarthy § 23-12 (proof of actual confusion is not required, as "it very difficult, and often impossible to obtain"); *Harold F. Ritchie, Inc. v. Chesebrough-Ponds's Inc.*, 281 F.2d 755, 761 (2d Cir. 1960). There is no basis for applying this element more stringently here. The opposite is true: given the force of the inference that consumers are likely to believe what sellers tell them about product origin, it would make little sense to require plaintiffs in every case to produce evidence of actual confusion.

In sum, no set of non-statutory "factors" is needed to confirm that when a product is copied and given a false label of origin, consumers are likely to be misled as to its true origin. But even if one considers each of the *Polaroid* factors in turn, as Dastar and its amici demand (but do not themselves attempt), the same conclusion obtains, for "[f]ew are the cases demonstrating a more obvious and imminent likelihood of confusion." *Johnson*, 149 F.3d at 503.

ii. As if to confirm the failure of the actual *Polaroid* factors to advance its cause, Dastar discusses two factors of its own invention. Neither factor shows that Dastar's misrepresentations were likely to have been harmless.

First, Dastar contends that that confusion was not likely because including Fox in *Campaigns*' credits would not have affected consumer decisions. Pet. Br. 18-19.[12] But Dastar

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[12] Like the rest of Dastar's brief, this argument entirely ignores *Campaigns*' false title and its obvious effects on consumers. As Dastar acknowledged, consumers who already owned *Crusade* would not want a copy of *Campaigns* as well, but Dastar's failure to identify *Campaigns* as a copy of that previously released work was inherently deceptive, and likely to cause confusion.

has never previously argued this point and did not introduce a shred of evidence to support its speculation about consumer motivations. A party seeking to defeat summary judgment must introduce actual evidence establishing the existence of a genuine disputed fact; sheer conjecture will not do. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). Further, the speculation is not supported even by simple logic and common sense. Dastar itself notes repeatedly that actors, directors, writers, and producers all clamor for screen credits, even going so far as to bargain collectively and to litigate about them. Pet. Br. 28-30. So do profit-seeking corporate entities. They do not add labels and credits merely for fun or a sense of pride. Dastar itself presumably had an economic reason for crediting itself on *Campaigns*. Credits do matter: people read them, and make later purchasing decisions on the basis of whether they liked, or did not like, what they saw. *See* Restatement § 5 cmt. c ("The likelihood of harm through reverse passing off is particularly acute in the arts and entertainment industries, in which the marketability of a person's goods or services is in large measure dependant upon recognition for past achievements."). Indeed, the entire realm of trademark law rests on the understanding that designations of origin matter to consumers' present and future purchases.

Second, Dastar argues that there can be no consumer confusion because respondents allegedly lost no goodwill. Pet. Br. 19-20. The district court explicitly rejected that argument, finding that respondents did lose "valuable goodwill." Pet. App. 26. As Dastar did not challenge that finding on appeal or in its petition for certiorari, that issue is also waived. In any event, the argument is both wrong on its terms and an utter *non sequitur*. Dastar did wrongfully appropriate goodwill, to respondents' detriment. *Campaigns* was Dastar's first video. By falsely portraying itself as the creator of an original work, rather than truthfully identifying itself as the copyist of an existing one, Dastar was able to jumpstart its new business by garnering reputational capital that it had not earned, using goodwill stolen from respondents to create an unfair advantage. But even if Dastar could show that respondents actually lost little or no goodwill from the mis-attribution, that would be irrelevant to the question whether Dastar's mis-attribution likely confused consumers. If consumers thought Dastar created *Campaigns*' substantive content, they were confused, whether or not that confusion led to a demonstrable loss of goodwill for respondents.[13] Dastar's efforts to show that consumers were not likely confused by its misleading attributions are thus unavailing.[14]

II. THE DAMAGES AWARD WAS AUTHORIZED BY THE LANHAM ACT

A. "Principles of Equity" Permit an Award of Profits

1. The second question presented by this case concerns the *enhancement* of awards under § 35(a) of the Lanham Act. But Dastar's first argument is that the district court lacked statutory authority to make an award based on profits *at all*. Dastar has never raised that argument before – not in the courts below, and not in its petition for certiorari. The argument is therefore waived. *See supra* at 21.

