No. 18-

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.

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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QUESTION PRESENTED

Whether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer's profits for a violation of section 43(a), *id.* § 1125(a).

CORPORATE DISCLOSURE 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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PETITION FOR A WRIT OF CERTIORARI

Romag Fasteners, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the district court is reported at 29 F. Supp. 3d 85. Pet. App. 62a-105a. The opinion of the United States Court of Appeals for the Federal Circuit is reported at 817 F.3d 782. Pet. App. 16a-33a. The Federal Circuit's order reinstating its prior decision in part and remanding the case for further proceedings is not reported but is available at 686 F. App'x 889 (per curiam). Pet. App. 13a-15a. The Federal Circuit's order granting

Fossil's motion to dismiss Romag's appeal in part is unreported. Pet. App. 1a-4a.

JURISDICTION

The court of appeals granted respondents' motion to dismiss petitioner's appeal in part on February 5, 2019 (Pet. App. 1a-4a). 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 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, (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. 114a-127a

STATEMENT

This case presents an important, recurring, and outcome-determinative question of federal trademark law that has sharply divided the courts of appeals six to six. Section 43(a) of the Lanham Act prohibits false representations regarding the origin, endorsement, or association of goods through the use of another's distinctive mark—*i.e.*, trademark infringement. Section 35 of the Act provides that a plaintiff is entitled to recover an infringer's profits, "subject to the principles of equity," if it establishes "a violation under section 1125(a)." 15 U.S.C. § 1117(a). The Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits make an infringer's profits available under section 35 without requiring a threshold showing of willfulness; the infringer's intent is merely one factor among many in fashioning an equitable remedy.

The remaining six geographic circuits have reached the opposite conclusion. In the Second, Eighth, Ninth, Tenth, and District of Columbia Circuits, plaintiffs have no chance to persuade a judge to award them profits under section 35(a) unless they first clear the hurdle of showing willful infringement. The First Circuit imposes the same requirement where, as here, the parties are not direct competitors. The conflict among the courts of appeals is square, well developed, and—without this Court's intervention—intractable.

The Court should take this opportunity to break the stalemate and bring much-needed clarity to this recurrent issue of trademark law. Whether willfulness is a prerequisite to an award of profits under section 35(a) was squarely presented and dispositive below. The jury found that respondents Fossil, Inc. and Fossil Stores I, Inc. (collectively, Fossil) had infringed petitioner Romag Fasteners, Inc.'s trademark rights. But the jury also determined that Fossil's infringement was not willful. Second Circuit law, which the Federal Circuit applied because the case was filed in the District of Connecticut, thus precluded Romag from receiving *any* of Fossil's profits.

Romag would have faced the same bar to recovery under the law of the First, Eighth, Ninth, Tenth, or District of Columbia Circuits. But if this case arose under the law of the Third, Fourth, Fifth, Sixth, Seventh, or Eleventh

Circuits, Romag would have had the opportunity to litigate whether an award of profits was consistent with "principles of equity." 15 U.S.C. § 1117(a).

Which of those conflicting standards applies has serious practical and policy implications. Because a plaintiff's actual damages are often difficult to measure, an award of an infringer's profits is often the only meaningful monetary relief that trademark owners can secure for infringement. This case illustrates the point. Because petitioner could not prove its actual damages, it recovered absolutely nothing from Fossil's infringement. Profits awards, moreover, serve a vital deterrent purpose in protecting the public against counterfeit and falsely marked goods. An inflexible and atextual 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. District courts across the Nation address claims for infringers' profits in many cases each year. Given the even split among the circuits, similarly situated parties will continue to receive disparate treatment until this Court steps in.

This case, in short, is an ideal candidate for review. It presents a pure question of federal law on which the courts of appeals are evenly divided. That question is dispositive, has substantial practical and policy implications for all Lanham Act cases, and arises often. The Court should grant the petition.

