

No. 16-202

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**

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF

The courts of appeals are intractably divided—six to six—on whether a trademark holder must establish willful infringement to recover the defendant’s profits under section 35 of the Lanham Act. That legal question was outcome-determinative below. And the answer to the question is critical to trademark holders’ abilities to enforce their intellectual property rights and to protect the public from counterfeit goods.

Fossil does not deny that the courts sharply disagree on this issue. Instead, Fossil posits that the issue is not important and suggests that plaintiffs navigate the split by forum shopping—an astonishing proposition, especially for small businesses. Alternatively, Fossil argues that a bright-line willfulness requirement is practically indistinguishable from a multifactor test where an infringer’s intent is one of several equitable factors. But as this case illustrates, the distinction between rigid and flexible tests is recurring, important, and can be dispositive. This Court has thought the difference significant enough to warrant review in similar cases and, on the merits, has rejected bright-line rules in favor of equitable balancing.

Fossil’s opinion that it would prevail under a multifactor test is incorrect and irrelevant. As the district court held, Romag’s conduct in pursuing preliminary relief “had no bearing on the underlying merits of this suit.” Pet. App. 54a. Balancing the equities is a question for the district court on remand.

Had Romag sued Fossil in other circuits, the district court would have considered numerous

factors besides willfulness, including the adequacy of other remedies and the public interest in making Fossil's misconduct unprofitable. But because Romag brought suit at home in the Second Circuit, the district court struck the jury's award of \$6,704,046 entirely with *no* consideration of "principles of equity." The circuit split is cleanly presented and outcome determinative. This case is an ideal opportunity to resolve an entrenched and longstanding conflict.

I. This Court Should Resolve the Circuit Conflict.

1. Fossil does not dispute that courts are sharply divided on whether an award of profits requires willful infringement. The split is widely acknowledged, including in the decision below. Pet. 9–12. Every court of appeals has addressed the question, resulting in a 6–6 split.

Fossil disputes that the circuit conflict produces different outcomes for similarly situated litigants. Fossil contends that because willfulness is an important factor in the circuits that embrace a flexible approach, courts in those circuits as a practical matter will not award profits absent willful infringement. Opp. 18. Not so. The Third Circuit in *Banjo Buddies v. Renosky* sustained a profits award even assuming infringement was not willful because "all of the other [equitable] factors support[ed] an award of profits." 399 F.3d 168, 175 (3d Cir. 2005). Similarly, the trial court in *Synergistic International v. Korman* awarded infringer's profits despite finding that the defendant did not engage in willful infringement. No. 05-49, 2007 WL 517677, at *11 (E.D. Va. Feb. 8, 2007). The court held that injunctive relief was inadequate to redress the trademark holder's injury and an award of profits served the

public interest by making infringement unprofitable. *Id.* at *9–12. Moreover, the defendant’s conduct, while not willful or in bad faith, was “not blameless.” *Id.* at *12. All these factors weighed in favor of a profits award. *Id.* at *11–12.

Here, too, the standard for a profits award matters. A bright-line test deprived Romag of any opportunity to argue its entitlement to Fossil’s profits based on “principles of equity,” as the statute requires. 15 U.S.C. § 1117(a). Because Romag was unable to prove damages, Romag received no monetary remedies for Fossil’s trademark infringement. Nor was Fossil’s conduct blameless; it acted in “callous disregard” of the law. Pet. App. 3a. And a profits award would serve the public interest by encouraging manufacturers to monitor their supply chains for forgeries. Rather than weighing these factors, the court simply struck the jury’s multi-million-dollar award. Pet. App. 63a, 66a.

This Court regularly grants certiorari to review cases where courts have imposed extra-statutory scienter requirements. In the past two terms alone, the Court has granted review to correct an “overly rigid” bad-faith requirement for fee awards in patent cases, *Octane Fitness v. ICON Health & Fitness*, 134 S. Ct. 1749, 1756 (2014), and a similarly inflexible test that required proof of “objective recklessness” to award enhanced damages, rather than balancing equitable factors, *Halo Elecs. v. Pulse Elecs.*, 136 S. Ct. 1923, 1932 (2016). These cases illustrate that distinctions between bright-line requirements and multifactor equitable analyses are not “insignificant” to intellectual property holders or to this Court. Opp. 23.