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[13] The lack of lost goodwill might go to respondents' competitive harm, but that was an issue resolved on actual findings of fact against Dastar and not included in its petition for certiorari.

[14] The Solicitor General suggests that the courts should have looked to one factor not already discussed – consumers' familiarity with *Crusade*. U.S. Br. 30. But consumers entirely unfamiliar with *Crusade* are, of course, likely or even certain to be deceived, for they have no means to dispel Dastar's false claim of authorship. To weaken the inference of likely confusion Dastar would have to show that many, most, or all consumers are not only familiar with *Crusade*, but recall it well enough to identify *Campaigns* as a copy, thus establishing that they are not likely to be confused as to origin. There is no basis even for imagining that Dastar could make such a showing, especially given its own concession that *it* believed consumers were likely to be confused.

2. In any event, there is no merit to Dastar's argument that principles of equity forbid the award of profits in this case. Dastar argues that profits may not be awarded absent a finding that all of a defendant's profits come at the plaintiff's expense. Pet. Br. 43-44. But the law has never required that an infringer's profits be equivalent to a plaintiff's losses before they may be awarded as equitable relief.

Courts have long understood that the amount of an infringer's profits will not always, or often, correspond to the damages suffered by a trademark owner. Disgorgement of profits has nevertheless been the "preferred mode of compensation in equity" for trademark infringements since the nineteenth century. James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 465 (1982). Indeed, it is precisely because plaintiffs are often unable to prove the extent of their losses from infringement that the equitable remedy of disgorgement is preferred. *Id.* at 465-66. In short, the equitable rule permitting – indeed, favoring – disgorgement of an infringer's profits grew out of an awareness that *any* monetary award can be no more than a proxy for the plaintiff's actual damages. Contrary to Dastar's assertion, no equivalence between profits and actual damages is required. Rather, the equitable remedy of profits was made available *instead* of the legal remedy of compensatory damages.[15]

3. Finally, even if Dastar's legal argument were correct, its factual premise is flawed. The district court made explicit

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[15] Dastar cites *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998) and *Sheldon v. Metro-Goldwyn Pictures Corp.*, 309 U.S. 390 (1940), as evidence that profits may not be awarded to punish a defendant. Pet. Br. 42-43. But there is no tension between the rule prohibiting courts of equity from making punitive awards and the equitable remedy of disgorgement. Requiring disgorgement of amounts wrongfully obtained does not punish the defendant: if a plaintiff is overcompensated, the effect is to restore the status quo before the wrongful conduct.

findings of actual damages to respondents, in the form of diversion of sales and loss of goodwill. Pet. App. 26. The award of profits in this case does in fact compensate for specific losses, and has the "essentially compensatory" character, Pet. Br. 42, that Dastar demands.

B. The Enhanced Profits Award Is Consistent With Section 35's "Compensation And Not A Penalty" Clause

Turning to the question on which the Court granted certiorari, Dastar argues that the court awarded enhanced profits solely for reasons of deterrence, and that the "compensation and not a penalty" clause of § 35(a) prohibited it from doing so. That is incorrect for two separate reasons. First and most fundamentally, the "compensation and not a penalty" language does not constrain the authority of courts to enhance damages or profits, but simply provides that such enhancements shall be deemed compensatory. Second, even if the clause did limit enhancements, an award intended to *deter* rather than to *punish* would fall outside that limitation.

1. a. The "compensation and not a penalty" clause does not circumscribe the courts' authority to enhance awards. That prescriptive work is done by other parts of § 35(a): enhanced awards must be consistent with "the principles of equity," and profits may be enhanced only if "the amount of recovery based on profits is . . . inadequate." 15 U.S.C. § 1117(a). If an enhanced profits award satisfies those provisions – as does the award here – it is authorized by § 35(a).

The "compensation and not a penalty clause" does something different. It provides that when an enhanced award does issue, consistent with the above prescriptions, it shall be regarded as compensatory. That clarification is important. The "principles of equity" that limit awards under § 35 generally do not allow for the award of punitive damages.[16] Absent explanation, courts might have perceived some tension between the requirement that they observe equitable principles and the instruction that they enhance damage and profit awards, in some cases by as much as three times the amount of actual damages. In fact, there is no inconsistency, the statute informs, because such an enhancement "constitute[s] compensation and not a penalty." *See* Ralph S. Brown, *Civil Remedies for Intellectual Property Invasions: Themes and Variations*, 55 Law & Contemp. Probs. 45, 76 (1992) ("All the clause does is declare that enhanced damages and profits are 'not a penalty.' It does not require courts to refrain from awarding them.").

