No. 16-

In The
Supreme Court of the United States

ROMAG FASTENERS, INC.,

Petitioner,

v.

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

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Section 43(a) of the Lanham Act prohibits trademark infringement through false representations regarding the origin, endorsement, or association of goods through the use of another's distinctive mark. 15 U.S.C. § 1125(a). Section 35 of the Lanham Act permits a trademark holder who establishes a violation of Section 43(a) to recover the infringer's profits, among other damages. *Id.* § 1117(a). The federal circuits are intractably divided—six to six—over whether a trademark holder also must establish that the infringement was willful in order recover an award of profits.

The questions presented are:

1. Whether, under section 35 of the Lanham Act, willful infringement is a prerequisite for an award of infringer's profits for a violation of section 43(a).

2. Whether and to what extent the defense of laches may bar an award for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286—the same issue this Court granted for plenary review in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927.

RULE 29.6 STATEMENT

Petitioner Romag Fasteners, Inc. has no parent corporation, and no publicly held company owns ten percent or more of its stock.

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The opinion of the district court is reported at 29 F. Supp. 3d 85. Pet. App. 20a–66a. The opinion of the United States Court of Appeals for the Federal Circuit is reported at 817 F.3d 782. Pet. App. 1a–19a.

JURISDICTION

The court of appeals entered judgment on March 31, 2016. On May 25, 2016, the Chief Justice granted petitioner's application to extend the time to file this petition until August 15, 2016. No. 15A1196. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 35 of the Lanham Act, 15 U.S.C. § 1117(a), provides in pertinent part:

> When . . . a violation under section 43(a) or (d) of this title, or a willful violation under section 43(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

Sections 35 and 43 of the Lanham Act, 15 U.S.C. §§ 1117, 1125, are set forth in their entirety in the appendix. Pet. App. 75a–89a.

STATEMENT

This petition presents a paradigmatic case for certiorari and an ideal vehicle to resolve an important and recurring question of federal law that has divided the lower courts. Section 35 of the Lanham Act provides that when a plaintiff establishes "a violation under section 43(a)"—as petitioner did here—he "shall be entitled" to recover, *inter alia*, the "defendant's profits," subject to principles of equity. 15 U.S.C. § 1117(a). Six circuits—the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh—hold that this provision does not require a showing of willfulness to award profits; the infringer's intent is merely a factor to be considered in fashioning an equitable remedy.

In square conflict with the above circuits, however, six circuits require a showing of willfulness. The Second, Eighth, Tenth, and District of Columbia Circuits require the plaintiff to establish willfulness before awarding profits under section 35(a). The First and Ninth Circuits likewise require proof of willfulness, but only in cases like this one, where the parties are not direct competitors. This Court's intervention is thus plainly warranted to resolve this conflict among the courts of appeals.

The issue at the heart of the conflict in the circuits was outcome-determinative here. The jury found that although respondents Fossil, Inc. and Fossil Stores I, Inc. (collectively, Fossil) had infringed petitioner Romag Fasteners, Inc.'s trademark rights, Fossil's infringement was not willful. Applying the law of the Second Circuit, the Federal Circuit accordingly held that Romag was precluded from receiving any of Fossil's profits.

The question presented is undeniably important. An award of infringer's profits is sometimes the only meaningful monetary relief that trademark owners can secure for infringement, since relief based on a plaintiff's actual damages is often difficult to obtain. Thus, in this case, because petitioner could not show actual damages, it recovered nothing from the infringement that occurred here. Profits awards also serve a vital deterrent purpose, protecting the public against counterfeit and falsely marked goods. An inflexible and extra-statutory willfulness requirement sets the bar too high, depriving mark holders of an important remedy and failing adequately to deter infringement.

The question presented occurs with remarkable frequency. Just in the last year, district courts on more than a dozen occasions across the country have addressed claims for infringer's profits and have continued to reach conflicting conclusions. Only this Court's intervention can restore uniformity on this important and frequently recurring question of federal law.

The Court should accordingly grant the petition for a writ of certiorari on the question whether a showing of willfulness is required for an award of infringer's profits under section 35(a). The Court should also hold the second question pending resolution of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927. *SCA Hygiene* concerns the extent to which laches may bar an award for patent infringement brought within the applicable statute of limitations. The Federal Circuit applied its precedent in *SCA Hygiene* to limit petitioner's recovery of patent damages in this case.

A. Statutory Framework

The Lanham Act makes "actionable the deceptive and misleading use of marks . . . to protect persons engaged in . . . commerce against unfair competition." Pub. L. No. 79-489, § 45, 60 Stat. 427, 444 (1946) (codified at 15 U.S.C. § 1127). To that end, Congress has prohibited a range of infringing conduct, provided a civil cause of action for private enforcement, and prescribed specific remedies for violations.

Section 43(a) is the most common provision used to enforce trademark rights. It prohibits false representations regarding the origin, endorsement, or association of goods through the use of another's distinctive mark. "[A]ny person who believes that he or she is or is likely to be damaged by such an act" may bring a "civil action" to recover damages. 15 U.S.C. § 1125(a).

Other provisions in section 43 protect mark holders from additional infringing conduct. Section 43(c), added in 1996, creates a federal cause of action for trademark dilution. Dilution is an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). In addition to an injunction against the diluting use, the famous-mark holder "shall also be entitled to the remedies set forth in [section 35(a)]," including the infringer's profits, but only upon a showing of willful trademark dilution. 15 U.S.C. § 1125(c)(5)(B). Section 43(d), added in 1999, prohibits "cyberpiracy." This subsection establishes civil liability where a person other than the trademark holder registers the Internet domain name of a well-known trademark with bad faith intent to profit from the mark.

Section 35 sets forth remedies for violations of sections 43(a), (c), and (d). Section 35(a) permits a mark holder who has established "a violation under section 43(a) or (d) of this title, or a willful violation of section 43(c)" to recover the defendant's profits, subject to principles of equity. 15 U.S.C. § 1117(a).

B. Factual and Procedural Background

1. Petitioner, Romag Fasteners, Inc., is a family business based in Orange, Connecticut. Romag sells patented magnetic snap fasteners under its registered trademark, ROMAG, for use as closures in wallets, handbags, and other leather goods. Howard Reiter, who serves as Romag's president, invented the snaps. He represents the fourth generation of hardware and fastener makers in his family.

Fossil designs, markets, and distributes fashion accessories, including handbags and small leather goods. Fossil does not manufacture its own products. Instead, Fossil contracts with factories outside the United States to produce its designs. Superior Leather Limited, which operates a factory in China, manufactured the Fossil products at issue in this case.

In 2002, Fossil and Romag entered into an agreement to use Romag fasteners in Fossil's products. Fossil agreed to instruct its manufacturers to purchase Romag fasteners from Wing Yip Metal Manufactory Accessories, Limited. Wing Yip is the sole authorized manufacturer of Romag fasteners in mainland China.

In 2010, Reiter discovered that certain Fossil handbags sold in the United States contained counterfeit snaps bearing the Romag mark.

2. On November 22, 2010, Romag brought suit in the United States District Court for the District of Connecticut against Fossil and retailers of Fossil products, including Macy's Inc. and Macy's Retail Holdings, Inc. (collectively, Macy's), for patent and trademark infringement. Pet. App. 3a. Romag alleged that the defendants knowingly adopted and

used the Romag mark, without Romag's consent, when selling Fossil handbags that contained magnetic snap fasteners bearing Romag's mark. Romag sought injunctive relief and monetary damages, including an accounting of the defendants' profits. At the outset of the case, the district court granted Romag's request for a temporary restraining order and preliminary injunction to prevent defendants from continuing to sell products that contained counterfeit snaps. Pet. App. 31a.

The district court held a seven-day jury trial in April 2014. On Romag's trademark claim, the jury found that Fossil had acted with callous disregard, but not willfully, in infringing Romag's trademark rights under section 43(a) of the Lanham Act. The jury awarded Romag $6,704,046 in Fossil's profits on a deterrence theory. Pet. App. 70a. In addition, the jury awarded Romag $90,759.36 in profits on a theory of unjust enrichment. On Romag's patent claim, the jury found that respondents had infringed Romag's patent and awarded royalties of $51,052.14 and $15,320.61 against Fossil and Macy's, respectively. Pet. App. 74a. The district court conducted a separate two-day bench trial on equitable defenses and remedies. *See* 15 U.S.C. § 1117(a) (setting forth the role of the court in adjusting the amount of recovery based on profits). As for the jury's award of Fossil's profits for trademark infringement, the district court held that "Romag is not entitled to any award of profits as a result of Plaintiff's failure to prove that Fossil's trademark infringement was willful." Pet. App. 55a.

In reaching this conclusion, the court noted the split of appellate authority over whether section 35 of the Lanham Act requires a showing of willful infringement in order to recover profits for a violation of section 43(a). The court held that it was "persuaded by those authorities that have concluded that a finding of willfulness remains a requirement for an award of defendant's profits in this Circuit" and struck Romag's profits award in its entirety. Pet. App. 60a. The district court permanently enjoined Fossil from importing, selling, or offering for sale Fossil products containing counterfeit Romag fasteners. Pet. App. 65a.

The court also reduced the jury's award for patent infringement. The court found that although Romag brought suit within the applicable limitations periods, Romag unreasonably delayed by waiting until November 2010, when Romag knew or should have known of respondents' infringement by June 2010. The court therefore applied laches and reduced Romag's patent royalties by 18% to exclude the five months of infringement that accrued between June and November 2010. Pet. App. 42a.

After trial, Romag moved for judgment as a matter of law against Macy's for trademark infringement. Romag argued that the jury's verdict against Fossil for trademark infringement necessarily established Macy's liability for the trademark violation, as well. See Pl.'s Mot. for J. as a Matter of Law and for a New Trial, *Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85 (D. Conn. 2014) (No. 3:10-cv-1827), ECF No. 472. The court agreed and granted judgment against Macy's, reasoning that the evidence established that Fossil bags sold at Macy's contained counterfeit snaps. Ruling on Post-Trial Mots. at 7, *Romag*, 29 F. Supp. 3d 85, ECF No. 480. Because of the court's prior ruling requiring willful infringement, however, it was not necessary for the court to revisit Romag's entitlement to an award of Macy's profits for trademark infringement.

Romag appealed to the Federal Circuit, which had exclusive appellate jurisdiction over the entire case because it involved a patent claim. 28 U.S.C. § 1295(a)(1).

3. The court of appeals affirmed. Pet. App. 1a–19a. As to laches, the court upheld the reduction of Romag's patent awards. The court held that its recent decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311 (Fed. Cir. 2015) (en banc), resolved that "laches remains a defense to legal relief in a patent infringement suit," notwithstanding this Court's decision in *Petrella v. Metro Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). *SCA Hygiene*, 807 F.3d at 1333. Romag conceded at oral argument that *SCA Hygiene* "answered the question for the Federal Circuit" but preserved its argument for this Court's review, anticipating that the plaintiffs in *SCA Hygiene* would seek certiorari from the Federal Circuit's decision. Oral Argument at 09:33, *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782 (Fed. Cir. 2016) (Nos. 2014-1856, -1857), http://goo.gl/UZJDjH.

The court further held that Romag was not entitled to an award of profits for Fossil's infringement. Pet. App. 19a. The Federal Circuit noted that this Court "has never addressed whether proof of willfulness is required to recover the infringer's profits." Pet. App. 5a. The court also extensively described the circuit split over the issue. Pet. App. 12a–14a.

The court then observed that the Second Circuit requires a showing of willfulness. The court explained that the Second Circuit has demanded such a showing, both before and after Congress amended the statute in 1999 to require a showing of willfulness in dilution cases, while declining to add that requirement in false representation cases such as this. Pet. App. 14a (citing, *inter alia*, *George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992), and *Merck Eprova AG v. Gnosis S.P.A.*, 760 F.3d 247 (2d Cir. 2014)). The Federal Circuit reasoned that while the Second Circuit had not explicitly analyzed the import of the 1999 amendment, it had nonetheless adhered to its pre-1999 precedent, and "nothing in the 1999 amendment . . . permits us to declare that the governing Second Circuit precedent is no longer good law." Pet. App. 14a–15a.

REASONS FOR GRANTING THE PETITION

I. The Courts of Appeals Are Intractably Divided Over Whether Willfulness Is Required to Recover Profits for Trademark Infringement

Every federal court of appeals has considered whether a plaintiff must show willfulness before recovering an infringer's profits for violations of section 43(a). The result—a deep and even split on a frequently recurring question—thwarts uniform application of federal trademark law. Certiorari is warranted to resolve this longstanding division among the federal circuits.

1. As the decision below acknowledged, six circuits do not require a showing of willfulness as a prerequisite to an award of profits for violations of section 43(a). In the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh circuits, the infringer's intent

is just one of several factors in a flexible analysis of the equities.

In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), the Fifth Circuit stated that "willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate." *Id.* at 349. But the court "decline[d] to adopt a bright-line rule" that would require willfulness as a prerequisite to recover profits. Instead, the court outlined a "factor based approach," under which a defendant's "intent to confuse or deceive" is just one consideration relevant to whether an award of profits is appropriate. *Id.* at 348–49.

The Third, Fourth, and Sixth Circuits have followed the Fifth Circuit's multifactor approach. In *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005), the Third Circuit held that "willfulness is a factor, not a prerequisite." *Id.* at 173–75. The Fourth Circuit in *Synergistic International, LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006), agreed that "although willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto." *Id.* at 175; *see also id.* at n.13. And the Sixth Circuit similarly has stated that willfulness is "not required," but rather "one element that courts may consider in weighing the equities." *Laukus v. Rio Brands, Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010).

Likewise, in the Eleventh Circuit, "an accounting of a defendant's profits is appropriate where (1) the defendant's conduct was willful and deliberate, (2) the defendant was unjustly enriched, *or* (3) it is necessary to deter future conduct." *Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 F. App'x 899, 902 (11th Cir. 2007) (emphasis added). The Seventh Circuit has also held that, "[o]ther than general equitable considerations, there is no express requirement that . . . the infringer wilfully [sic] infringe the trade dress to justify an award of profits." *Roulo v. Russ Berrie & Co., Inc.*, 866 F.2d 931, 941 (7th Cir. 1989).

In stark contrast with the decisions above, six circuits require a showing of willfulness in some form. Four circuits require willfulness in all cases—an approach that the Federal Circuit embraced in the decision below. In the Second Circuit "a finding of defendant's willful deceptiveness is a prerequisite for awarding profits." *Merck*, 760 F.3d at 261 (quoting *George Basch Co.*, 968 F.2d at 1537). The Tenth Circuit likewise "require[s] a showing that Defendant's actions were willful to support an award of profits under 15 U.S.C. § 1117(a)." *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005). In the Eighth Circuit, an accounting of profits is available only "[i]f a registered owner proves willful, deliberate infringement or deception." *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994). And the D.C. Circuit has held that "an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith." *ALPO Pet Foods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990).

The First and Ninth Circuits also require a showing of willfulness, but only in cases, like this one, where the plaintiff and defendant are not direct competitors. In *Tamko Roofing Products v. Ideal Roofing*, 282 F.3d 23 (1st Cir. 2002), the First Circuit explained that "an accounting of defendant's profits *where the products directly compete* does not require fraud, bad faith, or palming off." *Id.* at 36. But "when the rationale for an award of defendant's profits is to deter some egregious conduct," rather than as a proxy for the plaintiff's losses, "willfulness is required." *Id.* at 36 n.11; *see also Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) (describing the direct-competition context as a "primary exception" to the "usual[] require[ment]" of willfulness). The same rule is followed in the Ninth Circuit. *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073–74 (9th Cir. 2015) (observing willfulness requirement, but case involved both direct and indirect competitors); *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988 (9th Cir. 1995) (a plaintiff not in direct competition with the defendant may recover profits "only if the infringement was willful"); *see also M2 Software Inc. v. Viacom Inc.*, 223 F. App'x 654, 656 (9th Cir. 2007) (requiring willfulness in a trademark action brought by a software developer against a television network).

2. The square conflict in the circuits is widely acknowledged. Numerous courts, including the Federal Circuit below, recognize and describe the persistent division of authority. Pet. App. 12a–14a; *see also, e.g.*, *Masters v. U.H.S. of Del., Inc.*, 631 F.3d 464, 471 n.2 (8th Cir. 2011) ("A circuit split exists concerning whether a Lanham Act plaintiff must prove willful infringement . . . to be eligible for monetary damages under 15 U.S.C. § 1125(a)."); *W. Diversified Servs.*, 427 F.3d at 1273 n.1 ("[The willfulness] standard is not universally applied among the circuit courts."); *Quick Techs.*, 313 F.3d at 347–48 (cataloguing cases).