Fossil notes that this Court twice has declined to consider the question presented. Opp. 18. Both instances involved unpublished decisions, however, and the last petition was filed nine years ago. In one case, the petitioner waived the issue below. Brief in Opposition at 8, *Contessa Premium Foods v. Berdex Seafood* (No. 04-1693), 2005 WL 2178847 (U.S. Sept. 1, 2005). Litigants now repeatedly have asked this Court for review, and the issue is recurring today with significant frequency. Pet. 14–15 & n.1. Numerous commentators have also recently called for this Court’s review. Pet. 13. Presumably because the distinction matters, the leading trademark treatises note the differing approaches among lower courts. Pet. 13–14; McCarthy on Trademarks & Unfair Competition § 30:62 (4th ed.); 3-14 Gilson on Trademarks § 14.03(6)(c)(i); Kane on Trademark Law § 17:3.1; Callmann on Unfair Competition, Trademarks & Monopolies §§ 23:60, 23:69 (4th ed.).

Nor does the absence of amicus participation reflect that the issue is unworthy of review. Opp. 19. Trade associations may elect not to file at the certiorari stage in cases like this because they have members with interests on both sides of the question.¹ This Court has never entertained the notion that a petitioner must obtain amicus support to secure certiorari jurisdiction. In the past two terms, the Court granted plenary review in over 60 cases

¹ In *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 15-927, the Intellectual Property Owners Association, the American Intellectual Property Law Association, and the Intellectual Property Law Association of Chicago filed briefs only at the merits stage, and even then in support of *neither* party.

without amici at the certiorari stage, including four intellectual property cases. *Kirtsaeng v. John Wiley & Sons*, 136 S. Ct. 890 (2016) (fee-shifting in copyright cases); *Hana Financial v. Hana Bank*, 134 S. Ct. 2842 (2014) (tacking under trademark law); *Teva Pharmaceuticals, USA v. Sandoz*, 134 S. Ct. 1761 (2014) (standard of review for claim construction); *Commil USA v. Cisco Sys.*, 135 S. Ct. 752 (2014) (whether belief of patent validity is a defense to induced infringement claim).

Whether a profits award requires a showing of willfulness has recurring and important consequences for countless trademark holders, including small businesses like Romag. Opp. 18. Because actual damages may be difficult to establish, an award of profits is often the difference between compensation for proven trademark infringement and no recovery at all. Pet. 17. Fossil does not dispute this reality. Moreover, the district court has discretion to determine both whether to award profits and to order an award that is “just, according to the circumstances of the case.” 15 U.S.C. § 1117(a). Fossil’s concern about trademark plaintiffs receiving windfalls is unfounded. Opp. 2, 29.

2. Fossil’s solution to a circuit split is to invite litigants to forum shop for their preferred rule. Opp. 18, 24. That is no answer and would leave this Court with little to do.

Remedies available under federal law should not depend on where a plaintiff brings suit. Congress enacted the Lanham Act, like most federal statutes, to provide legal protections with *uniform* nationwide application. H.R. Rep. No. 79-219, at 2 (1945). Congress noted that, in the absence of a federal scheme, a person’s trademark rights “in one State

may differ widely from the rights which [that person] enjoys in another.” S. Rep. No. 79-1333, at 5 (1946). Fossil suggests that Romag “could have sued Fossil in ... the Fifth Circuit where Fossil is headquartered.” Opp. 24. But Romag is a family business located in Orange, Connecticut, and reasonably brought suit near its hometown. Romag (and businesses like it) should not have to litigate more than 1,500 miles away simply to exercise its federal rights.