The plain language of the "compensation and not a penalty" clause is most naturally read in this descriptive manner. The dictionary defines "constitute" as "to amount to; equal." *The Am. Heritage Dictionary* 404 (3d ed. 1992); *see also The Coll. Standard Dictionary of the English Language* 261 (1943) ("constitute" means "[t]o make (anything) what it is; make up; frame; compose"). Thus, given everyday usage, the fact that an award "shall constitute compensation and not a penalty" means only that the award shall be considered equal to or is equivalent to compensation. Had Congress intended to provide instead that an award should issue only for compensatory and not punitive purposes, it could have said so clearly: "The court shall enter such an award only as compensation and not as a penalty," for instance.

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[16] Absent express authorization, courts of equity do not award punitive damages. *See Tull v. United States*, 481 U.S. 412, 422 & n.7 (1987); *Stevens v. Gladding*, 58 U.S. (17 How.) 447, 454-55 (1855); *Livingston v. Woodworth*, 56 U.S. (15 How.) 546, 559-60 (1854); *see also* 2 J. Sutherland, *The Law of Damages* § 392, at 1089 (3d ed. 1903); W. Hale, *Law of Damages* 319 (2d ed. 1912); 1 T. Sedgwick, *Measure of Damages* § 371, at 531 (8th ed. 1891).

The legislative history of the "compensation and not a penalty" clause confirms that common-sense reading. The original proposed language of § 35 provided that "[i]n assessing damages, the court may, according to the circumstances of the case, enter judgment for any sum above the amount found as actual damages, not exceeding three times such amount, *such sum to constitute compensation and not a penalty*." 84 Cong. Rec. at 9305 (1939) (emphasis added). That final modifying clause – clearly descriptive rather than prescriptive – became the separate sentence that now appears in § 35, so that it could encompass not only enhanced damages but also the other types of awards authorized by the amended version of the bill. But there is no indication of any change in the original intent that the "compensation and not a penalty" language was to provide clarification rather than serve as an independent directive.

Dastar does not discuss that aspect of the clause's legislative history, focusing instead on the fact that the "compensation and not a penalty" language was borrowed from a similar provision in the Copyright Act of 1909. Pet. Br. 45. But that history, too, supports a descriptive reading of the clause. The Copyright Act language stated that discretionary damages awarded by courts in lieu of actual damages "shall not be *regarded as* a penalty." Copyright Act of Mar. 4, 1909, ch. 320, § 25(b), 35 Stat. 1075, 1081 (emphasis added). That clause clearly imposes no independent limit on court authority to award discretionary damages. Instead, it clarifies that such damages should be treated as compensatory "to avoid the strictness of construction incident to a law imposing penalties, and to give . . . some recompense for injury . . . in a case where the rules of law render difficult or impossible proof of damages or discovery of profits." *Douglas v. Cunningham*, 294 U.S. 207, 209 (1935).[17]

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[17] Contrary to Dastar's suggestion, Pet. Br. 46, neither *Douglas* nor *Brady v. Daly*, 175 U.S. 148, 157 (1899), holds that the Copyright Act

Finally, the experience of the courts with the Lanham Act and its immediate predecessor confirms the importance of clarifying that enhanced awards should be treated as compensation. The 1905 Act permitted courts to treble damages, Pub. L. No. 58-84, § 19, 33 Stat. 724, 729, but contained no language similar to the "compensation and not a penalty" clause. In the 41 years between the 1905 Act and passage of the Lanham Act, not one court exercised its authority to award treble damages – a fact brought to Congress' attention when it considered the later Act. Koelemay, *supra*, at 480; *Joint Hearings on S. 2679 Before the House and Senate Comms. on Patents*, 68th Cong., 2d Sess. 47-48 (1925) (statement of Edward J. Rogers).[18] The most plausible explanation is that courts were concerned that the treble damages remedy, with its superficial resemblance to punitive damages, was inconsistent with the equitable heritage of trademark remedies. Congress addressed that concern by

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authorizes only those damages intended to compensate. Rather, as the language quoted above indicates, *Douglas*, like *Brady*, simply recognizes the need to assure some amount of damages in cases where proof of actual losses is difficult or impossible. The damages provisions of the Lanham Act serve the same purpose. *See supra* at 39.