Academics have lamented the "schizophrenic view [in the circuits] of the remedy of an accounting of profits and the nefarious bad faith requirement." Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 864 (2002). Commentators regularly acknowledge the lack of consensus among the courts on whether willfulness is required. *See, e.g.*, David S. Almeling, *The Infringement-plus-equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. Intell. Prop. L. 205, 216–17 (2007); Kara L. Rossetti, *Intellectual Property Survey*, 77 Denv. U. L. Rev. 543, 551–52 (2000); Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. Intell. Prop. L. 245, 248–49 (2010). Many have called for this Court's review. *See, e.g.*, Almeling, *supra*, at 217; Blake R. Bertagna, *Poaching Profits*, 16 Tex. Intell. Prop. L.J. 257, 276–77 (2008); Rachel Anne Zisek, Note, *Where There's A Will, There's A Way: Reconciling Theories of Willful Infringement and Disgorgement Damages in Trademark Law*, 22 J. Intell. Prop. L. 463, 483 (2015).

Three leading treatises on trademark law and the Restatement of Unfair Competition agree that a persistent circuit split exists, and that this Court's intervention is necessary to break the deadlock. 3-14 Gilson on Trademarks § 14.03(6)(c)(i) ("Some courts hold that profits are available in a trademark infringement, unfair competition or cybersquatting case even if the defendant did not act willfully, but many require some level of willful behavior for such a monetary award."); McCarthy on Trademarks and Unfair Competition § 30.62 ("By 2005, a split of authority developed such that while most circuits required some showing of willfulness, [others] held that while relevant, willfulness was not essential or indispensable to a recovery of profits."); Kane on Trademark Law § 17:3.1 ("Some circuits require a showing of intentional or willful infringement before awarding defendants' profits. Other circuits do not."); Restatement (Third) of Unfair Competition § 37, cmt. e (1995) (discussing the disparate approaches). And two of these treatises disagree on the proper resolution of the question presented. *Compare* 3-14 Gilson on Trademarks § 14.03(6)(c)(i) (arguing that willfulness should not be a prerequisite to an award of infringers' profits), *with* McCarthy on Trademarks and Unfair Competition § 30.62 (contending that Section 35 contains an "indispensable prerequisite" of willful infringement for an award of profits).

In short, the division over whether a plaintiff must establish willful infringement to obtain an award of profits for violations of section 43(a) is stark, deep, and longstanding, with no prospect of resolution. That state of affairs is intolerable for a federal statute that should apply uniformly across the country. Only this Court can break the impasse.

II. The Question Presented Is Recurring, Important, and Squarely Presented

1. Trademark plaintiffs regularly seek awards of infringers' profits as one of the statutorily authorized remedies for infringement. The fact that all twelve geographic circuits have weighed in on the question presented—thirteen circuits including the decision below—vividly illustrates the recurring nature of this important issue. Last year alone, district courts

adjudicated dozens of claims for infringers' profits, reaching conflicting results.[1]

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[1] *See, e.g.*, *Novadaq Techs., Inc. v. Karl Storz GmbH & Co. K.G.*, No. 14-cv-04853, 2015 WL 9028123, at *2–3 (N.D. Cal. Dec. 16, 2015) (applying *Lindy Pen* and stating that "willful exploitation" is a requirement); *Zerorez Franchising Sys., Inc. v. Distinctive Cleaning, Inc.*, 103 F. Supp. 3d 1032, 1048–49 (D. Minn. 2015) (holding that a profits award was appropriate because the infringer acted in bad faith); *Tiffany & Co. v. Costco Wholesale Corp.*, 127 F. Supp. 3d 241, 259 (S.D.N.Y. 2015) (agreeing with a willfulness requirement); *Xiem Studio, LLC v. Nguyen*, No. 14-cv-1366, 2015 WL 3795852, at *4 (E.D. Mo. June 18, 2015) (holding that plaintiffs had failed to provide evidence of defendant's profits); *United States Soo Bahk Do Moo Duk Kwan Fed'n, Inc. v. Tang Soo Karate School, Inc.*, No. 12-cv-00669, 2015 WL 4920306, at *34 (M.D. Pa. Aug. 17, 2015) (applying *Banjo Buddies*' "factor-based approach"); *Greene v. Brown*, 104 F. Supp. 3d 12, 18 (D.D.C. 2015) ("Profits are available as a remedy for trademark infringement upon a showing of willfulness or bad faith."); *Steak n Shake Enters., Inc. v. Globex Co., LLC*, 110 F. Supp. 3d 1057, 1079 (D. Colo. 2015) (stating that the Tenth Circuit requires a showing of "either actual damages or willful action on the part of the defendant" and permitting plaintiffs to raise the issue at a status conference); *Oculu, LLC v. Oculus VR, Inc.*, No. 14-0196, 2015 WL 3619204, at *23 (C.D. Cal. June 8, 2015) (requiring a showing of willful infringement); *PODS Enters., LLC v. U-Haul Int'l, Inc.*, 126 F. Supp. 3d 1263, 1281–82 (M.D. Fla. 2015) (willfulness not required to award profits based on unjust enrichment); *Anhing Corp. v. Thuan Phong Co.*, No. 13-cv-05167, 2015 WL 4517846 (C.D. Cal. 2015) (adjudicating equitable defenses to jury award of profits based on willful infringement); *Fresh Del Monte Produce Inc. v. Del Monte Foods Co.*, No. 08-cv-8718, 2015 WL 5637547, at *1 (S.D.N.Y. Sept. 21, 2015) (noting that the jury had awarded profits based on willful violations of the Lanham Act); *River Light V, L.P. v. Lin & J Int'l, Inc.*, No. 13-cv-3669, 2015 WL 3916271, at *6–7 (S.D.N.Y. June 25, 2015) (defendants had amply established willfulness).

The ubiquity of this issue, combined with the discord in the circuit courts, highlights the pressing need for this Court's guidance now. Until this Court steps in, a trademark holder's eligibility to recover profits turns on where she filed suit. But Congress enacted the Lanham Act in the first place to harmonize the then-existing patchwork of trademark protections, H.R. Rep. No. 79-219, at 1–2, 4 (1945), and to ensure that trademark rights did not vary based on geography. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 (1992).

2. The question presented is critical to effectuating the objectives of the Lanham Act:

> The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trademark owner.

H.R. Rep. 79-219, at 2. Resolving whether willfulness is a prerequisite to recover an infringer's profits is critical to the proper enforcement of the Lanham Act and the fulfillment of its objectives.

For the trademark holder, whether willfulness is required to recover an infringer's profits can determine whether the mark holder can obtain any monetary remedy for a trademark violation, as this case illustrates. Compensation based on the plaintiff's actual damages is often difficult to obtain. Many courts require a plaintiff to prove actual consumer confusion or deception in order to receive damages. *See* McCarthy on Trademarks and Unfair Competition § 30:74; 3-14 Gilson on Trademarks § 14.03(3)(b). But "[i]n literally hundreds of cases, the courts have universally acknowledged that proof of actual confusion is extremely difficult, if not impossible, to secure." Keith M. Stolte, *Remedying Judicial Limitations on Trademark Remedies: Monetary Relief Should Not Require Proof of Actual Confusion*, 75 Denv. U. L. Rev. 229, 246 (1997); *see Fishman Transducers, Inc.*, 684 F.3d at 194 ("proving causation and amount are very difficult unless the two products directly compete," making trademark damages awards "comparatively rare"). Thus resolution of the question presented is often the difference between a meaningful recovery for trademark infringement and no recovery at all.

3. This case is an ideal vehicle to resolve the conflict in the circuits. The issue is squarely presented and outcome-determinative. The Federal Circuit held that "Romag is not entitled to recover Fossil's profits, as Romag did not prove that Fossil infringed willfully." Pet. App. 19a. The same result would have occurred had Romag brought this suit in the First, Eighth, Ninth, Tenth, or D.C. Circuits.

In contrast, if Romag had filed suit in any of the six circuits that do not impose a rigid and extra-statutory prerequisite of willful infringement, Romag would have been entitled to some or all of the jury's $6.7 million award against Fossil—along with a possible award of Macy's profits—under a flexible balancing approach. In awarding profits under a deterrence rationale, the jury necessarily found that Fossil had acted with "callous disregard" for Romag's trademark rights and had "turned a blind eye to the use of counterfeit snap fasteners" over an extended period of time. *See* Jury Instructions at 23, *Romag*, 29 F. Supp. 3d 85, ECF No. 410. These factors would have been sufficient to sustain a profits award against Fossil, but for the lower courts' imposition of a willfulness requirement that precluded Romag from obtaining any monetary relief for trademark infringement.

The fact that the decision below applied Second Circuit precedent is no impediment to review. In *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394 (2006), this Court granted certiorari to review the proper interpretation of Federal Rule of Civil Procedure 50 where the Federal Circuit applied Tenth Circuit law. It is thus irrelevant that future panels of the Second Circuit are not bound by the decision below. Even if the Second Circuit abruptly reversed course and later held that willfulness is not a prerequisite to a profits award, the circuit split would not evaporate; it would merely shift from 6-6 to 7-5. Moreover, with the law as it stands, the Federal Circuit will apply different rules to identical facts, depending on where the case originated. This is of particular consequence given that the Federal Circuit regularly handles trademark claims, which often are brought in conjunction with patent claims over which the Federal Circuit exercises exclusive jurisdiction.

In sum, this case presents a clean opportunity for this Court to address a question that has divided the lower courts across the country for nearly three decades. A decision in Romag's favor—holding that

Romag may be entitled to an award of infringers' profits, despite the jury's finding of no willful infringement—would conclusively resolve a deep, intractable circuit split and restore uniformity to federal trademark law. The Court should grant the petition to resolve the deep and longstanding division on this important issue.

III. The Decision Below Is Wrong

Review is also warranted because the decision below erroneously held that section 35 requires a plaintiff to establish willful infringement in order to obtain an award of profits for a violation of section 43(a). In reaching this conclusion, the court brushed aside the plain text of the statute, grafting onto section 35 a scienter requirement that Congress did not impose.

Section 35 requires a plaintiff seeking infringer's profits to establish willfulness only for violations of section 43(c). *Banjo Buddies*, 399 F.3d at 174; *see also Synergistic*, 470 F.3d at 175 n.13; *Quick Techs.*, 313 F.3d at 348. The statute provides that a plaintiff is entitled, subject to principles of equity, to recover infringer's profits if the holder proves "a violation under section 43(a) or (d) of this title, or a willful violation under 43(c) of this title. . . ." 15 U.S.C. § 1117(a).

Nowhere in the text is willfulness required for violations of section 43(a). Far from imposing any bright-line willfulness prerequisite, Congress authorized courts to award infringer's profits under section 35(a) simply "subject to the principles of equity." *Quick Techs.*, 313 F.3d at 349. And Congress drew no distinction between cases that involve direct competitors and those that do not. Thus, the plain text authorizes courts in *all* trademark infringement cases to consider willfulness merely as "an important factor" when determining whether an award of infringer's profits is appropriate. *Id.*

Congress certainly knew how to require willfulness when it so desired. Section 35 explicitly requires a showing of willfulness for violations of section 43(c), evincing Congress's intent not to require willfulness for violations of other provisions. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello v. United States*, 464 U.S. 16, 23 (1983). The inclusion of the word "willful" before the phrase "violation under section 43(c)" but not before "violation under section 43(a) or (d)" thus conclusively "indicates that Congress intended to condition monetary awards for § 43(c) violations, but not § 43(a) violations, on a showing of willfulness." *Banjo Buddies*, 399 F.3d at 174. Indeed, numerous other provisions of the Lanham Act expressly condition recovery on a finding of bad faith or willfulness. *See, e.g.*, 15 U.S.C. § 1125(d)(1)(A) (imposing civil liability on a person who registers or uses a domain name identical or confusingly similar to a mark owned by another person, with "bad faith intent to profit from that mark"); *id.* § 1114(2) (exempting "innocent infringers" who are "engaged solely in the business of printing the mark or violating matter for others" from monetary damages).

The court below ignored the statute's straightforward command, failing even to cite the applicable statute until late in its analysis. Pet. App. 11a.

Instead, the Federal Circuit surmised that Congress's addition of the word "willful" in 1999 for profits awards in trademark dilution cases under section 43(c) served only the limited purpose of correcting a latent drafting error regarding remedies for trademark dilution that Congress introduced in 1996. Pet. App. 15a & n.7. But regardless of the purpose of the 1999 change to the statute, the fact remains that the text requires willfulness for violations of only section 43(c), not section 43(a).

A willfulness requirement would also undermine the Lanham Act's objectives. The availability of an award of infringer's profits provides an important alternative means of compensating the trademark owner for its injuries—a remedy that cannot be effectuated by a forward-looking injunction alone. At the same time, an award of profits protects the public by depriving the infringer of the benefits of past violations and by providing a powerful deterrent to future infringement.

Imposing a willfulness requirement on profits awards defeats all of these goals. A plaintiff who cannot establish willful infringement may be unable to obtain any monetary compensation, even though it has established trademark infringement. A willfulness prerequisite allows an infringer who acts negligently—or even, as here, with "callous disregard" for the trademark owner's rights—to escape liability while profiting handsomely from the use or sale of counterfeit goods. Indeed, in the context of awards of enhanced damages for patent infringement, this Court has rejected "unduly rigid" threshold requirements that "insulat[e] some of the worst . . . infringers from any liability." *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1932

(2016). Conditioning profits awards on willfulness provides inadequate incentives for distributors of consumer products to monitor their supply chains for counterfeit items. Indeed, it reverses the incentives, encouraging distributors to turn a blind eye to counterfeiting.

Particularly in the face of the decentralization of supply networks and the practical difficulties that mark holders face in vindicating their rights abroad, it is essential that U.S. trademark laws adequately protect the intellectual property rights of mark holders. Section 35 ensures that a mark holder has access to monetary remedies when goods manufactured in foreign factories contain counterfeit components and constituent materials. A willfulness requirement for an award of infringer's profits conflicts with the statutory text and impedes the purposes of the Lanham Act.

IV. The Court Should Hold the Second Question Presented Pending Disposition of *SCA Hygiene*

The Court should hold the second question presented pending resolution of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927. On May 2, 2016, this Court granted certiorari in *SCA Hygiene* to consider the extent to which the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statute of limitations, 35 U.S.C. § 286. *SCA Hygiene*, 136 S. Ct. 1824 (2016).

In the proceedings below, Fossil and Macy's raised a laches defense to Romag's claim of patent infringement. *See* Pet. App. 35a. Romag argued that the defendants could not invoke laches because Romag had brought its patent claim within the statute of limitations. Pet. App. 37a; *see also* Pet. App. 4a–5a (noting Romag's reliance on *Petrella*, 134 S. Ct. 1962). During the pendency of Romag's appeal, the Federal Circuit held en banc in *SCA Hygiene* that laches is a defense to legal relief in a patent case. Romag acknowledged at oral argument that *SCA Hygiene* "answers the question for this Circuit" but preserved its objection in anticipation of this Court's review of the issue. Oral Argument at 09:33, *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782 (Fed. Cir. 2016) (Nos. 2014-1856, -1857), http://goo.gl/UZJDjH.

This Court "regularly hold[s] cases that involve the same issue as a case on which certiorari has been granted and plenary review is being conducted *in order that* (if appropriate) they may be 'GVR'd' when the case is decided." *Lawrence v. Chater*, 516 U.S. 163, 181 (1996) (Scalia, J., dissenting). Because this case raises the identical issue presented in *SCA Hygiene*—indeed, the decision below was controlled by *SCA Hygiene*—the Court should hold the second question presented by this petition.

CONCLUSION

The Court should grant the petition for a writ of certiorari and direct the parties to brief and argue the first question presented. The Court should hold the second question pending resolution of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927.

Respectfully submitted,

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Counsel for Petitioner

August 12, 2016

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ROMAG FASTENERS, INC.,

Plaintiff-Appellant

v.

FOSSIL, INC., FOSSIL STORES I, INC.,
MACY'S, INC., MACY'S RETAIL HOLDINGS, INC.,
BELK, INC., THE BON-TON STORES, INC.,
THE BON-TON DEPARTMENT STORES, INC.,
DILLARD'S, INC., NORDSTROM, INC.,
ZAPPOS.COM, INC., ZAPPOS RETAIL, INC.,

Defendants-Cross-Appellants

2014-1856, 2014-1857

Appeals from the United States District Court for the District of Connecticut in Nos. 3:10-cv-01827-JBA, 3:11-cv-00929-CFD, Judge Janet Bond Arterton.

Decided: March 31, 2016

JONATHAN FREIMAN, Wiggin and Dana LLP, New Haven, CT, argued for plaintiff-appellant. Also represented by TONIA A. SAYOUR, NORMAN H. ZIVIN, Cooper & Dunham, LLP, New York, NY.

JEFFREY E. DUPLER, Gibney Anthony & Flaherty, LLP, New York, NY, argued for defendants-cross appellants. Also represented by LAWRENCE BROCCHINI, Reavis Parent Lehrer LLP, New York, NY; LAUREN ALBERT, Law Offices of Lauren S. Albert, New York, NY; NICHOLAS GEIGER, Cantor Colburn LLP, Hartford, CT.

Before DYK, WALLACH, and HUGHES, *Circuit Judges.*

DYK, *Circuit Judge*.