A. Statutory Framework

The Lanham Act guards against unfair competition, fraud, and deception "by making actionable the deceptive and misleading use of marks." Pub. L. No. 79-489, § 45, 60 Stat. 427, 444 (1946) (codified at 15 U.S.C. § 1127). To that end, the Act prohibits a range of infringing conduct and prescribes specific remedies for violations.

1. Section 43 contains a series of provisions that protect mark holders from infringing conduct. Three are relevant here. *First*, section 43(a) prohibits false representations regarding the origin, endorsement, or association of goods through the use of another's distinctive mark. *Second*, section 43(c), which Congress added in 1996, creates a federal cause of action for trademark dilution, 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); *see* Pub. L. No. 104-98, § 3, 109 Stat. 985, 985 (1996). *Third*, section 43(d) prohibits a person other than the mark holder from registering or using the Internet domain name of a mark with bad-faith intent to profit from the mark. Congress enacted this latter prohibition against "cyberpiracy" in 1999.

2. Section 35 sets forth remedies for violations of section 43. Before Congress enacted sections 43(c) and 43(d), section 35 provided:

> When 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 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.

15 U.S.C. § 1117(a) (1996).

After it enacted section 43(c), Congress amended section 35 "by striking 'or a violation under section 43(a),' and inserting 'a violation under section 43(a), *or a willful violation under section 43(c)*.'" Pub. L. No. 106-43, § 3, 113 Stat. 218, 219 (1999) (emphasis added).

Congress enacted section 43(d) in 1999. In the same legislation, Congress amended section 35(a) to "insert[] ', (c), or (d)' after 'section 43(a).'" Pub. L. No. 106-113, § 3003, 113 Stat. 1501, 1501A-549 (1999). The statute thus read: "When a violation . . . under section 1125(a), (c), or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established," the plaintiff could recover an infringer's profits, "subject to the principles of equity." 15 U.S.C. § 1117(a) (1999).

Recognizing that, after this amendment, section 35(a) referred twice to section 43(c), in November 2002 Congress made a "technical correction[]." Pub. L. No. 107-273, § 13207, 116 Stat. 1758, 1906 (2002). Since the 2002 amendment, the statute has 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 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.

15 U.S.C. § 1117(a) (emphasis added).

B. Factual and Procedural Background

1. Petitioner, Romag Fasteners, Inc., is a family business based in Milford, Connecticut. Romag sells patented magnetic snap fasteners under its registered trademark, ROMAG, for use as closures in wallets, handbags, and other leather goods. Pet. App. 17a. 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. Pet. App. 17a. 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. Between 2002 and 2008, Superior Leather purchased, at a minimum, tens of thousands of Romag fasteners. Between 2008 and 2010, however, Superior Leather's purchases of Romag fasteners declined precipitously. Pet. App. 17a-18a.

In 2010, Reiter discovered that certain Fossil handbags sold in the United States contained counterfeit snaps bearing the Romag mark. Pet. App. 18a.

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, includ-

ing Macy's Inc. and Macy's Retail Holdings, Inc. (collectively, Macy's), for patent and trademark infringement. Pet. App. 18a. 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.

After a seven-day trial in April 2014, a jury found that Fossil had infringed Romag's trademark, falsely represented that its products came from the same source as Romag's, and infringed Romag's patents. Pet. App. 18a. The jury found that none of Fossil's violations were willful. Pet. App. 18a.

The jury found that Romag should be awarded trademark damages under two separate theories. It first determined that Fossil should pay $90,759.36 in profits to Romag "to prevent unjust enrichment." Pet. App. 108a. The jury went on to find that Fossil should pay another $6,704,046 in profits "to deter future trademark infringement." Pet. App. 109a. In reaching the latter conclusion, the jury necessarily found that Fossil had acted with "callous disregard" for Romag's trademark rights. *See* Jury Instrs. at 23, *Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85 (No. 3:10-cv-01827), ECF No. 410. The jury determined that 1% of Fossil's profits were attributable to its infringement. Pet. App. 109a. The jury also awarded Romag patent damages at a royalty rate of $0.09 per unit, for a total of $51,052.14 against Fossil and $15,320.61 against Macy's.