[18] Though Dastar relies heavily on other statements by Edward Rogers, Pet. Br. 46-47, it is not at all clear that Rogers believed that the "compensation and not a penalty" language would constrain courts' authority to award damages. The statement quoted from the 1925 hearings, *id.* at 47 n.52, is entirely inapplicable; it refers to a version of the Act that did not contain the trebling provision and never took effect. In later hearings, Rogers advocated giving judges broad discretion to fashion remedies. *See, e.g.*, *Hearings Before the House Subcomm. On Trade-Marks Comm. On Patents*, 77th Cong., 206 (1941) ("1941 Hearings"); *Hearings Before the House Comm. On Patents Subcomm. On Trade-Marks*, 75th Cong., 50 (1938) ("1938 Hearings"). And whatever Rogers' views, other witnesses believed that the clause did not limit the remedies available to judges. *See, e.g.*, 1941 Hearings at 203 (statement of Karl Fenning); 1938 Hearings at 43 (statement of Harrison F. Lyman). There is no reason to accord the views of one witness controlling weight. *See McCaughn v. Hershey Chocolate Co.*, 283 U.S. 488, 493-94 (1931).

clarifying, with the Lanham Act revisions, that enhanced damages are to be regarded as compensatory rather than punitive. Once the Lanham Act became law, courts began to award enhanced damages – a result entirely at odds with petitioner's contention that the "compensation and not a penalty" clause imposes a new *restriction* on judicial authority to make such awards. In short, the "compensation and not a penalty" clause does important work if it is construed, consistent with its text and history, as a descriptive clarification of the nature of enhanced awards.[19]

b. Dastar's reading of the "compensation and not a penalty" clause renders that language entirely superfluous. As Dastar recognizes, Pet. Br. 44, the enhancement provisions of § 35(a) must be read in conjunction with the "principles of equity" clause. Dastar also appears to acknowledge that the "principles of equity" clause by itself bars punitive awards. Pet. Br. 42. The upshot is that if the "compensation and not a penalty" clause prohibits the enhancement of awards for punitive purposes, then it is completely redundant of the "principles of equity" clause. Such a construction is strongly disfavored. *See, e.g., Duncan v. Walker*, 533 U.S. 167, 174 (2001); *cf. FCC v. Nextwave Pers. Communications, Inc.*, 123 S. Ct. 832, 839 (2003) (construction that would render language superfluous "must be rejected").

Dastar's interpretation suffers from another important defect. On Dastar's view, the validity of an enhanced award under § 35(a) depends in large part on the motivation of the judge who enters the award. Pet. Br. 50. On identical facts, one enhanced award might be valid if the judge focused on

[19] So understood, the clause does the additional job of clarifying that enhanced awards under § 35 are generally taxable. When the Lanham Act was enacted, awards for lost profits were taxable, but punitive damages were not. *See, e.g., Durkee v. Comm'r*, 6 T.C. 773, 776 (1946) (lost profit award taxable); *Highland Farms Corp. v. Comm'r*, 42 B.T.A. 1314, 1322 (1940) (punitive damages not taxable).

compensation, and another invalid if the judge focused on punishment. Even that imbalanced result assumes a single-minded judge transparent about his or her thinking; problems multiply if a judge has in mind both compensation and another rationale, or fails to explain his or her motivation.

This is a case in point. The factual premise for Dastar's whole argument is that the award here was made "solely to deter," Pet. Br. 48, but the truth is more complicated than that. In making its award, the court noted not only that enhanced profits would deter future infringements, Pet. App. 26-27, but also that respondents had suffered actual damages, *id.* at 25-26. It thus seems likely that the award was intended both to compensate and to deter. *See* AIPLA Br. 19 (enhanced award may have been intended "to compensate the plaintiffs as opposed to merely deterring infringement"). But no reviewing court can be certain about that, or about what portion of the enhanced award is attributable to each of the district court's distinct rationales.[20] Dastar's rule is as unworkable as it is unfair.