Romag Fasteners, Inc. ("Romag") owns U.S. Patent No. 5,777,126 ("the '126 patent") on magnetic snap fasteners, which Romag sells under its registered trademark, ROMAG. Romag sued Fossil, Inc. and Fossil Stores I, Inc. (together, "Fossil"), along with retailers of Fossil products, alleging, *inter alia*, patent and trademark infringement. A jury found Fossil liable for both patent and trademark infringement and made advisory awards. The district court reduced the patent damages because of Romag's laches and held as a matter of law that Romag could not recover Fossil's profits for trademark infringement because the jury had found that Fossil's trademark infringement was not willful. We affirm.

BACKGROUND

Romag sells magnetic snap fasteners (for wallets, purses, handbags, and other products) under its registered trademark, ROMAG. The fasteners are also covered by the claims of Romag's '126 patent. Fossil designs, markets, and distributes fashion accessories, including handbags and small leather goods, and contracts with independent businesses to manufacture its products. In 2002, Fossil and Romag entered into an agreement to use ROMAG magnetic snap fasteners in Fossil products. Pursuant to the agreement, Fossil instructed its authorized manufacturers of handbags and other products to purchase, where necessary, ROMAG fasteners from Wing Yip Metal

Manufactory Accessories Limited ("Wing Yip"), a Romag licensee located in China that manufactures all of Romag's fasteners.

One of Fossil's authorized manufacturers, Superior Leather Limited ("Superior"), purchased tens of thousands of ROMAG fasteners from Wing Yip between 2002 and 2008. However, between August 2008 and November 2010, Superior purchased only a few thousand fasteners. In 2010, Howard Reiter, the founder and president of Romag, discovered that certain Fossil handbags contained counterfeit fasteners. Romag filed suit against Fossil on November 22, 2010, alleging patent infringement, trademark infringement, false designation of origin, common law unfair competition, and violation of Connecticut's Unfair Trade Practices Act. Romag moved for a temporary restraining order and preliminary injunction on November 23, 2010, three days before "Black Friday," the highest-volume shopping day in the United States (when the motion would have maximum impact on Fossil's sales).[1]

On April 4, 2014, after a seven-day trial, the jury returned a verdict finding Fossil liable for patent and trademark infringement. For patent infringement, the jury awarded a reasonable royalty of $51,052.14. For trademark infringement, the jury made an advisory award of $90,759.36 of Fossil's profits under an unjust enrichment theory, and $6,704,046.00 of Fossil's profits under a deterrence theory. But, despite determining as part of its deterrence-based award that Fossil had acted with "callous disregard" for Romag's trademark rights, the jury found that Fossil's patent

[1] On November 30, 2010, the district court granted Romag's motion for a temporary restraining order (later converted into a preliminary injunction), enjoining Fossil from selling or offering for sale Fossil handbags bearing counterfeit ROMAG fasteners.

and trademark infringement was not willful. After a two-day bench trial to address equitable defenses and equitable adjustment of the amount of profits awarded by the jury, the district court held that Romag's delay in bringing suit until just before "Black Friday" constituted laches, and reduced the jury's reasonable royalty award for patent infringement by 18% to exclude sales made during the period of delay.[2] The district court also held as a matter of law that, because Fossil's trademark infringement was not willful, Romag was not entitled to an award of Fossil's profits.

Romag appealed, and Fossil filed a conditional cross-appeal challenging the jury instructions as to the award of profits. We have jurisdiction under 28 U.S.C. § 1295(a)(1). We review the district court's legal conclusions de novo. *Arkema Inc. v. Honeywell Int'l, Inc.*, 706 F.3d 1351, 1356 (Fed. Cir. 2013). We apply our own law with respect to issues of substantive patent law and the law of the regional circuit with respect to non-patent issues. *Baden Sports, Inc. v. Molten USA, Inc.*, 556 F.3d 1300, 1304 (Fed. Cir. 2009).

DISCUSSION

I

We first address Romag's argument that Fossil cannot invoke a laches defense to patent infringement. Romag relies on the Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, which held that the equitable defense of laches cannot be invoked

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[2] Notably, in deciding whether to impose sanctions on Romag and its counsel, the district court found that Romag engaged in a pattern of misleading filings and that a declaration filed in support of a temporary restraining order was "misleading in several respects." J.A. 29–33.

as a defense against a claim for copyright infringement. 134 S. Ct. 1962, 1974 (2014). After briefing in this case, we held en banc that laches remains a defense to legal relief in a patent infringement case because "Congress codified a laches defense in 35 U.S.C. § 282(b)(1)." *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods.*, *LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015) (en banc). As Romag conceded at oral argument, *SCA Hygiene* controls here. The district court did not err in holding that Fossil could bring a laches defense to a patent infringement claim.

II

We next address Romag's contention that the district court erred in holding that a trademark owner must prove that the infringer acted willfully to recover the infringing defendant's profits.

A

Before 1999, § 35(a) of the Lanham Act, codified at 15 U.S.C. § 1117(a), provided that plaintiffs who had established "a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section § 1125(a) of this title . . . 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." 15 U.S.C. § 1117(a) (1996) (emphasis added) (amended 1999).

The Supreme Court has never addressed whether proof of willfulness is required to recover the infringer's profits either as a matter of traditional equitable principles or under the pre-1999 version of § 1117(a). The closest the Court came was in a pre-Lanham Act decision, *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42 (1900). There, the Court held that, under the common law, "an injunction should issue against [three trademark infringers], but that, as [one defendant] appears to have acted in good faith, and the sales of the other[] [defendants] were small, they should not be required to account for gains and profits." *Id.* at 42–43. In contrast, in *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, another pre–Lanham Act decision, the Court affirmed an accounting of the infringer's profits where the "defendant [did] not stand as an innocent infringer" but, rather, "the findings of the court of appeals, supported by abundant evidence, show[ed] that the imitation of complainant's mark was fraudulent, [and the defendant] persiste[d] in the unlawful simulation in the face of the very plain notice of [the trademark owner's] rights." 240 U.S. 251, 261 (1916); *see also McLean v. Fleming*, 96 U.S. 245, 257 (1877) (reversing an award of an accounting of profits where "acquiescence of long standing [was] proved . . . and inexcusable laches in seeking redress" and explaining that an accounting is "constantly refused . . . in case[s] of acquiescence or want of fraudulent intent").

The *Restatement of Unfair Competition*, beginning with a tentative draft approved in 1991 and as eventually adopted in 1993, took the position that "[o]ne . . . is liable for the net profits earned on profitable transactions resulting from [trademark infringement], but only if . . . the actor engaged in the conduct with the intention of causing confusion or deception." *Restatement (Third) of Unfair Competition* § 37(1) (1995); *Restatement (Third) of Unfair Competition* § 37(1) (Tent. Draft. No. 3, 1991). Before 1999, however, there was a division in the courts of appeals as to whether willfulness was required under the "principles of equity" standard adopted in the statute.

Several courts of appeals determined that a finding of willfulness was required for an award of the defendant's profits. Among these was the Second Circuit, whose law governs here. The Second Circuit took the view that "under [15 U.S.C. § 1117(a)] of the Lanham Act, a plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting." *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992); *see also Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger*, *U.S.A.*, *Inc*., 80 F.3d 749, 753 (2d Cir. 1996) ("In order to recover an accounting of an infringer's profits, a plaintiff must prove that the infringer acted in bad faith."). The Second Circuit reasoned that "this requirement is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases. While damages directly measure the plaintiff's loss, *defendant's* profits measure the defendant's gain. Thus, an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense." *Id.* (citing the *Restatement (Third) of Unfair Competition* § 37 cmt. e (Tent. Draft. No. 3, 1991)). And, in the Second Circuit, while "a finding of willful deceptiveness is necessary in order to warrant an accounting for profits . . . it may not be sufficient"—

> generally, there are other factors to be considered. Among these are such familiar concerns as: (1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) plaintiff's laches; and (5) plaintiff's unclean hands. The district court's discretion lies in assessing the relative importance of these factors and

> determining whether, on the whole, the equities weigh in favor of an accounting. As the Lanham Act dictates, every award is "subject to equitable principles" and should be determined "according to the circumstances of the case."

George Basch, 968 F.2d at 1540–41 (citations omitted).

Before the 1999 amendment, the District of Columbia Circuit also held that "an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith," *ALPO Petfoods*, *Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) (Thomas, J.), as did the Third Circuit, *SecuraComm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3d Cir. 1999) (Alito, J.) ("[A] plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable."), *overruled by Banjo Buddies, Inc. v. Renosky,* 399 F.3d 168, 175 (3d Cir. 2005), and the Tenth Circuit, *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (an award of profits requires proof that "defendant's actions were willful or in bad faith").[3]

But the willfulness requirement was not uniformly adopted. The Fifth Circuit held that "whether the defendant had the intent to confuse or deceive" is simply a "relevant factor[] to the court's determination of whether an award of profits is appropriate." *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir.

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[3] *See also Aktiebolaget Electrolux v. Armatron Int'l*, *Inc.*, 999 F.2d 1, 6 (1st Cir. 1993) ("[D]amages have never been allowed under the deterrence or unjust enrichment theories absent some form of fraud.") (internal quotation marks omitted); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1406 (9th Cir. 1993) (an accounting of profits was not justified where a "trademark was weak and Bic's infringement was unintentional").

1998); *see also Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) ("Other than general equitable considerations, there is no express requirement that . . . the infringer wilfully infringe the trade dress to justify an award of profits."); *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595, 607 (6th Cir. 1991) (holding that the plaintiff is not required to prove actual confusion to recover profits, and quoting the Seventh Circuit rule that "there is no express requirement . . . that the infringer willfully infringe . . . to justify an award of profits") (internal quotation marks omitted) (quoting *Roulo*, 886 F.2d at 941); *Burger King Corp. v. Mason*, 855 F.2d 779, 781 (11th Cir. 1988) ("Nor is an award of profits based on either unjust enrichment or deterrence dependent upon a higher showing of culpability on the part of the defendant, who is purposely using the trademark.").

Romag argues that *George Basch* and other pre-1999 authority requiring willfulness are no longer applicable in light of the 1999 statutory amendment to the Lanham Act.

Understanding the 1999 amendment requires starting in 1996. Before 1996, and at the time of the Second Circuit's decision in *George Basch*, the monetary relief provisions of the Lanham Act permitted recovery only for violations of § 1125(a), i.e., trademark infringement and false advertising. In 1996, Congress amended the Lanham Act to create a cause of action for trademark dilution, providing for injunctive relief and also monetary relief if the dilution was "wilfully intended." *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat.

985, 985–86 (1996) (codified at 15 U.S.C. § 1125(c) (1997)).[4]

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[4] Section 1125, as amended in 1996, provided,

(a) Civil action

(1) Any person who, on or in connection with any goods or services . . . , uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, . . . as to the affiliation, connection, or association of such person with another person . . . or,

(B) in commercial advertising or promotion, misrepresents the nature . . . of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action . . . .

(b) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States . . . .

<u>(c) Remedies for dilution of famous marks</u>

<u>(1) The owner of a famous mark shall be entitled, subject to the principles of equity . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . .</u>

<u>(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 [(i.e., destruction of infringing articles)] of this title, subject to the discretion of the court and the principles of equity. . . .</u>

15 U.S.C. § 1125 (1997) (1996 amendment underscored).

But the effort to award monetary relief for willful dilution was ineffective because the new dilution provision made available "the remed[y] set forth in section[] 1117(a)" without amending § 1117(a) to provide for such monetary remedies in the case of dilution. *Id.* In 1999, Congress amended § 1117(a) to correct this error. *See* Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219.[5] The current version of § 1117(a) reads,

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

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[5] The 1999 amendment substituted the phrase "a willful violation under [section 1125(a)] of this title, or a willful violation under [section 1125(c)] of this title," for "a violation under [section 1125(a)] of this title." Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219. Later in 1999, Congress amended § 1117(a) to insert ", (c), or (d)" after "[section 1125(a)]" in the first sentence. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3003, 113 Stat. 1501, 1501A-549 (1999). In 2002, Congress removed the redundant reference by substituting "a violation under [section 1125(a)] or (d) of this title," for "a violation under [section 1125(a)], (c), or (d) of this title." Intellectual Property and High Technology Technical Amendments Act of 2002, Pub. L. No. 107-273, § 13207(a), 116 Stat. 1758, 1906.

15 U.S.C. § 1117(a) (2014) (new language added by 1999 amendment underscored).

Romag contends that the 1999 change made clear that "Congress chose to make willful infringement a prerequisite to recovery of monetary relief for trademark *dilution*," but when "Congress chose not to insert 'willful' before 'violation under section 43(a) [1125(a)],' [it] made plain that it did not intend willful infringement to be a prerequisite to recovery of monetary relief for the other types of infringement covered by that section, including the sale of counterfeits." Appellant's Br. at 37.

This argument has had varied success in the courts of appeals. After the 1999 amendment, the Fifth Circuit continued to hold that willfulness is not a prerequisite to an award of infringer's profits for violations of § 1125(a). *See Quick Techs., Inc. v. Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) ("In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits."). The Third Circuit reversed course, holding that the 1999 amendment barred a willfulness requirement, *see Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005) ("By adding this word ['willful'] to the statute in 1999, but limiting it to [§ 1125(c)] violations, Congress effectively superseded the willfulness requirement as applied to [§ 1125(a)]."), and the Fourth Circuit held that a finding of willfulness is not required, *see Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006) ("[A]lthough willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto."); *see also Laukus v. Rio*

Brands, *Inc.*, 391 F. App'x 416, 424 (6th Cir. 2010) ("Although showing willfulness is not required, willfulness is one element that courts may consider in weighing the equities.").

Other courts of appeals considering the issue found a willfulness requirement for an award of the infringer's profits. *See Fifty-Six Hope Rd. Music*, *Ltd. v. A.V.E.L.A.*, *Inc.*, 778 F.3d 1059, 1073–74 (9th Cir. 2015) ("Awarding profits is proper only where the defendant is attempting to gain the value of an established name of another. Willful infringement carries a connotation of deliberate intent to deceive.") (quoting *Lindy Pen*, 982 F.2d at 1406), *cert. denied*, 136 S. Ct. 410; *M2 Software Inc. v. Viacom Inc.*, 223 F. App'x 653, 656 (9th Cir. 2007) (characterizing the argument that the 1999 amendment negated the willfulness requirement as a "shaky assumption"); *see also Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) ("[O]ur cases usually[, with the exception of direct competition cases,] require willfulness . . . to allow either (1) more than single damages or (2) a recovery of the defendant's profits."); *W. Diversified Servs.*, *Inc. v. Hyundai Motor Am.*, *Inc.*, 427 F.3d 1269, 1270 (10th Cir. 2005) ("We hold that the willfulness required to support an award of profits under the Lanham Act typically requires an intent to appropriate the goodwill of another's mark."); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30.62 (2015) ("Th[e] reading of Congressional intent [as removing the willfulness requirement] is inaccurate. In fact, the 1999 amendment of Lanham Act § 35(a) was not intended to change the law by removing willfulness as a requirement for an award of profits in a classic infringement case, but rather was meant to correct a drafting error

. . . . The courts have leveraged this statutory change beyond its intended scope . . . .”).

Critically important for us, however, is the rule followed in the Second Circuit. Contrary to Romag’s argument, the willfulness rule was reaffirmed by the Second Circuit. In *Merck Eprova AG v. Gnosis S.p.A.*, a district court found that Gnosis had misrepresented the purity of certain nutritional supplement products and was liable for violating section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). 760 F.3d 247, 252–53 (2d Cir. 2014). The district court found that Gnosis had willfully deceived its customers and awarded Gnosis’s profits to prevent its unjust enrichment, to compensate Merck for the business it lost as a result of Gnosis’s false advertising, and to deter future unlawful conduct. *Id.* at 262. The Second Circuit restated its rule that “a finding of defendant’s willful deceptiveness is a prerequisite for awarding profits,” *id.* at 261 (quoting *George Basch*, 968 F.2d at 1537), and affirmed the district court’s award of profits, as “willful, deliberate deception [had] been proved,” *id.* at 262.

While the Second Circuit has not directly addressed the 1999 amendment,[6] we see nothing in the 1999

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[6] *See Fendi Adele, S.R.L. v. Ashley Reed Trading, Inc.*, 507 F. App’x 26, 31 (2d Cir. 2013) (noting that “some of our sister circuits [held] that a 1999 amendment to the Lanham Act changed the governing rule” regarding willfulness, but “assuming arguendo that [the trademark owner] [was] still required to prove willfulness” and finding that the district court properly determined that the defendant willfully infringed).

The Eighth Circuit has also recognized the question presented by the 1999 amendment but has not yet resolved the issue. *See Masters v. UHS of Del., Inc.*, 631 F.3d 464, 471 n.2 (8th Cir. 2011) (acknowledging the issue of the “effect of amendments to the Lanham Act Congress made in 1999” but “assum[ing], without amendment that permits us to declare that the governing Second Circuit precedent is no longer good law.