Fossil speculates that the question presented is trivial because two states with large populations—California and New York—“topped the list” in trademark suits filed during 1994–2014. Opp. 23 n.6. This proves nothing. Where a plaintiff files suit may be dictated by not only limited resources that restrict one’s ability to forum shop, but also venue restrictions, procedural rules, or myriad other factors having nothing to do with the question presented. The high number of trademark actions in California actually undercuts Fossil’s argument, because the Ninth Circuit does *not* impose a willfulness requirement to recover profits in cases between direct competitors. Pet. 12. Likewise, no definitive conclusion can be drawn from suits filed in New York; the Second Circuit did not impose a willfulness requirement under the current statute until 2014. *Merck Eprova AG v. Gnosis S.P.A.*, 760 F.3d 247, 261 (2d Cir. 2014).

When “a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter,” Sup. Ct. R. 10(a), this Court should exercise its certiorari jurisdiction “to preserve uniformity of decision among the intermediate courts

of appeal.” *Dick v. N.Y. Life Ins.*, 359 U.S. 437, 452 (1959) (quoting Congressional testimony of Chief Justice Taft). Review by this Court is the appropriate fix for an acknowledged, persistent, and longstanding circuit split on a question of federal law.

3. Fossil’s suggestion that the question presented is not recurring defies reality. Opp. 23. Every circuit has addressed the question. And every plaintiff in each of the 3,000 trademark actions filed per year, *id.*, assesses the standard for a profits award as a threshold consideration. Contrary to Fossil’s suggestion, *id.*, Romag did not purport to catalogue every case addressing the issue; Romag merely listed examples applying the governing standard, Pet. 15 n.1. Nor could Romag identify every instance where this issue has arisen. The universe of judicial opinions does not reflect all the ways in which the existing uncertainty over the standard for a profits award shapes litigation choices.

In short, this case implicates a persistent circuit split on a critical and recurring question of trademark law. Only this Court can resolve the split and restore uniformity to this important area of federal law.

II. This Case Presents a Clean Vehicle to Resolve the Conflict.

1. Fossil believes “it is clear” that Romag would not receive profits under any standard. Opp. 1. But the parties’ views of the equities are irrelevant to whether the circuit split is squarely presented.

Fossil recognizes that the district court “did not address” the balance of the equities “in light of its holding that willfulness was required for an award of defendant’s profits.” Opp. 26 n.7. Fossil’s lengthy

discussion of why it thinks a profit award would be inappropriate, Opp. 14, 26–29, is premature. These are issues for remand if this Court reverses. Romag also respectfully disagrees with Fossil’s opinion and believes that a profit award *is* proper under the equities. *Supra* p. 3. Moreover, the district court expressly rejected Fossil’s contention, that Romag’s litigation conduct bars recovery of Fossil’s profits. Pet. App. 32a–35a. The Federal Circuit, too, did not consider the entry of sanctions relevant, relegating the issue to a footnote. Pet. App. 4a n.2.

Nor is it relevant at this juncture that the district court found that “the evidence at trial at most could have supported a finding that Fossil was negligent.” Opp. App. 15a; Opp. 2, 14, 26 n.8. On remand the district court could consider that finding—coupled with the jury’s determination that Fossil acted with “callous disregard,” Pet. App. 3a—in weighing the equities. But it is immaterial to whether this Court should decide the proper standard for a profits award under section 35.

The critical point is that the district court struck the jury’s award of profits because the jury had not found that Fossil’s infringement was willful—full stop. Pet. App. 66a. Applying the law of the Second Circuit, the court below affirmed. Had Romag brought suit in the Third, Fourth, Fifth, Sixth, Seventh, or Eleventh Circuits, the finding on willfulness would not have categorically barred recovery. Romag might have been entitled to recover some or all of Fossil’s profits, as the district court

deemed “just, according to the circumstances of the case.” 15 U.S.C. § 1117(a).²

2. Fossil’s assertion that Romag “could obtain at most \$65-70,000” if it establishes an entitlement to profits, Opp. 28, similarly is irrelevant to whether this case is an appropriate vehicle. Again, Romag respectfully disputes Fossil’s self-serving interpretation of the jury’s verdict, which awarded Romag over \$6.7 million, not \$70,000. Pet. App. 70a. Regardless, \$70,000 is actually a lot of money for a small business. And the amount at stake is immaterial to whether a legal issue is properly presented or worthy of certiorari. *Marx v. Gen. Revenue Corp.*, 133 S. Ct. 1166 (2013) (resolving circuit split where amount in controversy was \$4,543.03); *Lamie v. U.S. Trustee*, 540 U.S. 526 (2004) (resolving circuit split where amount in controversy was \$2,325 in fees and \$3.85 in costs).