2. Even if the "compensation and not a penalty" clause did constrain judicial authority to enhance awards, it would not prohibit an award intended to deter. Petitioner's contrary argument rests on the premise that an award based on deterrence is necessarily punitive, and thus prohibited by a prescriptive reading of the "compensation and not a penalty" clause. Pet. Br. 48. That premise is incorrect.

a. Deterrence is a concept and rationale distinct from punishment. *Bennis v. Michigan*, 516 U.S. 442, 452 (1996) ("forfeiture also serves a deterrent purpose distinct from any punitive purpose"); *Am. Soc'y of Mech. Eng'rs v. Hydrolevel*

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[20] For that reason, even if this Court were to conclude that § 35(a) precludes an enhanced award intended only to deter, reversal would be inappropriate. Instead, a remand would be required so that the district court could clarify the extent to which it relied on compensation rather than deterrence in making its award.

Corp., 456 U.S. 556, 575 (1982) (though "antitrust treble damages were designed in part to punish past violations," they have the additional, discrete purpose and effect of deterrence); *Hecht Co. v. Bowles*, 321 U.S. 329 (1944) (injunctions were "designed to deter, not to punish."). The concept of deterrence seeks to prevent *future* harm, *see, e.g.*, 1 *The New Shorter Oxford English Dictionary* 650 (1993) (defining "[d]eter" as "[r]estrain or discourage (*from* acting or proceeding)" or "inhibit, prevent" from occurring), while the concept of punishment focuses on exacting consequences for acts that have already occurred, 2 *The New Shorter Oxford English Dictionary*, at 2415 (defining "[p]unishment" as "the infliction of a penalty in retribution for an offense" previously committed). It is precisely because deterrence and punishment are not coextensive that courts of equity have authority to make awards to deter but not to punish. *See supra* at 40-41.

It is true that deterrence is often, or perhaps always, one effect of a punitive award. That is why courts so often discuss the retributive and deterrent effects of punitive damages together. *See* Pet. Br. 48 (citing *Gertz v. Robert Welch, Inc.*, 418 U.S. 323 (1974)). But that does not mean that the concepts are inseparable. *Smith v. Doe*, 538 U.S. __, No. 01-729, slip op. at 14-15 (Mar. 5, 2003) (law does not become punitive simply because deterrence is one purpose). Compensatory damages, for instance, also deter misconduct. *See, e.g.*, *Hydrolevel Corp.*, 456 U.S. at 575 ("[T]reble damages serve as a means of deterring antitrust violations and of compensating victims."); *City of Monterey v. Del Monte Dunes, Ltd.*, 526 U.S. 687, 727 (1999) (tort cause of action "is designed to provide compensation . . . and thereby, of course, to deter future violations") (internal citation omitted). Thus there is nothing inconsistent about entering a compensatory award with an eye toward its deterrent effect. In fact, even when courts do recognize the relationship between punishment and deterrence, they generally are careful – like this

Court in *Gertz* – to treat the two concepts as distinct. *See* 418 U.S. at 350.[21]

Thus, an award made solely to deter is by definition not a "penalty." Nor does it serve the purely compensatory function of making a party whole for past injury. Such an award simply is not covered by the either-or dichotomy of the "compensation and not a penalty" clause: it is neither barred as a "penalty" nor approved as "compensation."[22] Thus, that clause alone cannot say whether the Lanham Act permits awards aimed only at deterrence.

b. That question can be answered – in the affirmative – by reference to other provisions of § 35(a). First is the clause incorporating "principles of equity" into the rules governing damage awards. As this Court has recognized, a deterrent rationale underlies traditional equity practice. *See, e.g.*, *Hecht Co.*, 321 U.S. at 329 ("[t]he historic injunctive process was designed to deter"). Unlike punishment or compensation, deterrence prevents *future* misconduct and

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[21] The fact that Congress later amended the Lanham Act to allow for punitive damages in counterfeiting cases, *see* Pet. Br. 48-49, is not to the contrary. One can draw from that amendment an inference that Congress read the "principles of equity" clause as we do, to bar the award of punitive damages absent express authorization. *See supra* at 44. But it says nothing at all about whether an enhanced award intended to deter constitutes, on that basis alone, an award of punitive damages.