First, the limited purpose of the 1999 amendment was simply to correct an error in the 1996 Dilution Act. The legislative history of the Trademark Amendments Act of 1999 does not indicate that Congress contemplated its addition of "or a willful violation under section § 1125(c)," as affecting any change to the willfulness requirement for violations of § 1125(a). *See* H.R. Rep. No. 106-250, at 6 (1999). Rather, the legislative history indicates only that Congress sought to correct the mistaken omissions, from the text of 15 U.S.C. §§ 1117(a) and 1118, of willful violations of § 1125(c). *Id.* [7] In short, there is no indication that Congress in 1999 intended to make a change in the law of trademark infringement as opposed to dilution. The history does not even acknowledge the pre-1999 split

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deciding, that willful infringement is a prerequisite of monetary relief").

[7] The House Judiciary Committee Report stated,

> [s]ection three seeks to clarify that in passing the [Federal Trademark] Dilution Act, Congress did intend to allow for injunctive relief and/or damages against a defendant found to have wilfully intended to engage in commercial activity that would cause dilution of a famous mark. . . . The language of the Dilution Act presented to the President for signing did not include the necessary changes to sections 35(a) [1117(a)] and 36 [1118] of the Trademark (Lanham) Act of 1946 as referred to in the Dilution Act. Therefore, in an attempt to clarify Congress' intent and to avoid any confusion by courts trying to interpret the statute, section three makes the appropriate changes to sections 35(a) [1117(a)] and 36 [1118] to allow for injunctive relief and damages.

See H.R. Rep. No. 106-250, at 6.

in the courts of appeals on the willfulness requirement for a recovery of infringer's profits, much less indicate a desire to change it. Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict. *See Dir. of Revenue of Mo. v. CoBank ACB*, 531 U.S. 316, 323–24 (2001) ("[I]t would be surprising, indeed, if Congress . . . made a radical—but entirely implicit—change . . . [with a] 'technical and conforming amendment[].'") (citation omitted); *Whitman v. Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001) (Congress does not "hide elephants in mouseholes.").

Second, the language of the statute as to infringement liability remained unchanged with regard to the award of profits under the "principles of equity." 15 U.S.C. § 1117(a). By reenacting that standard, Congress could not have ratified a consistent judicial construction of § 1117(a) because there was a split in the courts of appeals, at the time of the 1999 amendment, as to the willfulness requirement. *See Jama v. Immigration & Customs Enf't*, 543 U.S. 335, 349 (2005) (holding that Congress could not have ratified a "settled construction" of a statute, because there was no "judicial consensus so broad and unquestioned that we must presume Congress knew of and endorsed it"); *Metro. Stevedore Co. v. Rambo*, 515 U.S. 291, 299 (1995) (no ratification where cases "were not uniform in their approach").

Third, the inserted language concerning willfulness in dilution cases does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement. The cases relied on by Romag where a negative pregnant was inferred involve statutory provisions enacted at the same time. *See, e.g.*, *Duncan v. Walker*, 533 U.S. 167, 172–73 (2001) (comparing 28 U.S.C. § 2244(d)(2) with §§ 2254(i), 2261(e), and 2264(a)(3), all enacted by the Antiterrorism and Effective Death Penalty Act of 1996, Pub. L. No. 104-132, 110 Stat. 1214 (1996)); *see also Bates v. United States*, 522 U.S. 23, 29 (1997) (comparing two provisions "enacted at the same time"). The evolution of § 1117(a) is more comparable to when two closely related statutes are enacted at different times. *See Merck & Co., Inc. v. Reynolds*, 559 U.S. 633, 647 (2010); *id.* at 656 (Scalia, J., concurring). We do not think that Congressional intent can be inferred from an amendment passed years after the fact to address a drafting error. *See* H.R. Rep. No. 106-250, at 6 (1999).

In any event, the "willful violation" language added in 1999 to cover dilution cannot simply be explained as a desire to distinguish dilution cases from violations of § 1125(a) for purposes of profits awards. The "willful violation" language was necessary to distinguish dilution cases from, *inter alia*, infringement cases in the area of damages (as opposed to profits), since it was established in the courts of appeals that willfulness was not required for damages recovery, *see* 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30.75 (2015), and Congress wished to limit damages awards for dilution to cases involving willfulness. So too, even with respect to awards of profits in dilution cases, the addition of "willful violation" was necessary to establish a uniform rule since the courts of appeals were divided as to the willfulness requirement in the infringement context, and silence might have generated a circuit split in the dilution area.

In sum, we see nothing in the 1999 amendment that allows us to depart from Second Circuit precedent requiring willfulness for the recovery of profits in infringement cases.

B

In a final effort to find support for its position in the Lanham Act, Romag argues that various other provisions of the Act assume that there is no willfulness requirement for the award of an infringer's profits. We are unconvinced. Section 1117(c) provides for statutory damages as an alternative to actual damages and profits for counterfeit marks, allowing a higher statutory award for willful use of counterfeit marks. Nothing can be inferred from this provision, particularly since it applies both to damages and profits, and then only in cases of counterfeiting. Similarly uninformative is the imposition of a fraud or bad faith requirement for the award of attorney's fees, *see Louis Vuitton Malletier S.A. v. LY USA*, *Inc.*, 676 F.3d 83, 108, 111 (2d Cir. 2012), and the two exceptions in § 1117(a) to monetary liability for two categories of innocent infringers—infringers who had no notice under § 1111, and certain "innocent infringers," e.g., those "engaged solely in the business of printing the mark" or a "publisher or distributor of [a] newspaper, magazine, or other similar periodical or electronic communication" with paid advertising matter containing the mark, § 1114(2)(A), (B). Romag also argues that "early bills that ultimately culminated in the Lanham Act explicitly provided that 'there shall be no recovery of profits from any defendant whose adoption and use of an infringing mark was in good faith . . . ,'" and that the absence of that language in the Lanham Act indicates that Congress rejected that limitation. Appellant's Br. at

51–52. We are not persuaded that this limitation in the proposed acts, reflecting the common law of trademarks, was not incorporated within the Lanham Act's "principles of equity" standard. *See*, *e.g.*, H.R. 13109, 70th Cong. § 30 (1928) ("[T]his Act is declaratory of the common law of trademarks . . . and in case of doubt its provisions are to be construed accordingly.").

We conclude that the 1999 amendment to the Lanham Act left the law where it existed before 1999—namely, it left a conflict among the courts of appeals as to whether willfulness was required for recovery of profits. We accordingly follow the Second Circuit's decision in *George Basch* as reaffirmed in *Merck*. Under that standard, we agree with the district court that Romag is not entitled to recover Fossil's profits, as Romag did not prove that Fossil infringed willfully.

III

Fossil submits a conditional cross-appeal challenging the jury instructions as to profits. Because we affirm, we do not reach the questions presented by the conditional cross-appeal.

AFFIRMED

COSTS

Costs to Fossil.

APPENDIX B

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

Civil No. 3:10cv1827 (JBA)

ROMAG FASTENERS, INC.,

Plaintiff,

v.

FOSSIL, INC., *et al.*,

Defendants.

June 27, 2014

MEMORANDUM OF DECISION

On April 3, 2014, after a seven-day trial, a jury returned a verdict finding Defendants Fossil, Inc. and Fossil Stores I, Inc. ("Fossil") liable for trademark infringement, false designation of origin, state common law unfair competition, and violation of the Connecticut Unfair Trade Practices Act ("CUTPA"). (*See* Jury Verdict [Doc. # 417].) The jury also found Fossil and Macy's, Inc. and Macy's Retail, Inc. ("Macy's") liable for patent infringement. (*Id.*) The jury returned a verdict of no liability for the remaining defendants, and found that neither Fossil nor Macy's had willfully infringed Plaintiff Romag Fasteners, Inc.'s ("Romag") patent or trademark. (*Id.*) The jury made an advisory award of $90,759.36 of Fossil's profits for trademark infringement under an unjust enrichment theory and $6,704,046.00 of Fossil's profits for trademark infringement under a deterrence theory and determined that one percent of Fossil's profits were attributable to its infringement of the ROMAG mark. (*Id.*) Finally, the jury awarded a reasonable royalty of $51,052.14 against Fossil and $15,320.61 against Macy's for patent infringement. (*Id.*)

The Court then held a two-day bench trial on April 8 and 9, 2014 to address "the equitable defenses of estoppel, acquiescence, unclean hands, and laches; the equitable adjustment of the amount of profits awarded by the jury; the calculation of punitive damages; treble damages; attorneys' fees; and the amount of statutory damages to be awarded," (Ruling Granting Mot. to Bifurcate [Doc. # 360] ¶ 15), as well as Romag's claim for a permanent injunction.[1] Defendants also asserted that Romag failed to mitigate its damages and sought sanctions as a result of Romag's conduct in procuring a temporary restraining order ("TRO") at the outset of this case. (*See* Defs.' Prop. Findings of Fact and Conclusions of Law [Doc. # 419] at 42–45.)

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[1] In their Proposed Findings of Fact and Conclusions of Law [Doc. # 419], Defendants address only the unclean hands and laches defenses, in addition to a newly asserted defense of failure to mitigate damages. Thus, this ruling will not address the defenses of acquiescence or estoppel. The issue of attorneys' fees, and any potential election of statutory damages by Romag will be addressed in separate rulings. This ruling also will not address the calculation of punitive damages, because the jury did not find such damages warranted in this case, nor will it address treble damages, because the jury found that Fossil's trademark infringement was not willful, and because Romag did not brief the issue in its Proposed Findings of Fact and Conclusions of Law [Doc. # 421] or its Trial Memorandum in Support of Damages [Doc. # 448].

For the following reasons, the Court concludes that Defendants have failed to establish that Romag is barred from relief by unclean hands or that Romag had a duty to mitigate its damages. However, the Court concludes that Defendants have established their laches defense and that the Court should impose sanctions. The Court further concludes as a matter of law that based on the jury's finding that the trademark infringement in this case was not willful, Romag is not entitled to recover an award of Fossil's profits associated with that infringement. Finally, a permanent injunction will enter against Fossil.

I. Findings of Fact

Based on the evidence presented during the seven-day jury trial and the two-day bench trial, the Court makes the following findings of fact with respect to the affirmative defenses and the other equitable issues in this case.

A. The Parties

Romag is a corporation organized under the laws of the State of Connecticut having a place of business in Milford, Connecticut. (Trial. Tr. Vol. VI [Doc. # 438] at 1398.) Howard Reiter founded Romag in 1996 and has served as its President ever since. (Trial Tr. Vol. I [Doc. # 433] at 79–80.) Romag manufactures magnetic snap fasteners that are protected by United States Patent No. 5,777,126 (the "'126 Patent") (*see* Pl.'s Ex. 1), which it owns by assignment (Trial Tr. Vol. VI at 1398–1401), and sells them under its registered trademark, "ROMAG," (*see* Pl.'s Ex. 2; Trial Tr. Vol. VI at 1398–1401). These snaps are manufactured in factories in China by a company called Wing Yip Metal Manufactory Accessories Limited ("Wing Yip"). (Defs.' Ex. 548; Trial Tr. Vol. I at 82–85, 121–25.) When Mr.

Reiter decided to manufacture ROMAG snaps in Hong Kong, he was looking for "a very deep relationship," and so in 1997 he started Wing Yip with Timmy Cheung, whose family had previously worked with Mr. Reiter's family. (Trial Tr. Vol. I at 122.) Although the companies are distinct legal entities, Mr. Reiter considers Mr. Cheung to be his business partner. (*Id.* at 122–23.) Wing Yip employs inspectors in its Chinese factories to monitor its production, but Romag also has its own inspectors in China, who work directly for Romag and are Mr. Reiter's "eyes and ears on the ground in China." (*Id.* at 111.)

All of the goods that Wing Yip manufacturers are made for Romag. (*Id.* at 123.) Pursuant to the License Agreement between these two companies, Wing Yip pays Romag a $0.05 royalty for every snap it sells. (Defs.' Ex. 548.) Wing Yip's first factory—Kong Yip—was located in mainland China. (Trial Tr. Vol. I at 124.) In 2004, Mr. Reiter and Mr. Cheung decided to open an additional factory, called Timake. (*Id.* at 125.) Mr. Reiter financed the construction of this factory, and purchased new equipment for production there. (*Id.* at 126–27.) The machinery used to make ROMAG snaps at Kong Yip was also transferred to Timake, which began producing ROMAG snaps in December 2007. (*Id.* at 127–28.) In early 2008, the workers at Kong Yip went on strike, the factory was shut down, and some of the manufacturing equipment there was seized. (*Id.* at 222.) Several former Wing Yip employees left the company at that time, and started a new manufacturing company known as Hechuang Metal Manufactory ("Hechuang"), which was not an authorized manufacturer of ROMAG snaps. (Pl.'s Ex. 27.)

Fossil is a corporation organized under the laws of the State of Delaware, having a place of business in

Richardson, Texas (Trial Tr. Vol. VI at 1398), which designs, markets, and distributes fashion accessories, including jewelry, handbags, and small leather goods, (Trial Tr. Vol. IV [Doc. # 436] at 899), and sells its products through its own retail stores and website, and through other retailers, including the Retailer Defendants: Macy's, Belk, Inc., The Bon-Ton Stores, Inc., The Bon-Ton Department Stores, Inc., Dillard's, Inc., Nordstrom, Inc., Zappos.com, Inc., and Zappos Retail, Inc., (Trial Tr. Vol. VI at 1400). Like Romag, Fossil does not manufacture its products itself, but rather, contracts with independent business entities to do so. (Pl.'s Ex. 47.) One of Fossil's independent authorized manufacturers is Superior Leather Limited a/k/a Dong Guan Red Lion Leather Products, Limited ("Superior"), which operates a factory in China. (*Id.*; Trial Tr. Vol. VI at 1401.) Superior manufactured the handbags at issue in this case on behalf of Fossil. (*Id.*) As Fossil's designated manufacturer, Superior, not Fossil, purchases the component parts for handbags, including the magnetic snaps used in the handbags at issue in this case. (Trial Tr. Vol. III [Doc. # 435] at 527–28.)

In 2002, Romag and Fossil entered into an agreement for the use of ROMAG magnetic snap fasteners in Fossil products. (Pl.'s Exs. 37–39; Trial Tr. Vol. I at 144–45.) Pursuant to the agreement, Fossil instructed its factories, where necessary, to purchase ROMAG snaps from Wing Yip. (Pl.'s Ex. 38; Trial Tr. Vol. I at 144.) Via Wing Yip, Romag has sold magnetic snaps to Superior for use by multiple designers and retailers since 2001. (Trial Tr. Vol. I at 138, 168.) Although Mr. Reiter was forwarded an email in July 2002 identifying Superior as a Fossil manufacturer (*see* Pl.'s Ex. 42), the invoices between Wing Yip and Superior would not typically have identified the orders as being specifically for Fossil (Trial Tr. Vol. I at 146–47.) From 2002 through 2008, Superior purchased tens of thousands of ROMAG snaps from Wing Yip for use in Fossil products. (Pl.'s Ex. 35.) However, between August 2008 and the commencement of this action, Superior purchased only a few thousand ROMAG snaps from Wing Yip. (*Id.*; *see also* Pl.'s Ex. 54.) On December 2, 2010, in response to Fossil's inquiries after this action commenced, Superior informed Fossil that it had purchased ROMAG snaps from a manufacturer that was "not the authorized licensee of Romag." (Pl.'s Ex. 53A.)

B. Prior Instances of Counterfeiting

Three years before the events at issue here, in November 2007, shortly before Thanksgiving, Mr. Reiter testified that he discovered that counterfeit ROMAG snaps were being used in handbags for sale at J.C. Penney. (Trial Tr. Vol. I at 231–32.) Mr. Reiter stated that he discovered these bags during a routine shopping trip to the J.C. Penney store near his office. (J.C. Penney Reiter Decl. [Doc. # 5] ¶¶ 8–9, *Romag Fasteners, Inc. v. J.C. Penney Co.* ("*Romag I*"), Civil No. 07cv1667 (JBA) (D. Conn. 2007).) On November 12, 2007, Romag's counsel in this action, Attorney Norman Zivin sent a cease and desist letter to J.C. Penney detailing the alleged counterfeiting. (Defs.' Ex. 557.) The next day, Romag filed suit against J.C. Penney, and on November 15, 2007, moved for a TRO and preliminary injunction enjoining J.C. Penney from selling the accused products. (*See* Compl. [Doc. # 1], Mot. for TRO [Doc. # 3], and Mot. for Prelim. Inj. [Doc. # 6], *Romag I*.) On November 28, 2007, after a hearing, this Court granted Romag's motion for a TRO and a Preliminary Injunction. (TRO Order [Doc. # 22], *Romag I*.) A few weeks later, the parties reached a settlement in the suit and the TRO was dissolved. (Stip. Of Dismissal [Doc. # 30], *Romag I*.)

In November 2009, Romag again discovered the presence of counterfeit ROMAG snaps in the market, this time, on handbags being sold by DSW, Inc. ("DSW"). (*Id.* at 233). One of Mr. Reiter's employees received a bag with purchase at DSW and discovered that the bag contained a snap with the ROMAG mark. (*Id.*) On November 17, 2009, almost two years to the day from the last counterfeiting incident, Attorney Zivin sent a cease and desist letter to DSW demanding that it immediately discontinue the sale of the accused products. (Defs.' Ex. 560.) The two companies were able to reach a settlement agreement regarding the handbags before a civil action was initiated. (Defs.' Ex. 564.) Romag never informed Fossil about either incident, nor warned Fossil about the presence of counterfeit ROMAG snaps in the United States market. (Trial Tr. Vol. I at 232–34.)