III. The Decision Below Is Wrong.

Section 35 of the Lanham Act expressly states that willfulness is a prerequisite for monetary awards premised on violations of section 43(c), but not sections 43(a) or 43(d). Pet. 19–20.

Fossil claims to be “mystified]” by the argument that the statutory text contains no willfulness requirement for profits awards for violations of

² Fossil states in a footnote that this Court should await a decision from the Second Circuit rather than grant review of a Federal Circuit decision applying Second Circuit precedent. Opp. 20 n.4. But Fossil does not explain why this case would be more worthy of review had it arisen elsewhere. That the Federal Circuit applied Second Circuit law is no impediment to review. Pet. 18. Fossil cites no authority to the contrary.

section 43(a). Opp. 32 n.10. But Fossil conspicuously avoids engaging the text, quoting it only in a footnote. Opp. 6–7 n.1. Perhaps more mystifying is Fossil’s attempt to imply a willfulness requirement from the statute’s reference to “principles of equity.” All monetary awards in section 35 are “subject to the principles of equity.” Were Fossil correct that “principles of equity” signals Congress’s intent to require willfulness, Congress would have had no need to specify that monetary remedies under section 43(c) require a “willful violation.” This Court is “loath” to interpret a statute in a manner that “would render part of the statute entirely superfluous.” *Cooper Indus. v. Aviall Servs.*, 543 U.S. 157, 168 (2004).

Fossil similarly ignores that Congress knows how to impose a willfulness requirement for liability or entitlement to remedies when it wants to. Congress did so for monetary awards for dilution claims and in numerous other parts of the Lanham Act. Pet. 20.

Finally, Fossil speculates that Congress included the phrase “willful violation” to avoid creating a circuit split on whether willfulness was required for dilution awards. Opp. 34. This argument rests on a recognition that “the courts of appeals were divided as to the willfulness requirement in the infringement context.” Pet. App. 17a. But it is anomalous at best to conclude that Congress preserved uniformity in some applications of the statute, but was content to let a circuit split persist in other applications of the same statute. The far more natural inference is that Congress knew how to require willfulness when it wanted to.

IV. *SCA Hygiene* Controls the Second Question Presented.

Fossil agrees that “*SCA Hygiene* controls the legal basis on which the district court rested the approximately \$12,000 reduction in patent damages,” and that the court below affirmed that decision “on the basis of its *SCA Hygiene* ruling.” Opp. 35.

Fossil nevertheless contends that the reduction could be justified on alternative grounds. Opp. 35. That argument is baseless. An award of royalties for patent infringement is not subject to downward equitable adjustment. Laches is an equitable defense to patent infringement, and, where established, may bar a claim for pre-filing damages. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992). Otherwise, “[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.” 35 U.S.C. § 284. The court may increase, but not reduce, the damages awarded. *Id.* Thus, no “alternative grounds” exist for reducing Romag’s patent award. In any event, any such grounds would be for the district court to address on remand.

Because a decision by this Court that laches is not applicable in patent infringement suits brought within the statute of limitations would vitiate the legal basis for the laches reduction here, the second question presented by Romag’s petition depends entirely on the disposition of *SCA Hygiene*.

* * *

The availability of a laches defense in patent cases—the question presented in *SCA Hygiene*, which was argued on November 1, 2016—is distinct from whether willful infringement of trademark is a prerequisite for an award of infringer’s profits. The Court need not await disposition of *SCA Hygiene*, however, to grant this petition now. If the Court affirms in *SCA Hygiene*, the laches issue here becomes moot and the district court’s 18% reduction of Romag’s patent award will stand. Conversely, if the Court reverses in *SCA Hygiene*, this petition serves as Romag’s preservation of the error with respect to patent damages.

CONCLUSION

Romag respectfully requests the Court grant the petition for a writ of certiorari.

Respectfully submitted,

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