[22] Dastar suggests that the clause may go further and preclude any enhanced award that is not compensatory. Pet. Br. 48. But that construction reads the phrase "and not a penalty" right out of the statute; if Congress intended to provide only that enhanced awards "shall be compensation," then there would have been no need to go any further. Yet if Congress intended only to bar punitive awards, then the reference to "compensation" would serve no purpose. The only way to give both parts of the clause meaning is to read the clause as creating a safe-harbor for compensatory awards, prohibiting punitive awards, but saying nothing about other kinds of awards. If that seems like awkward phrasing for an instruction, it is because § 35(a) was never intended to operate as a directive, but was rather intended to be descriptive. *See supra* at 40-45.

injury. As there was usually no remedy at law to serve the same purpose, such prevention became the province of equity. Indeed, preventing future harm is the goal of many of the most common equitable remedies, such as injunctions and orders of specific performance. *See* Douglas Laycock, *The Death of the Irreparable Injury Rule*, 103 Harv. L. Rev. 687, 696 (1990) (most "specific remedies" that seek to prevent or deter harm are "historically equitable"). In short, the "principles of equity" under § 35(a) include the principle that deterrence is an appropriate basis for a remedy.

Second, the profit enhancement provision itself confirms that Congress contemplated awards designed to deter. Section 35(a) provides that a court may enhance a profit award if it "find[s] the amount of recovery based on profits is either inadequate or excessive." 15 U.S.C. § 1117(a). Full recovery of profits is typically adequate *compensation*; as a general rule, it could be "inadequate" only if it failed to *deter* future infringement. Enhanced profit awards in order to deter are thus anticipated by § 35(a).

Congress was surely correct in its judgment that enhanced awards might be necessary to deter willful infringement. Courts have long recognized that awards limited to an individual plaintiff's loss, or even a defendant's profits, may "underdeter" trademark infringers. Because such awards fail to account for cases never brought and for profits and losses that are hard to calculate, they can leave the profitability of infringement greater than its costs. Allowing the recovery of enhanced damages or profits ensures that infringement will not be profitable, and thus adequately deters willful misconduct. *See, e.g., Louis Vuitton S.A. v. Lee*, 875 F. 2d 584, 588 (7th Cir. 1989) ("Treble damages are a particularly suitable remedy in cases where surreptitious violations are possible, for in such cases simple damages (or profits) will undeter . . . ."); *Playboy Enters., Inc. v. Baccarat Clothing Co.*, 692 F. 2d 1272, 1274 (9th Cir. 1982) (noting that damages alone "would fail to serve as a convincing deterrent to the profitmaximizing entrepreneur" because "penalties imposed under such an approach would be simply factored into the infringer's profit and loss statement."). In this sense, enhanced awards in order to deter are not only consistent with but fundamental to the Lanham Act; without them, the Act cannot serve its central goal of protecting the public from deception. *See Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 395-96 (2d Cir. 1965) (adequate deterrence necessary to fulfill Lanham Act's central purpose).

The need for enhanced awards is particularly acute in reverse passing off cases, where actual damages to the plaintiff are difficult to quantify and most likely to accrue in future. The principal harm from reverse passing off lies in the loss of goodwill and the diversion of *future* sales.[23] By falsely representing itself as the maker of quality goods, the defendant can obtain repeat business that its own inferior product might not have attracted, and thus obtain future market share at the expense of a competitor that actually created the product. Because the immediate damages from this action may be small, they are unlikely to deter. Absent some form of enhancement, a rational economic actor might well decide to absorb an award of actual damages or profits rather than forgo the market benefits of misrepresenting product origin.

CONCLUSION

The judgment should be affirmed.

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[23] Dastar claims that reverse passing off could not have deprived respondents of sales, because Dastar "would have sold just as many videotapes if it had credited respondents in all of its videotapes." Pet. Br. 41. The district court explicitly rejected that position, finding that Dastar had diverted sales, Pet. App. 26, and Dastar did not challenge this ruling on appeal or in its petition for certiorari. Dastar's premise is logically flawed, as well. Had consumers realized that Dastar's mislabeled product was identical to a series produced and marketed by respondents, some likely would have preferred to buy the product of well-known, established companies like Fox, New Line, and SFM.

Respectfully submitted,

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