C. Romag's Discovery of Counterfeiting by Fossil

On May 12, 2010, Mr. Reiter received an email from an unidentified former employee of Wing Yip who went by the name "Joe." (Pl.'s Ex. 27.) In the email "Joe" stated that another factory in China had been producing magnetic snap fasteners bearing the ROMAG mark without authorization. (*Id.*) On May 19, 2010, Mr. Reiter replied to the email, inquiring as to the identity of the factory and asking whether it was "the factory that many former workers from [W]ing [Y]ip went to." (*Id.*) Mr. Reiter further stated that the identity of the handbag maker using the snaps was the most important information for him because "it is hard for the law to work in [C]hina . . . easier in [the] USA." (*Id.*) On May 20, 2010, "Joe" responded to Mr. Reiter's queries, identifying Hechuang as the factory in question and attaching two Superior invoices to the email to indicate which manufacturer was purchasing the unauthorized snaps. (*Id.*) Mr. Reiter testified that the only brand that he knew to be associated with Superior at that time was the defunct Ruehl division of Abercrombie & Fitch, and that because Ruehl had ceased operations, he felt that contacting Abercrombie & Fitch about the email would be futile. (Trial Tr. Vol. I at 169–70.) Mr. Reiter testified that he did not search his email correspondence for any references to Superior when he received the email from "Joe" in May, but he did perform such a search in October or November, and found an email identifying Superior as a Fossil manufacturer. (Trial Tr. Vol. IX [Doc. # 442] at 1685–86.)

The next day, on May 21, 2010, Mr. Reiter contacted Attorney Zivin on four separate occasions. (Trial Tr. Vol. II [Doc. # 434] at 294–95; Defs.' Ex. 584.) Then, on May 24, 2010, Mr. Reiter's sister-in-law, Elissa Ellant Katz, contacted his wife—Jody Ellant, who is Romag's General Counsel, (Trial Tr. Vol. II at 295)—to report to Ms. Ellant that she had discovered ROMAG snaps on Fossil handbags at a Macy's store in Boca Raton, Florida, where she and her daughter had been shopping, (Trial Tr. Vol. I at 155; Trial Tr. Vol. IX at 1689). Ms. Ellant was concerned by this discovery because she did not believe that Fossil was a Romag customer, so she asked her sister to purchase several bags and send them to her in Connecticut. (Trial. Tr. Vol. I at 155, 157.) Ms. Ellant also went to the Macy's in Milford Connecticut and purchased additional Fossil bags containing ROMAG snaps. (*Id.* at 155; Trial Tr. Vol. IX at 1689–90.) Ms. Ellant told Mr. Reiter about her discovery and her suspicion that these were counterfeit snaps, but he assured her that

Fossil was a customer. (Trial Tr. Vol. I at 155–57.) Mr. Reiter testified that he did not suspect that the snaps were counterfeit because he knew Fossil was a customer. (*Id.* at 157–58.) Mr. Reiter testified that he put the bags that Ms. Katz and Ms. Ellant had purchased aside for several months. (Trial. Tr. Vol. II at 299.)

In July 2010, Mr. Reiter traveled to the Timake factory in China, but did not investigate the information he had received regarding counterfeit manufacturing at Hechuang at that time. (Trial Tr. Vol. I at 171–72.) Then, at the end of October, Mr. Reiter claims he suddenly had an epiphany that he should investigate the bags his wife and sister-in-law had purchased in connection with the alleged purchase of counterfeit snaps by Superior. (*Id.* at 174; Trial Tr. Vol. II at 299–300.) Mr. Reiter testified that he does not know what prompted him to make the connection between the alleged counterfeiting and the Fossil bags so suddenly at that time. (Trial Tr. Vol. I at 174–75.) He did not contact anyone at Fossil to report his initial suspicions. (Trial. Tr. Vol. II at 298.) Rather, Mr. Reiter contacted Wing Yip and asked for computer reports on Superior's purchases. (Trial Tr. Vol. I at 175.) Mr. Reiter had not investigated Wing Yip's sales records prior to this request, but gave no indication they were not previously available to him. (*Id.* at 240.) Mr. Reiter found that Superior's purchases of ROMAG snaps had dropped off precipitously in 2008 and decided to investigate further. (*Id.* at 177.) He personally inspected the snaps from the Fossil bags purchased by Ms. Katz and Ms. Ellant, and sent them to Wing Yip for testing. (*Id.* at 177–78.) After performing some testing on the snaps, Wing Yip reported that the snaps could not have been made with Wing Yip's tooling. (*Id.* at 178; Pl.'s Ex. 149.)

On November 8, 2010, Mr. Reiter emailed Doug Dyment at Fossil and requested information about which of Fossil's factories manufactured the types of handbags his wife and sister-in-law had purchased in May. (Pl.'s Ex. 28.) The email made no mention of Mr. Reiter's suspicions of counterfeiting. (*Id.*) Mr. Dyment replied via email that the information Mr. Reiter had requested was proprietary (*id.*), and in a subsequent phone conversation with Mr. Reiter that day, directed Mr. Reiter to the legal department if he had further questions. (Trial Tr. Vol. I at 183–84.) After this conversation, Mr. Reiter testified that he went to Macy's specifically to confirm his suspicions regarding counterfeiting by Fossil, and purchased several additional bags from Macy's and from a Fossil outlet store. (*Id.* at 202.) On November 17, 2010, exactly one year after he sent a cease and desist letter to DSW, Attorney Zivin sent a cease and desist letter to Fossil, demanding that Fossil suspend all sales of products containing the counterfeit snaps. (Ex. 32.) Fossil began an investigation of the allegations and confirmed that Superior had manufactured the bags in question. (Pl.'s Exs. 48–49, 665; Trial Tr. Vol. IX at 1697– 1705.)

D. The Commencement of this Action

On November 22, 2010, Romag commenced this action against Defendants Fossil and Macy's (Compl. [Doc. # 1]),[2] and the next day, moved [Doc. # 10] for a TRO and preliminary injunction. This motion was

[2] The other Retailer Defendants were later sued in a separate action, filed on June 9, 2011, that was combined with this case.

filed on the eve of "Black Friday,"[3] which is the highest volume shopping day in the United States and kicks off the holiday shopping season. (Trial. Tr. Vol. IV at 956; *see also* Reiter Decl. [Doc. # 12] ¶ 19 (noting that "it is, of course, a well-known fact that the holiday selling season is the busiest time of year for retailers.").) Mr. Reiter submitted a sworn declaration [Doc. # 12] in connection with that motion. Portions of this declaration bear a striking resemblance to the declaration Mr. Reiter filed in connection with the J.C. Penney TRO application. (*Compare* Reiter Decl. ¶¶ 8–9 *with* J.C. Penney Reiter Decl. ¶¶ 8–9.) The declaration makes no mention of the May 19, 2010 email, Ms. Katz's and Ms. Ellant's May 2010 purchases of Fossil bags, or Mr. Reiter's investigation into the connection between the two in late October and early November. Rather, the declaration implies that the November shopping trip was the result of "habit and custom." (Reiter Decl. ¶ 8.) In it, Mr. Reiter stated that he "was somewhat surprised that so many of the handbags . . . had [ROMAG] magnetic snap fasteners," (*id.*), and that he was "shocked to find that the magnetic snap fasteners on the Fossil handbags were counterfeits," (*id.* ¶ 9). These statements are inconsistent with Mr. Reiter's testimony at trial that he went to Macy's in November 2010 with the specific purpose of confirming his suspicions that Fossil was using counterfeit ROMAG snaps. (*See* Trial Tr. Vol. I at 202 ("Well, after we contacted Fossil, I wanted to be sure before we went to the next step that they were still in the stores and verify the existence of these Fossil bags with counterfeits being on the floor of some

[3] "Black Friday"—the Friday after Thanksgiving—fell on November 26th in 2010, a mere three days after Plaintiff's TRO application was filed.

stores. So I went to Macy's and I went to Fossil's outlet in Clinton, Connecticut, to check bags.").)

On November 30, 2010, Judge Droney,[4] granted Romag's motion for a temporary restraining order, and enjoined Fossil and Macy's from "selling or offering for sale Fossil Handbags bearing counterfeit [ROMAG] fasteners." (TRO Ruling [Doc. # 20] at 9.) Fossil worked with its employees and retailers to put a hold on all of the affected products and to prevent any items that had already been delivered to retailers from being sold to customers. (Trial Tr. Vol. IX at 1697–1705.) Because of the timing of the suit, this all had to be done during the busy holiday season, diverting workers from their other holiday sales tasks. (*Id.*) The inventory that Fossil ultimately had to remove from its sales channels was worth $4,148,093.39. (*Id.* at 1712; Defs.' Ex. 736.) If the TRO had been entered in May, when Mr. Reiter first received evidence of counterfeit sales to Superior, Fossil's tainted inventory would have been much smaller—Fossil estimates that its inventory in May would have been about half as valuable. (Trial Tr. Vol. IX at 1712–14.) Fossil also believes that it could have replaced its holiday inventory with non-infringing products if it had been notified of the counterfeiting by September 2010. (*Id.* at 1724–26.)

II. Conclusions of Law

Defendants have asserted the equitable defenses of unclean hands and laches as a bar to Plaintiff's recovery in this action, and argue that Plaintiff failed

[4] This case was assigned to several judges, including Judge Christopher Droney, Judge Mark Kravitz, Judge Stefan Underhill, and Judge William Young, before it was transferred to the undersigned for trial.

to mitigate its damages once it discovered the infringing conduct. Defendants also ask the Court to impose sanctions as a result of Plaintiff's deceptive conduct in procuring a TRO in this case. Finally, Defendants assert that the Court should vacate the jury's award of profits based on its finding that Fossil's trademark infringement was not willful, and argue that even if the Court concludes that Plaintiff may seek an accounting of profits absent a finding of willfulness, the equitable considerations in this case warrant a drastic reduction or elimination of the jury's award. Plaintiff counters that it is legally entitled to an accounting of profits absent a finding of willfulness and that the Court should increase the jury's award of profits based on a consideration of the equitable factors. Plaintiff further seeks a permanent injunction enjoining Fossil from further infringement and ordering it to destroy all counterfeit ROMAG snaps in its possession.

A. Unclean Hands

Defendants argue that Romag's unclean hands with respect to its delay in commencing suit and its submission of a false declaration to obtain a TRO "bars the equitable remedy of recovery of Defendants' Profits." (Defs.' Prop. Findings of Fact and Conclusions of Law at 37.) Plaintiff counters that in the context of a trademark action, the unclean hands doctrine applies only to a plaintiff's acquisition or use of a trademark, and not to litigation conduct. Plaintiff further denies that it acted inequitably with respect to the commencement of this action and the procurement of the TRO, and argues that even if its conduct could be the basis for an unclean hands argument, the balance of the equities weighs in favor of permitting recovery in this action.

"He who comes into equity must come with clean hands." *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945). "The 'clean hands' doctrine is 'far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant.'" *Motorola Credit Corp. v. Uzan*, 561 F.3d 123, 129 (2d Cir. 2009) (quoting *Precision Instrument Mfg. Co.*, 324 U.S. at 814). The Second Circuit has recognized that "the defense of unclean hands applies only with respect to the right in suit." *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 334 (2d Cir. 1983). "[T]he doctrine of unclean hands requires a balancing of the equities and the relative extent of each party's wrong upon the other and upon the public should be taken into account, and an equitable balance struck." *Patsy's Italian Rest., Inc. v. Banas*, 575 F. Supp. 2d 427, 461 (S.D.N.Y. 2008) *aff'd*, 658 F.3d 254 (2d Cir. 2011) (internal citations and quotation marks omitted). "Further, because trademark law also involves protecting the public's interest, courts typically only bar recovery under a theory of unclean hands when a plaintiff's conduct was egregious or clear, unequivocal and convincing." *Id.* (internal citations and quotation marks omitted).

Defendants rely on a case from the Tenth Circuit for the proposition that litigation conduct in a trademark action may be the basis for an unclean hands defense. In *Worthington v. Anderson*, 386 F.3d 1314, 1321 (10th Cir. 2004), the Tenth Circuit recognized that historically, two types of inequitable conduct are covered by the unclean hands doctrine: (1) "inequitable conduct toward the public, such as deception in or misuse of the trademark itself, resulting in harm to the public such that it would be wrong for a court of equity to reward the plaintiff's conduct by granting relief," and (2) "when the plaintiff has acted inequitably toward the defendant in relation to the trademark." *Id.* In *Worthington*, the plaintiffs had failed to pay off a loan on which the defendants were guarantors, making it difficult for the defendants to fully comply with an arbitral award granting ownership of the trademark in suit to the plaintiffs. *Id.* at 1320. The Tenth Circuit held that the plaintiffs' interference with the defendants' ability to comply with their legal obligations was a proper ground for an unclean hands defense. *Id.* at 1321–22. In so holding, the Tenth Circuit cited with favor *Federal Folding Wall Corp. v. Nat'l Folding Wall Corp.*, 340 F. Supp. 141, 146 (S.D.N.Y. 1971), in which the court held that where the plaintiff induced the trademark owner to cancel its license agreement with the defendant and to award a license to the plaintiff instead, unclean hands would operate to bar the plaintiff's recovery. *Id.*

However, neither of the cases cited by Defendants specifically held that a plaintiff's conduct in the course of the trademark litigation itself could be a proper basis for an unclean hands defense in such a suit. Rather, the weight of the authority in this Circuit holds that the inequitable conduct at issue must relate to the use or procurement of the trademark, rather than a position taken in the lawsuit. *See Jackson v. Odenat*, – F. Supp. 2d —, 2014 WL 1202745, at *17 (S.D.N.Y. Mar. 24, 2014) ("In the trademark context, the fraud or deceit must relate to plaintiff's 'acquisition or use' of the trademark." (quoting *Gidatex, S.r.L. v. Campaniello Imports, Ltd.*, 82 F. Supp. 2d 126, 131 (S.D.N.Y. 1999)); *Coach, Inc. v. Kmart Corporations*, 756 F. Supp. 2d 421, 429

(S.D.N.Y. 2010) ("[I]t is well settled in trademark law that the defense of unclean hands applies only with respect to the right in suit. Filing a trademark or trade dress infringement lawsuit, therefore, cannot be a basis for an unclean hands defense to that lawsuit because any bad faith or inequitable conduct in filing the lawsuit is unrelated to the plaintiff's acquisition or use of the trademark or trade dress." (internal citations and quotation marks omitted)). Here, Defendants do not allege that Romag engaged in any fraudulent or misleading conduct with respect to its registration or use of the ROMAG mark, or that Romag in any way acted inequitably with respect to Defendants' use of that mark. The sole basis for Defendants' unclean hands defense is that Plaintiff delayed filing suit to obtain a tactical advantage and then filed a misleading declaration with the Court once the suit had commenced in order to obtain specifically-timed emergency injunctive relief. Because these allegations are unrelated to Romag's use or acquisition of the ROMAG mark, Defendants' unclean hands defense to bar Plaintiff's recovery of Defendants' profits on the trademark infringement claim must fail.

B. Laches

Defendants also assert the equitable defense of laches, arguing that Plaintiff's delay in filing suit after receiving the May 19, 2010 email resulted in economic prejudice to Defendants and that Plaintiff should therefore be barred from recovery with respect to its trademark and patent claims. Romag counters that Defendants have failed to establish either unreasonable delay or economic prejudice, and that their claim for laches therefore fails.

1. Laches—Patent Claim

In the context of patent litigation the Federal Circuit has held that, "laches may be defined as the neglect or delay in bringing suit to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar." *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 128–29 (Fed. Cir. 1992) (en banc). "Laches bars relief on a patentee's claim only with respect to damages accrued prior to suit." *Id.* at 1041. "The application of the defense of laches is committed to the sound discretion of the district court." *Id.* at 1032. "With its origins in equity, a determination of laches is not made upon the application of 'mechanical rules.'" *Id.* "The defense, being personal to the particular party and equitable in nature, must have flexibility in its application. A court must look at all of the particular facts and circumstances of each case and weigh the equities of the parties." *Id.* (internal citations omitted).

To succeed on a laches defense a defendant bears the burden of establishing the following two factors by a preponderance of the evidence: "(1) the plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant, and (2) the delay operated to the prejudice or injury of the defendant." *Id.* at 1032, 1045. "A court must also consider and weigh any justification offered by the plaintiff for its delay." *Id.* at 1033. "A patentee may also defeat a laches defense if the infringer has engaged in particularly egregious conduct which would change the equities significantly in plaintiff's favor." *Id.* (internal citations and quotation marks omitted). "Thus, for laches, the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability must be weighed to determine whether the patentee dealt unfairly with the alleged infringer by not promptly bringing suit. In sum, a district court must weigh all pertinent facts and equities in making a decision on the laches defense." *Id.* at 1034.

Plaintiff argues that Defendants have failed to establish unreasonable delay. Specifically, Plaintiff claims that because its alleged delay is shorter than the six-year statute of limitations, Defendants are categorically barred from asserting the laches defense. However, in the patent context, the Federal Circuit has held that laches may be applied within the limitations period. *Id.* at 1030 ("First, Aukerman is in error in its position that, where an express statute of limitations applies against a claim, laches cannot apply *within* the limitation period."). Rather, the statute of limitations functions to create a presumption of laches where the delay is alleged to have lasted longer than the six-year limitation period. *Id.* at 1035. Therefore, although the alleged delay in this case lasted only for a period of months, the length of the delay does not operate as a per se bar to Defendants' laches defense.

"The length of time which may be deemed unreasonable has no fixed boundaries but rather depends on the circumstances. The period of delay is measured from the time the plaintiff knew or reasonably should have known of the defendant's alleged infringing activities to the date of suit." *Id.* at 1032. Despite Romag's assertion that it did not know of the alleged counterfeiting until late fall of 2010, the Court concludes that Romag knew or should have known of the use of counterfeit snaps in Fossil bags prior to that date. Mr. Reiter received an email communication from China informing him that Superior was selling counterfeit ROMAG snaps on May 21, 2010. (Pl.'s Ex. 27.) Although Mr. Reiter claims he did not immediately make the connection between Fossil and Superior, a prompt search of his email archive would have identified Superior as a Fossil manufacturer. (Trial Tr. Vol. IX at 1685–86.) Although Mr. Reiter testified that he did not know the bona fides of "Joe," he also contacted his longtime intellectual property counsel, Attorney Zivin, several times the day after he received the email about the counterfeiting at Superior. (Trial Tr. Vol. II at 294–95; Defs.' Ex. 584.) In recognition of Romag's attorney-client privilege, the Court declines Defendants' invitation to draw inferences regarding the content of those communications from their timing. However, the contact between Mr. Reiter and his attorney does establish that Romag had access to intellectual property counsel at that time to help thoroughly investigate and develop its legal claims of counterfeiting. Furthermore, three days after receiving the email, Ms. Ellant and Ms. Katz purchased multiple Fossil bags containing ROMAG snaps and Romag's General Counsel, Ms. Ellant, brought this news and the handbags to Mr. Reiter, expressing her suspicion that the snaps used could be counterfeits. (Trial Tr. Vol. I at 155–57; Trial Tr. Vol. IX at 1689.)

Despite having notice of possible sales of counterfeit snaps by Hechuang to Superior, having access to information tying Fossil, through Superior, to that counterfeiting, having actual possession of the infringing products, as well as having access to specialized legal counsel, all within one week, Mr. Reiter testified, inexplicably, that he drew no connection between his wife's concerns regarding the Fossil bags and the email alleging that Superior was purchasing counterfeit snaps. He offered no explanation for why he did not contact Romag's inspectors in China to investigate Hechuang, the counterfeiting allegations, or his wife's suspicions, or for why he failed to investigate these matters himself when he was in China at the Timake factory two months later in July 2010, where sales records would have disabused him of his belief that Fossil remained a purchaser of ROMAG snaps through authorized channels. Rather, Mr. Reiter claims to have had an epiphany in late October, the trigger for which he could not recall,[5] that led him to finally make the connection between the Fossil bags and the Superior invoices. Mr. Reiter's testimony does not ring true, especially in light of his prior track record of issuing cease and desist letters and seeking emergency relief on the eve of Black Friday, a time that is an obvious pressure point for retailer defendants. Although Mr. Reiter claimed not to know what Black Friday was, he made note of the holiday selling season in his own declaration in support of the TRO in this case. (*See* Reiter Decl. ¶ 19.)

Even if the Court were to credit Mr. Reiter's testimony that he actually made no connection between Fossil and Superior until late October 2010, the record is clear that he had all the information he needed to make that connection by the end of May 2010:

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[5] *The Meriam-Webster Dictionary* defines an epiphany as "an intuitive grasp of reality through something (as an event) usually simple and striking." (*Available at* http://www.merriam-webster.com/dictionary/epiphany.) However, Mr. Reiter was unable to identify any event in late October, as opposed to late May, that would have led him to the sudden understanding that the Fossil handbags were connected to Superior's counterfeit purchases.

Superior invoices from Hechuang, an email in his archives linking Superior to Fossil, and several Fossil handbags with likely counterfeit snaps. With this information, by Mr. Reiter's estimation, it took him no more than three or four weeks to confirm his post-epiphany suspicions by requesting Superior invoices from Wing Yip, examining the snaps on the bags, requesting information about Fossil's factories, and purchasing additional handbags containing ROMAG snaps. Therefore, Romag knew or should have known by June 2010 of its good faith basis for believing that Fossil was infringing. The Court thus concludes that the period of delay with respect to Defendants' laches claim should be measured from June 2010 to the commencement of this suit in November 2010—a period of five months. Although a delay of several months might not typically sound like unreasonable delay, based on the circumstances of this case, Romag's delay was unreasonable. The inescapable conclusion is that Plaintiff carefully timed this suit to take advantage of the imminent holiday shopping season to be able to exercise the most leverage over Defendants in an attempt to extract a quick and profitable settlement, as it had done twice before in the past three years. Furthermore, Plaintiff, in filing for emergency relief, relied on misleading representations that obfuscated the months of delay, where full disclosure would have undermined its claim of irreparable harm. The Court thus finds that Defendants have met their burden with respect to the first factor of their laches defense.

Plaintiff also argues that Defendants have not established that they suffered material economic prejudice as a result of the delay. "Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *A.C. Aukerman Co.*, 960 F.2d at 1020. "Such damages or monetary losses are not merely those attributable to a finding of liability for infringement. . . . The courts must look for a *change* in the economic position of the alleged infringer during the period of delay. On the other hand, this does not mean that a patentee may intentionally lie silently in wait watching damages escalate, particularly where an infringer, if he had had notice, could have switched to a noninfringing product." *Id.* (internal citations omitted) (emphasis in original).

Defendants presented testimony that the value of the accused inventory that Fossil had to remove from its sales channels was worth $4,148,093.39. (Trial Tr. Vol. IX at 1712; Defs.' Ex. 736.) If the TRO had been sought and entered in May or June, when Romag first had a basis for asserting its infringement claims, Fossil's inventory would have been much smaller and half as valuable as its November inventory. (Trial Tr. Vol. IX at 1712– 14.) Fossil's corporate representative also testified that Fossil could have replaced its holiday inventory with non-infringing products if it had been notified of the counterfeiting by September 2010. (*Id.* at 1724-26.) Plaintiff, citing mostly trademark cases, argues that this financial impact is insufficient to establish material prejudice because Defendants are "required to show that they had taken affirmative steps to increase their reliance on [the patent] during Plaintiff['s] alleged delay." *Tri-Star Pictures, Inc. v. Unger*, 14 F. Supp. 2d 339, 361 (S.D.N.Y. 1998). However, the nature of Defendants' claimed loss goes beyond just showing that they conducted business as usual during the period of delay. Defendants were ramping up production of their products in preparation for the holidays while

Plaintiff sat on its rights. As a result of the American retail cycle, the timing of Plaintiff's suit meant that Defendants had nearly doubled their inventory by the time they were first told of their alleged counterfeiting. Furthermore, Fossil's representative testified that if the TRO had been filed prior to September 2010, Fossil could have switched the snaps on its handbags to generic snaps and still have been able to take its products to market for the profitable holiday selling season. Based on this evidence, Defendants have met their burden of establishing that they suffered material economic prejudice as a result of Plaintiff's unreasonable delay in bringing suit.

Plaintiff has not offered any excuse for its delay in this case, beyond Mr. Reiter's discredited claim that he had no idea of Fossil's infringement until October 2010. Plaintiff points to no egregious or outrageous conduct by Defendants that would counsel against the application of laches in this case, especially in light of the jury's finding that Defendants' infringement was not willful. Thus, the Court concludes that based on the balance of the equities, laches should be applied in this case. Therefore, the Court will exclude the sales between June 2010 and November 2010 from the jury's award of a reasonable royalty, representing approximately eighteen percent of the twenty-eight-month period of infringement, and the jury's reasonable royalty awards will be reduced by eighteen percent to $41,862.75 and $12,562.90 respectively.

2. Laches—Trademark Claims

Defendants also claim that laches operates as a complete bar to Plaintiff's recovery of profits on its trademark infringement claims. In this context, Defendants must demonstrate that Romag had knowledge of their use of counterfeit snaps, that Romag inexcusably delayed in taking action, and that Defendants suffered prejudice as a result of Romag's delay. *Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V.*, 17 F.3d 38, 44 (2d Cir. 1994). "The inquiry is a factual one. The determination of whether laches bars a plaintiff from equitable relief is entirely within the discretion of the trial court." *Id.* Plaintiff raises largely the same arguments against Defendants' trademark laches defense as it does against Defendants' patent laches defense.

First, relying primarily on precedent other than civil trademark cases, Plaintiff maintains that Defendants have no valid laches defense because Plaintiff's delay was not longer than Connecticut's analogous three-year statute of limitations for fraud. *See, e.g.*, *United States v. Milstein*, 401 F.3d 53, 63 (2d Cir. 2005) ("[A]s a general rule, laches is not a defense to an action filed within the applicable statute of limitations."). However, in *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187 (2d Cir. 1996), the Second Circuit upheld a district court's application of laches in a trademark suit where suit was brought within the analogous limitation period, explaining that "[a]lthough laches is an equitable defense, employed instead of a statutory time-bar, analogous statutes of limitation remain an important determinant in the application of a laches defense. . . . [the analogous state] statute of limitation . . . determines which party possesses the burden of proving or rebutting the defense." *Id.* at 191. Thus, similar to the patent context, in a trademark action, if the plaintiff's delay is longer than the analogous state statute of limitations, a presumption of laches applies, whereas if suit is brought within the limitations period, there is no presumption, and a defendant assumes the burden of proving the defense. *Id.* Therefore, although there is no presumption of laches in this case, the fact that Plaintiff delayed less than three years is not dispositive of Defendants' laches defense.

Plaintiff again claims that it had no knowledge of Defendants' use of counterfeit snaps until shortly before filing suit in November 2010, but the Court has not credited Mr. Reiter's testimony purporting to justify his delay in investigating or asserting potential counterfeiting claims until his alleged "epiphany" in late October 2010. Ms. Ellant raised her suspicions that Fossil was selling handbags with counterfeit ROMAG snaps on May 24, 2010, a mere three days after Mr. Reiter received the May 21, 2010 email informing him that Superior had been purchasing ROMAG snaps from an unauthorized source. These two events are simply too close in time for Mr. Reiter not to have made some connection between counterfeiting by Superior and potential infringement by Fossil and to have investigated it further. Mr. Reiter's response to "Joe" was immediate and expressed a desire to uncover the identity of the American brands using the counterfeit snaps in order to use the United States' legal system to enforce Romag's rights. (Pl.'s Ex. 27 ("What is more important to us is what handbag maker and what brands in [the USA] are getting these on their handbags. It is hard for the law to work in [C]hina . . . easier in [the USA].").) Thus, it defies belief that once he knew the identity of the Chinese manufacturer purchasing the snaps, i.e., Superior, and was presented with Ms. Ellant's suspicions that counterfeit snaps were being used on Fossil-branded bags that he would have stopped any further investigation, especially in light of Romag's prior record of aggressive enforcement of its intellectual property rights.

Because the Court does not credit Mr. Reiter's testimony that it was only his "epiphany" in October 2010 that motivated him to act on the evidence of counterfeiting, rather than the evidence he had in May 2010, his testimony that he did not check or think to check his email archive for references to Superior until his October 2010 "epiphany" is called into doubt. At best, his failure to search for references to Superior as soon as he received the May 21, 2010 email appears to have been the result of conscious avoidance. Similarly, his failure to raise the allegations regarding Hechuang and Fossil with Romag's inspectors in China, or to investigate these allegations himself when he visited his Chinese factories in July 2010, lacks a good faith explanation. Therefore, as discussed above, the Court concludes that Romag had sufficient knowledge of Fossil's counterfeiting by June 2010 to bring suit. Additionally, as detailed above, the Court concludes that Plaintiff's five-month delay before filing suit was inexcusable and is tainted by its prior track record of similarly seeking emergency relief on the eve of Black Friday to maximize the economic pressure on retailers.

Finally, Plaintiff argues that Defendants have not established that they suffered prejudice as a result in the delay in filing suit. In the context of a trademark infringement action, "[a] defendant has been prejudiced by a delay when the assertion of a claim available some time ago would be inequitable in light of the delay in bringing that claim. Specifically, prejudice ensues when a defendant has changed his position in a way that would not have occurred if the plaintiff had not delayed." *Id.* at 192. In *Conopco*, the Second Circuit found that the defendant had been prejudiced by the plaintiff's delay because it had forgone other marketing positions that had been assumed by other producers in the interval of the plaintiff's delay. *Id.* at 192–93. Plaintiff argues that Defendants did not change their position between May 2010 and November 2010. However, Fossil's representative testified that Fossil had increased its inventory during that time period to prepare for the holiday shopping season. She further testified that because of Plaintiff's delay, Fossil lost the opportunity to replace the counterfeit snaps with generic snaps in time for the higher holiday demand. Therefore, the Court finds that Defendants have established that they were prejudiced by their delay.

Although the Court concludes that Defendants have sustained their burden with respect to their trademark laches defense, the Court does not believe that Plaintiff's delay should operate as a total bar to its recovery of profits in this case. The delay at issue here, while significant in light of the unique timing circumstances of this case, does not cover the majority of Defendants' infringement. Therefore, the Court will consider Plaintiff's laches as a factor in reducing the jury's advisory award of profits when it performs the equitable adjustment of that award. *See George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992) (listing plaintiff's laches as a factor courts should consider in awarding an accounting of profits).

C. Mitigation of Damages

Defendants assert that Romag failed to mitigate its damages by not filing suit when it first learned of Fossil's counterfeiting. Plaintiff counters that Defendants have waived this affirmative defense by failing to plead it in their Answer [Doc. # 31] and that Defendants have failed to show that the concept of mitigation of damages is applicable in trademark and patent actions. "Failure to mitigate damages is an affirmative defense and therefore must be pleaded. The general rule in federal courts is that a failure to plead an affirmative defense results in waiver." *Travellers Internat'l, A.G. v. Trans World Airlines, Inc.*, 41 F.3d 1570, 1580 (2d Cir. 1994). Here Defendants did not plead a failure to mitigate defense in their Answer and did not raise the issue until the eve of trial. Therefore, Defendants have waived this defense. *Id.* at 1580–81.

Furthermore, even if the defense had not been waived, Defendants have failed to establish that the concept of mitigation of damages has relevance to this case. Defendants rely on one case, *IMX, Inc. v. E-Loan, Inc.*, 748 F. Supp. 2d 1354 (S.D. Fla. 2010) for the proposition that plaintiffs have a duty to mitigate in patent and trademark cases. In that case, which included no trademark claims, the court rejected the plaintiff's argument that because there was no authority recognizing a failure to mitigate defenses in the patent context, such a defense could never be relevant in a patent action. *Id.* at 1361. The court concluded that because the plaintiff was seeking compensatory damages for the alleged infringement "it is entirely appropriate for a defendant to assert a defense of failure to mitigate damages when considering what amount of compensation is appropriate for [the p]laintiff." *Id.* Thus, *IMX* is distinguishable from this case where Plaintiff seeks a reasonable royalty, rather than compensatory damages. *See* Robert A. Matthews, Jr., 4 *Annotated Patent Digest* § 30:6.100 (interpreting *IMX* to find that a mitigation defense would not apply to a reasonable royalty damage award because such an award "determines compensation to the patentee based on the infringer's use of the patented invention, not 'harm' suffered by the patentee"). By analogy, the same principle would apply to an award of a defendant's profits, rather than compensatory trademark damages, because such an award is based on the unjust enrichment or deterrence of a defendant, rather than on harm to the plaintiff.

Additionally, Defendants' argument that Romag failed to mitigate its damages by not giving notice of its claims earlier, either by contacting Fossil or by bringing suit immediately, is merely a re-tooling of their laches defense. In *Voda v. Medtronic, Inc.*, No. CIV-09-95-L, 2011 WL 6210760, at *3 (W.D. Okla. Dec. 14, 2011), another patent case, the court reasoned that "[a]lthough defendants present[ed] failure to mitigate as a separate defense . . . it is simply the opposite side of the laches defense. Both defenses have their genesis in plaintiff's delay in bringing this action." *Id.*; *see also* Robert A. Matthews, Jr., 4 *Annotated Patent Digest* § 30:6.100 ("Under some circumstances a 'failure to mitigate' defense may be nothing more than a laches defense if the lack of mitigation is based on an allegation that the patentee should have sued earlier."). The court went on to analyze both defenses under the doctrine of laches. Here, Defendants have already asserted and succeeded on a laches defense, and the only appreciable difference between the two defenses asserted by Defendants is their claim that Plaintiff had a duty to warn them about possible counterfeiting as early as 2007, when the J.C. Penney suit was filed. However, the Court is not persuaded that such a duty existed, and the claim that such a warning would have mitigated all damages in this case is speculative at best. Therefore, the Court concludes that Defendants' arguments with respect to Plaintiff's delay are properly addressed under the rubric of laches.

Finally, during the jury portion of the trial, Defendants raised the argument that the failure to mitigate damages was relevant to the determination of whether Plaintiff suffered an ascertainable loss with respect to its CUTPA claim. In support of this argument, Defendants relied on *Landmark Inv. Group, LLC v. Calco Const. & Development Co.*, No. CV096002117, 2013 WL 5969076 (Conn. Super. Ct. Oct. 11, 2013), in which the court held that because the plaintiff failed to mitigate its damages, it could not prove actual loss with respect to its tortious interference claim or an ascertainable loss with respect to its CUTPA claim. *Id.* at *22–23. There, the plaintiff based its claims for actual and ascertainable loss on the loss of its anticipated profits in developing a piece of real estate. *Id.* However, the court concluded that the plaintiff had failed to purchase the property in question after it had been awarded a judgment of specific performance to do so. *Id.* Because the plaintiff failed to purchase the property when given a chance to do so, it could not claim that it lost profit from not being able to develop that same property. *Id.* Thus, the *Landmark* decision is distinguishable from this action, which lacks any similar condition precedent to the claimed loss. Although Romag improperly delayed filing this action, it cannot be claimed that Romag completely failed to exercise its rights pursuant to the ROMAG mark and the '126 patent. Furthermore, Fossil's counterfeiting began long before Mr. Reiter received the email from "Joe" warning him about Superior's purchase of counterfeit snaps. Therefore, the Court further concludes that Defendants' failure to mitigate defense is not relevant to Plaintiff's CUTPA claim.

Because the Court concludes that Defendants waived their failure to mitigate defense, and that the defense was not relevant to any of Plaintiff's claims, Plaintiff's recovery is unaffected by mitigation considerations.

D. Sanctions

Defendants ask this Court to impose sanctions pursuant to its inherent authority and under section 1927 of the Judicial Code based on the submission of the Reiter Declaration in support of the TRO in this case, which Defendants claim was false and misleading. "In order to impose sanctions pursuant to its inherent power, a district court must find that: (1) the challenged claim was without a colorable basis and (2) the claim was brought in bad faith, i.e., motivated by improper purposes such as harassment and delay." *Enmon v. Prospect Capital Corp.*, 675 F.3d 128, 143 (2d Cir. 2012) (internal citations and quotation marks omitted). "Although both findings must be supported by a high degree of specificity in the factual findings, bad faith may be inferred only if actions are so completely without merit as to require the conclusion that they must have been undertaken for some improper purpose such as delay." *Id.* (internal citations and quotation marks omitted). "The showing of bad faith required to support sanctions under 28 U.S.C. §1927 is similar to that necessary to invoke the court's inherent power. In practice, the only meaningful difference between an award made under § 1927 and one made pursuant to the court's inherent power is that awards under § 1927 are made only against attorneys or other persons authorized to practice before the courts while an award made under the court's inherent power may be made against an attorney, a party, or both." *Id.* at 143–44 (internal citations and quotation marks omitted).

As discussed above, the Court believes that the Reiter Declaration, which contains language that is nearly identical to the declaration filed in connection with the J.C. Penney case three years earlier, (*compare* Reiter Decl. ¶¶ 8–9 *with* J.C. Penney Reiter Decl. ¶¶ 8–9), was misleading in several respects. Its limited contents conveyed the impression that Mr. Reiter had just discovered the counterfeit ROMAG snaps and only by mere happenstance, (*see* Reiter Decl. ¶ 8 ("On November 15, 2010, I was shopping in a Macy's store in Milford, Connecticut, near my office. As is my habit and custom, I looked at some of the handbags in the handbag department.")), contrary to his sworn trial testimony that he went to Macy's that day with the express purpose of confirming his suspicions that Fossil was using counterfeit ROMAG snaps in their handbags, (*see* Trial Tr. Vol. I at 202 ("Well, after we contacted Fossil, I wanted to be sure before we went to the next step that they were still in the stores and verify the existence of these Fossil bags with counterfeits being on the floor of some stores. So I went to Macy's and I went to Fossil's outlet in Clinton, Connecticut, to check bags.")). His testimony also belies his sworn statements in his declaration that he was "surprised" that the Fossil handbags contained ROMAG snaps and that he was "shocked" to discover that they were counterfeits. (*See* Reiter Decl. ¶¶ 8–9.)

More troubling, however, is the absence in the declaration of any reference to Mr. Reiter's knowledge about this counterfeiting prior to his November shopping trip, particularly because he acknowledged at trial that by late October he had strong suspicions that the counterfeit snaps purchased by Superior were being used in Fossil bags, and that once those suspicions were aroused, he requested Superior's invoices from Wing Yip, inspected the snaps from the bags purchased by Ms. Ellant and Ms. Katz, sent them to China for further inspection, and contacted Fossil both directly and through his attorney. (Trial Tr. Vol. I at 174–75, 177–78, 183–84; Trial Tr. Vol. II at 299–300; Pl.'s Exs. 28, 149.) Without mention of the May 19, 2010 email, Romag's General Counsel's May 24, 2010 shopping trip, or Mr. Reiter's investigation in late October and early November, the import of the declaration was that Mr. Reiter had no knowledge of counterfeiting before the November trip to Macy's and his chance discovery of the counterfeit snaps at that time.

The obvious significance of the omissions and contrived language in the Reiter Declaration was on Romag's claim of irreparable injury when it sought a TRO in this case. "In a trademark case, irreparable injury may be found where there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question." *Media Group, Inc. v. Ontel Products Corp.*, No. CIVA300CV2034 (JCH), 2001 WL 169776, at *2 (D. Conn. Feb. 14, 2001) (quoting *Tough Traveler Ltd v. Outbound Products*, 60 F.3d 964, 968 (2d Cir. 1995) (internal quotation marks omitted). Although Romag may have had a colorable claim for consumer confusion at the time it applied for the TRO, "any such presumption of irreparable harm does not operate, however, when the plaintiff has delayed bringing suit or in moving for preliminary injunctive relief." *Id.* In *Media Group*, the plaintiff had delayed approximately six months from its discovery of the allegedly infringing product until it sought a preliminary injunction, and based on this delay, the court denied preliminary injunctive relief, finding that the plaintiff could not show irreparable harm. *Id.* at *4. Thus, Romag's sparse and misleading representations deprived Judge Droney of the ability to accurately apply the appropriate standard in considering Romag's request for emergency injunctive relief.

The Court further concludes that Romag acted in bad faith by delaying its TRO filing until the beginning of the holidays. Romag explicitly relied on the fact that the holiday selling season was in full swing when it sought emergency injunctive relief, (*see* Reiter Decl. ¶ 19 ("It is, of course, a well-known fact that the holiday selling season is the busiest time of year for retailers.")), and Judge Droney relied on this timing in granting the TRO, (*see* TRO Ruling [Doc. # 20] at 4 ("Finally, given the high volume of shopping during the holiday season, Romag stands to suffer an even more significant injury to its reputation as it is likely that many Fossil handbags, which include the counterfeit snap fasteners, will be purchased in the coming weeks.")). Given Romag's unmistakable pattern of relying on the pressure point of the holiday season when seeking to enforce its intellectual property rights, it is evident that Romag intentionally sat on its rights between late May 2010 and late November 2010 to orchestrate a strategic advantage and improperly obtain emergency injunctive relief on a timetable of its choosing, not on the irreparability of its harm.

Based on these findings, the Court concludes that Defendants have shown through clear and convincing evidence that sanctions should be imposed on Romag pursuant to the Court's inherent powers. However, because there is no evidence implicating Plaintiff's counsel in this deception, the Court declines to impose sanctions pursuant to section 1927. Because the Court concludes that Romag's sanctionable conduct was limited to the TRO proceedings, and had no bearing on the underlying merits of this suit, the Court will not bar Romag's recovery or impose a large monetary fine, but instead will limit the sanction to preclude Romag from recovering its expenditures in relation to the prosecution of its TRO.

E. Award of Profits

In granting Plaintiff's motion to bifurcate the trial, the Court ruled that the jury would make an initial determination of the amount of Defendants' profits that Plaintiff was entitled to recover for Defendants' trademark infringement, and that a bench trial would be held to address the equitable factors affecting the final profits award to be imposed by the Court. The Court reserved judgment as to whether a finding of willfulness was necessary as a matter of law to entitle Plaintiff to an award of Defendants' profits in order to have the jury make an advisory determination on profits. At the bench trial, Fossil argued that Plaintiff was not entitled to any award of profits because the jury found that Fossil's trademark infringement was not willful, and asserted that even if the Court were to determine that willful infringement was not necessary for an award of profits, the jury's advisory award should be reduced to zero based on the equitable factors to be considered in granting an accounting of profits. Plaintiff urges that the 1999 amendments to the Lanham Act effectively abrogated Second Circuit precedent requiring willfulness for an award of profits for proven infringement, and maintains that the Court should award the full amount of Fossil's profits to compensate Plaintiff for Fossil's infringement of the ROMAG mark.

The jury awarded $90,759.36 of Fossil's profits for trademark infringement under an unjust enrichment theory and $6,704,046.00 of Fossil's profits for trademark infringement under a deterrence theory, determining that one percent of Fossil's profits was attributable to its infringement of the ROMAG mark. Defendants argue that if the Court determines that Romag may recover an award of profits absent willful infringement, the jury's award should be reduced to zero based on a consideration of the equitable factors. Plaintiff contends that the award should be increased to $9,075,936, theorizing that because the jury awarded $90,759.36 in unjust enrichment profits, and found that only one percent of Fossil's total profits was attributable to the use of the ROMAG mark, the jury must have determined that the total amount of profits Fossil made on the sale of the accused handbags was in fact $9,075,936. While there are several equitable factors present in this case that would bear on an award of profits, the Court need not perform this equitable analysis because it concludes that Romag is not entitled to any award of profits as a result of Plaintiff's failure to prove that Fossil's trademark infringement was willful.

Under existing Second Circuit precedent, a plaintiff must establish willful infringement in order to recover an award of the defendant's profits in a trademark action. *Internat'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) ("In order to recover an accounting of an infringer's profits, a plaintiff must prove that the infringer acted in bad faith."); *George Basch*, 968 F.2d at 1540 ("[U]nder § 35(a) of the Lanham Act, a plaintiff must prove that an infringer acted with willful deception before the infringer's profits are recoverable by way of an accounting."). However, in 1999, after both of these cases were decided, section 1117(a), which provides for an accounting of profits under the Lanham Act, was amended to read:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a *willful* violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits . . . .

25 U.S.C. § 1117(a) (emphasis added). Plaintiff argues that this amendment, which added the language "or a willful violation under section 1125(c)," effectively abrogated prior Second Circuit law requiring a finding of willfulness before defendant's profits could be awarded for a violation of section 1125(a) because Congress failed to insert the word "willful" in the phrase "a violation under section 1125(a) or (d) of this title." The Second Circuit has expressly declined to decide this question thus far. *See Fendi Adele, S.R.L. v. Ashley Reed Trading, Inc.*, 507 F. App'x 26, 31 (2d Cir. 2013).

The circuits that have considered the issue of whether willfulness is required for an award of profits after the 1999 amendments were passed are split. The Tenth Circuit is the only circuit to affirmatively maintain its prior willfulness requirement after the 1999 amendments. In *Western Diversified Servs., Inc. v. Hyundai Motor America, Inc.*, 427 F.3d 1269 (10th Cir. 2005), the court held that in light of section

1117(a)'s direction that an award of profits is "subject to the principles of equity" and in light of the punitive nature of such an award and the increased risk of granting plaintiff a windfall, it was appropriate under the statute to require "a showing that Defendant's actions were willful to support an award of profits under 15 U.S.C. § 1117(a)." *Id.* at 1272–73. Additionally, the First Circuit, while not speaking in terms of whether willfulness was a condition precedent to the recovery of the defendant's profits, has noted in a decision post-dating the 1999 amendments that a finding of willfulness is usually required for disgorgement of profits. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012).[6]

Two other circuits have declined to address the issue of abrogation directly. The Ninth Circuit has expressed doubts that the 1999 amendments abrogated the willfulness requirement in that Circuit without affirmatively deciding the question. *M2 Software, Inc. v. Viacom, Inc.*, 223 F. App'x 653, 656–57 (9th Cir. 2007) (characterizing the argument that the 1999 amendments abrogated prior case law as a "shaky assumption"). The Eighth Circuit has similarly declined to address the question, but has assumed

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[6] One leading commentator has dubbed as "inaccurate" a reading of the 1999 amendments as reflecting Congressional intent to abrogate the willfulness requirement typically imposed by courts. J. Thomas McCarthy, *5 McCarthy on Trademarks and Unfair Competition* § 30:62 (4th ed.) ("In fact, the 1999 amendment of Lanham Act § 35(a) was not intended to change the law by removing willfulness as a requirement for an award of profits in a classic infringement case, but rather was meant to correct a drafting error when Congress intended to limit the recovery of damages in dilution cases (and only dilution cases) to instances of 'willful violation.'").

without deciding that willful infringement is a prerequisite for an award of profits. *See Masters v. UHS of Delaware, Inc.*, 631 F.3d 464, 472 n.2 (8th Cir. 2011) (noting circuit split).

Finally, three circuits have interpreted the 1999 amendments to permit an award of defendant's profits absent a finding of willful infringement. In *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005), the Third Circuit concluded that the 1999 amendment did abrogate Third Circuit precedent requiring a finding of willfulness before an award of defendant's profits could be made. *Id.* at 176. It presumed that Congress was aware of the large body of case law requiring a finding of willfulness for an accounting of profits under section 1125(a) and reasoned that in light of this awareness, Congress's failure to add the word willfulness to that section of the statute indicated a desire to supersede the judicially created doctrine requiring willfulness. *Id.* at 174. The Fifth Circuit reached a similar conclusion in *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002). Although *Quick Technologies* does not address the issue of abrogation because the Fifth Circuit had never adopted a bright-line rule, it noted that the decisions in other circuits adopting such a rule were of limited value because they predated the 1999 amendments, and held that the plain language of section 1117(a) indicated that such a bright-line rule requiring a finding of willfulness for an accounting of profits would be contrary to the statute. *Id.* at 350. Similarly, the Fourth Circuit, noting the 1999 amendments, has held that a finding of willfulness, although an important factor in the court's equitable analysis, is not a condition precedent to an accounting of profits. *Synergistic Internat'l, LLC v. Korman*, 470 F.3d 162, 175 & n.13 (4th Cir. 2006).

District courts within this Circuit are also split with respect to the effect of the 1999 amendments on the willfulness requirement, with the majority of courts and the more recent decisions favoring the interpretation that the requirement has not been abrogated. Two judges in the Southern District of New York have concluded that the plain meaning of section 1117(a) indicates that the willfulness requirement has been abrogated, while eight judges from the Southern and Eastern Districts of New York have held that the willfulness requirement remains good law. *Compare Chanel, Inc. v. Veronique Idea Corp.*, 795 F. Supp. 2d 262, 268–69 (S.D.N.Y. 2011) (Marrero, *J.*) (holding that the 1999 amendments abrogated the willfulness requirement), *and Cartier v. Aaron Faber, Inc.*, 512 F. Supp. 2d 165, 172–73 (S.D.N.Y. 2007) (Marrero, *J.*) (same), *and Nike, Inc. v. Top Brand Co. Ltd.*, No. 00 Civ. 8179 (KMW)(RLE), 2005 WL 1654859, at *9–11 (S.D.N.Y. July 13, 2005) (same), *with Beastie Boys v. Monster Energy Co.*, No. 12 Civ. 6065 (PAE), 2014 WL 1099809, at *9–11 (S.D.N.Y. Mar. 18, 2014) (holding that the 1999 amendments did not abrogate the willfulness requirement), *and Guthrie Healthcare v. Contextmedia, Inc.*, No. 12 Civ. 7992 (KBF), 2014 WL 185222, at *5–6 (S.D.N.Y. Jan. 16, 2014) (same), *and GMA Accessories, Inc. v. BOP, LLC*, 765 F. Supp. 2d 457, 469–71 (S.D.N.Y. 2011) (Castel, *J.*) (same), *and Mr. Water Heater Enterprises, Inc. v. 1-800-Hot Water Heater, LLC*, 648 F. Supp. 2d 576, 589–90 (S.D.N.Y. 2009) (Pauley, *J.*) (same), *and Pedinol Pharmacal, Inc. v. Rising Pharmaceuticals, Inc.*, 570 F. Supp. 2d 498, 502–503 (E.D.N.Y. 2008) (Wexler, *J.*) (same), *and Life Servs. Supplements, Inc. v. Natural Organics, Inc.*, No. 03 Civ. 6030 (SHS), 2007 WL 4437168, at *2–7 (S.D.N.Y. Dec. 17, 2007) (same), *and Luis Vuitton Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d

276, 278–82 (S.D.N.Y. 2007) (Scheindlin, *J.*) (same), *and Mastercard Internat'l, Inc. v. First Nat'l Bank of Omaha, Inc.*, No. 02 Civ. 3691 (DLC), 2004 WL 326708, at *10–11 (S.D.N.Y. Feb. 23, 2004) (same).

After reviewing this precedent and the parties' respective arguments, this Court is persuaded by those authorities that have concluded that a finding of willfulness remains a requirement for an award of defendants' profits in this Circuit. Contrary to Romag's arguments, the plain language of § 1117(a) does not indicate that Congress intended to abrogate the common-law willfulness requirement by adding the word "willful" to modify the trademark dilution section of the statute. Congress made no change with respect to the language governing section 1125(a) violations. The post-amendment language with respect to section 1125(a) is the same language that the Second Circuit interpreted, based on the principles of equity, to require a finding of willfulness before disgorgement of profits could be awarded. *Pedinol Pharmacal, Inc.*, 570 F. Supp. 2d at 502–03 ("First and most importantly, when Section 1117 was amended to provide for recovery of a defendant's profits for a willful violation under Section 1125(c), no changes were made regarding the recovery provisions of Section 1125(a) or (d). . . . The court holds therefore, that the Second Circuit's interpretation of 1117(a) in *Basch*, which construed the same statutory language that existed prior to the 1999 amendment of the statute, remains good law."); *Life Servs. Supplements*, 2007 WL 4437168, at *6 ("On its face, then, the amended statute restricts monetary awards in dilution cases to willful violations, but leaves the appropriate remedy for other Lanham Act remedies subject to the principles of equity, just as it was prior to 1999 amendments."); *Louis Vuitton Malletier*, 500

F. Supp. 2d at 281 ("[T]he addition of 'willful violation under section 1125(c)' does not indicate that it was Congress's intention to simultaneously *sub silentio* overturn the weight of authority with respect to 1125(a).").

Plaintiff's argument that this interpretation renders the provisions for treble damages in cases of willful counterfeiting in section 1117(b) superfluous is unavailing. Plaintiff claims that Congress has already provided for increased damages in cases of willful infringement by including this provision for treble damages, and that to require willful damages for a simple award of profits would upset this scheme. However, this argument ignores the fact that section 1117(b) applies only to the use of a counterfeit mark, whereas section 1117(a) applies to all cases of trademark infringement. 15 U.S.C. § 1117(b). Other courts in this Circuit have reasoned that the addition of the "willful" modifier to section 1125(c) violations was not superfluous, because the Second Circuit draws a distinction between the requirements for a recovery of damages and a recovery of profits. *Mastercard Internat'l, Inc.*, 2004 WL 326708, at * 11 ("Since the Second Circuit permits the recovery of damages when a plaintiff is able to prove actual confusion but not intentional deception, . . . the inclusion of the "willful" modifier before "section 1125(c)" in the 1999 Amendment provides a more stringent standard for recovery than is available for a violation under Section 1125(a). The language of the 1999 Amendment is not rendered superfluous by the incorporation of the standards in this Circuit governing recovery under Section 35(a) of the Lanham Act."). Thus, under the interpretation that willfulness is required for an award of profits, section 1117 sets forth a three-tiered system of recovery: compensatory damages for non-willful infringement, an award of profits for willful infringement, and treble damages or profits for willful counterfeiting.

As Judge Sidney Stein outlined in his opinion on this issue, the legislative history of the 1999 amendments supports the view that they addressed only recovery in dilution actions, as the history is silent as to any other intended consequence of the amendments. *See Life Servs. Supplements, Inc.*, 2007 WL 4437168, at *6. The section of the Trademark Amendments Act of 1999 containing the relevant amendment is entitled "Remedies in Cases of *Dilution* of Famous Trademarks." Pub. L. No. 106-43, 113 Stat. 218 (emphasis added). Furthermore, the Congressional Record contains comments by Congressman Elijah E. Cummings indicating that the purpose of the bill was to harmonize section 1117(a) with the recent Federal Trademark Dilution Act of 1995:

> This legislation is a necessary follow-up to the Federal Trademark Dilution Act of 1995, which was enacted last Congress and which gave a Federal cause of action to holders of famous trademarks for dilution. *The bill before us today is necessary to clear up certain issues in the interpretation of the dilution act which the Federal courts have grappled with since its enactment*.

145 Cong. Rec. H6363 (emphasis added). Thus, the legislative history gives no support to the argument that the 1999 amendments were intended to abrogate the common-law willfulness requirement enacted by this Circuit because they are silent with respect to their intended consequences for awards made pursuant to section 1125(a).

Therefore, in light of the absence of evidence in the language of the statute or the legislative history of the 1999 amendments of a clear congressional intent to abrogate the existing Second Circuit precedent requiring a finding of willfulness before an award of profits can be made, the Court concludes that the holdings of *Internat'l Star Class Yacht Racing Ass'n* and *George Basch* remain good law. *Life Servs. Supplements, Inc.*, 2007 WL 4437168, at *7 ("Finally, jurisprudential considerations counsel in favor of this Court recognizing the continued validity of the willfulness standard. The law of this circuit is that profits cannot be awarded under the Lanham Act absent a showing of willfulness. While it is true that the Second Circuit has not revisited that question since the enactment of the 1999 amendments, the 1999 amendments do not directly contradict that precedent; at the most, they do so only by implication. Therefore, to the extent that the impact of the 1999 amendments is ambiguous, this Court should follow Second Circuit precedent." (internal citation omitted)). Thus, based on the jury's finding that Fossil's trademark infringement had not been proved willful, the Court concludes that Romag is not entitled to an award of Fossil's profits.

G. Permanent Injunction

In its Proposed Findings of Fact and Conclusions of Law [Doc. # 421], Romag claims entitlement to a permanent injunction under the Lanham Act and Connecticut law barring Fossil from importing, selling, or offering for sale Fossil handbags bearing counterfeit ROMAG snaps and directing Fossil to destroy all counterfeit ROMAG snaps in its possession, custody, or control. *See* 15 U.S.C. §§ 1116, 1118. Defendants did not specifically object to the issuance of a permanent injunction in their Proposed Findings of Fact and Conclusions of Law. "A permanent injunction is appropriate where the party seeking the injunction has succeeded on the merits and shows the absence of an adequate remedy at law and irreparable harm if the relief is not granted." *Patsy's Italian Restaurant, Inc. v. Banas*, 658 F.3d 254, 272 (2d Cir. 2011) (internal citations and quotation marks omitted). "A district court has a 'wide range of discretion in framing an injunction in terms it deems reasonable to prevent wrongful conduct.'" *Id.* at 273. "However, the injunctive relief should be narrowly tailored to fit specific legal violations." Thus, in fashioning the injunction, the Court should balance the equities to reach an appropriate result protective of the interests of both parties." *Id.* "In trademark cases, irreparable harm is presumed once infringement or dilution has been shown, based on the ensuing loss of goodwill and ability to control one's reputation." *Gucci America, Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 243 (S.D.N.Y. 2012). "Courts in this circuit have long held that a permanent injunction should issue in trademark cases where a defendant asserts that its pre-lawsuit use was lawful." *Id.* at 256.

Here, the jury found that the snaps on the accused handbags were counterfeits, and that Fossil was liable for trademark infringement and false designation of origin. In light of these findings, Romag is entitled to a presumption of irreparable injury based on loss of goodwill and the inability to control its reputation. The Court concludes that a monetary award would be inadequate to protect Plaintiff from the ongoing threat posed by such counterfeiting. Although the Court has found merit in Fossil's laches defense, the Court does not conclude that Plaintiff's laches should bar all recovery and injunctive relief in this suit, especially because Fossil had been selling handbags with counterfeit ROMAG snaps long before May 2010. The balance of the equities weighs in favor of granting a permanent injunction enjoining Fossil from selling bags with counterfeit ROMAG snaps given Fossil's position at trial that the snaps were genuine, Fossil's own testimony that the counterfeit snaps can easily be replaced with non-infringing generics, and the public's interest in avoiding the sale of counterfeit goods.

Romag also requests that Fossil be ordered to destroy all counterfeit snaps in its possession. However, "it has been held that where an injunction is issued under the Lanham Act enjoining an infringer from further infringement, the rights of the plaintiff are adequately protected and an order requiring destruction of infringing articles, though permitted, may be unnecessary." *Breaking the Chain Foundation, Inc. v. Capitol Educational Support, Inc.*, 589 F. Supp. 2d 25, 33 (D.D.C. 2008) (citing *Kelley Blue Book v. Car-Smarts, Inc.*, 802 F. Supp. 278, 293 (C.D. Cal. 1992)); *Neva, Inc. v. Christian Duplications Int'l, Inc.*, 743 F. Supp. 1533, 1549 (M.D. Fla. 1990); *see also Bonanza Int'l, Inc. v. Double "B"*, 331 F. Supp. 694, 697 (D. Minn. 1971). The court concludes that an injunction barring Fossil from further infringement is adequate to protect Plaintiff's rights in this case. Therefore Fossil is hereby permanently enjoined from importing, selling, or offering for sale Fossil products bearing counterfeit Romag magnetic snap fasteners.

III. Conclusion

For the reasons set forth in this Memorandum of Decision, the Court concludes that Defendants have failed to establish their equitable defense of unclean hands or that Plaintiff had a duty to mitigate its patent or trademark damages. The Court further finds that Defendants have established their equitable defense of laches and the jury's award of a reasonably royalty shall be reduced accordingly. The Court also finds that sanctions are merited in this case. Plaintiff shall not be entitled to recover its attorney's fees in connection with the TRO proceedings. Finally, the Court concludes that Plaintiff is not entitled to an award of Fossil's profits because there was no willful infringement in this case. A permanent injunction shall issue as set forth above. The jury's verdict is altered only with respect to its award of a reasonable royalty, which is reduced $41,862.75 for Fossil and $12,562.90 for Macy's, and that the award of Fossil's profits is eliminated in its entirety.

IT IS SO ORDERED.

/s/

Janet Bond Arterton, U.S.D.J.

Dated at New Haven, Connecticut this 27th day of June, 2014.

APPENDIX C

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

[Filed 04/03/14]

Civil No. 3:10cv1827 (JBA)

ROMAG FASTENERS, INC.,

Plaintiff,

v.

FOSSIL, INC., *et al.*,

Defendants.

JURY VERDICT

A. TRADEMARK LIABILITY

1. *Trademark Infringement*

Has Romag proved by a preponderance of the evidence that Defendants have infringed upon its federally registered mark ROMAG?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☒	No ☐
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

Proceed to Question A.2.

2. *False Designation of Origin*

Has Romag proved by a preponderance of the evidence that Defendants falsely represented that their goods come from the same source, or are affliated with or sponsored by Romag Fasteners, Inc.?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☒	No ☐
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

If you answered "Yes" to Question A.1 or Question A.2 with respect to any Defendant, proceed to Question A.3. If you answered "No" to Question A.1 and Question A.2 with respect to all Defendants, proceed to Section C.

3. Has Romag proved by a preponderance of the evidence that Defendants' trademark infringement was willful?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☐	No ☒
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒

Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

If your answer to Question A.3 is "Yes" with respect to any Defendant, on what date do you find that Defendant's willful infringement began?

Fossil, Inc. and Fossil Stores I, Inc.	______________
Belk, Inc.	______________
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	______________
Dillard's, Inc.	______________
Macy's, Inc. and Macy's Retail, Inc.	______________
Nordstrom, Inc.	______________
Zappos.com, Inc. and Zappos Retail, Inc.	______________

Proceed to Section B.

B. TRADEMARK DAMAGES

1. What amount of profits do you find that Romag proved by a preponderance of the evidence that each Defendant made on the sale of the accused handbags which should be awarded to Plaintiff to prevent unjust enrichment to Defendants?

Fossil, Inc. and Fossil Stores I, Inc.	$90,759.36
Belk, Inc.	$0
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	$0
Dillard's, Inc.	$0
Macy's, Inc. and Macy's Retail, Inc.	$0

Nordstrom, Inc.	$0
Zappos.com, Inc. and Zappos Retail, Inc.	$0

Proceed to Question B.2.

2. What amount of profits do you find that Romag proved by a preponderance of the evidence that each Defendant made on the sale of the accused handbags which should be awarded to deter future trademark infringement?

Fossil, Inc. and Fossil Stores I, Inc.	$6,704,046
Belk, Inc.	$0
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	$0
Dillard's, Inc.	$0
Macy's, Inc. and Macy's Retail, Inc.	$0
Nordstrom, Inc.	$0
Zappos.com, Inc. and Zappos Retail, Inc.	$0

Proceed to Question B.3.

3. Have Defendants proved by a preponderance of the evidence that any portion of the profits earned from the sale of the accused handbags was attributable to factors other than the use of the ROMAG mark?

Yes ☒ No ☐

If your answer to Question B.3 is "Yes," what percentage of Defendants' profits earned from the sale of the accused handbags was attributable to factors other than the use of the ROMAG mark?

99 %

C. STATE LAW LIABILITY

1. Has Romag proved by a preponderance of the evidence that Defendants have engaged in unfair competition under Connecticut common law?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☒	No ☐
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

Proceed to Question C.2.

2. Has Romag proved by a preponderance of the evidence that Defendants have engaged in a violation of the Connecticut Unfair Trade Practices Act ("CUTPA")?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☒	No ☐
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

If you answered "Yes" to either Question C.1 or Question C.2 with respect to any Defendant, proceed to Section D. If you answered "No" to both questions with respect to all Defendants, proceed to Section E.

D. STATE LAW DAMAGES

1. If you find any Defendant liable with respect to Romag's state common law unfair competition claim, do you find that Romag is entitled to an award of punitive damages against that Defendant with respect to that claim?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☐	No ☒
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

Proceed to Question D.2.

2. If you find any Defendant liable with respect to Romag's CUTP A claim, do you find that Romag is entitled to an award of punitive damages against that Defendant with respect to that claim?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☐	No ☒
Belk, Inc.	Yes ☐	No ☒
The Bon-Ton Stores, Inc. and The Bon-Ton Department Stores, Inc.	Yes ☐	No ☒
Dillard's, Inc.	Yes ☐	No ☒

Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒
Nordstrom, Inc.	Yes ☐	No ☒
Zappos.com, Inc. and Zappos Retail, Inc.	Yes ☐	No ☒

Proceed to Section E.

E. PATENT LIABILITY

1. Has Romag proved by a preponderance of the evidence that Fossil and/or Macy's have infringed the asserted claims of the '126 patent?

Fossil, Inc. and Fossil Stores I, Inc.

Claim 1	Yes ☒	No ☐
Claim 2	Yes ☒	No ☐
Claim 3	Yes ☒	No ☐

Macy's, Inc. and Macy's Retail, Inc.

Claim 1	Yes ☒	No ☐
Claim 2	Yes ☒	No ☐
Claim 3	Yes ☒	No ☐

If you answered "Yes" to Question E.1 with respect to either Fossil or Macy's, proceed to Question E.2. If you answered "No" to Question E.1 with respect to both Fossil and Macy's, your deliberations are complete. The foreperson should sign and date this verdict form.

2. Has Romag proved by clear and convincing evidence that Fossil's and Macy's patent infringement was willful?

Fossil, Inc. and Fossil Stores I, Inc.	Yes ☐	No ☒
Macy's, Inc. and Macy's Retail, Inc.	Yes ☐	No ☒

Proceed to Section F.

F. PATENT DAMAGES

1. If you find that Romag has proved that Fossil's and Macy's infringed any of the asserted claims of the '126 patent, what do you find to be the reasonable royalty rate that will fairly and reasonably compensate Romag for Defendants' patent infringement?

Fossil, Inc. and Fossil Stores I, Inc. $ .09 price per unit

Macy's, Inc. and Macy's Retail, Inc. $ .09 price per unit

Based on that reasonable royalty rate, what amount of patent damages do you award to Romag?

Fossil, Inc. and Fossil Stores I, Inc. $51,052.14

Macy's, Inc. and Macy's Retail, Inc. $15,320.61

Your deliberations are complete. The foreperson should sign and date this verdict form.

/s/ [Illegible]
SIGNATURE OF FOREPERSON

/s/ [Illegible]
PRINTED NAME OF FOREPERSON

Dated at New Haven, Connecticut this 3 day of April, 2014 at 4:38 a.m./p.m.

APPENDIX D

UNITED STATES CODE
Title 15 – COMMERCE AND TRADE
CHAPTER 22 – TRADEMARKS
SUBCHAPTER III – GENERAL PROVISIONS
Sec. 1117 – Recovery for violation of rights

15 U.S.C. § 1117. Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of—

(1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services; or

(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.

In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of title 26, beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.

(c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) Statutory damages for violation of section 1125(d)(1)

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

(e) Rebuttable presumption of willful violation

In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.

UNITED STATES CODE
Title 15 – COMMERCE AND TRADE
CHAPTER 22 – TRADEMARKS
SUBCHAPTER III – GENERAL PROVISIONS
Sec. 1125 – False designations of origin,
false descriptions, and dilution forbidden

15 U.S.C. § 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) 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, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee,

shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—

(A) is brought by another person under the common law or a statute of a State; and

(B)(i) seeks to prevent dilution by blurring or dilution by tarnishment; or

(ii) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18 or section 220506 of title 36.

(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c).

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c) of this section; and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.