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). At the end of that proceeding, 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. 95a.

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). It believed, however, "that a finding of willfulness remains a requirement for an award of defendants' profits in this Circuit." Pet. App. 99a. As a result, the district court struck Romag's profits award in its entirety. Pet. App. 102a. The district court also reduced the jury's patent-damages award by 18% on the basis of laches. Pet. App. 83a.

Both parties filed post-trial motions. Romag moved for judgment as a matter of law against Macy's for trademark infringement. Romag argued that the jury's verdict against Fossil necessarily established Macy's liability for the trademark violation. See Pl.'s Mot. J. Matter of Law and New Trial, *Romag*, 29 F. Supp. 3d 85 (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. Pet. App. 41a-42a. Because of the court's prior ruling requiring willful infringement, however, the court did not address Romag's entitlement to an award of Macy's profits for trademark infringement.

Fossil, for its part, filed "a 'conditional' motion for judgment as a matter of law and for a new trial." Pet. App. 58a. Fossil argued that, even if the district court's willfulness ruling were incorrect and reversed on appeal, "the [c]ourt's judgment eliminating any profit award would continue to be appropriate under equitable considerations." Def.'s Mem. Supp. Conditional Post-Trial Mot. at

1-2, 7-8, *Romag*, 29 F. Supp. 3d 85 (No. 3:10-cv-1827), ECF No. 476.

The district court denied the motion, holding that it was "unripe." Pet. App. 59a. The court observed that, if its ruling were overturned on appeal, it would then have to determine "after an analysis of the equitable factors governing an award of profits" whether Romag was "entitled to such an award." Pet. App. 59a.

Romag appealed to the Federal Circuit, which had exclusive appellate jurisdiction over the entire case because it involved a patent claim. *See* 28 U.S.C. § 1295(a)(1); *see also, e.g.*, *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1299 (Fed. Cir. 2004) ("In deciding issues not unique to our exclusive jurisdiction, we apply the law of the regional circuit in which the district court sits.").

3. The court of appeals affirmed. Pet. App. 16a-33a. It began by observing that this Court "has never addressed whether proof of willfulness is required to recover the infringer's profits." Pet. App. 20a. The court then canvassed the circuit split and observed that the Second Circuit required a showing of willfulness, both before and after the 1999 amendment. Pet. App. 21a-24a, 28a (citing, *inter alia*, *George Basch Co. 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 acknowledged that the Second Circuit had not explicitly analyzed the import of the 1999 amendment. Pet. App. 28a. But it noted that the Second Circuit had adhered to its pre-1999 precedent in post-1999 cases. Pet. App. 28a. And it found "nothing in the 1999 amendment" that would "permit[] [it] to declare that the governing Second Circuit precedent is no longer good law." Pet. App. 28a-29a. The Federal Circuit also affirmed the district court's laches ruling. Pet. App. 20a.

4. Romag petitioned for a writ of certiorari. Its petition raised both the question currently presented and the question of whether and to what extent laches may bar an award for patent infringement brought within the Patent Act's six-year limitations period. Because the Court resolved the second question in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017), the Court granted Romag's petition, vacated the Federal Circuit's decision, and remanded for further proceedings in light of *SCA Hygiene Products*. 137 S. Ct. 1373 (2017).

The Federal Circuit recalled its prior mandate and reinstated the appeal, along with "those aspects of [its] earlier decision and judgment . . . affirming the district court's judgment declining to award Fossil's profits." Pet. App. 15a. The Federal Circuit remanded the case to the district court for entry of a new "damages judgment amount consistent with the Supreme Court's opinion" in *SCA Hygiene Products*. Pet. App. 14a.

On November 8, 2017, the district court entered an "Amended Partial Final Judgment" awarding Romag patent damages in the full amount of the jury's verdict, $51,052.14 against Fossil and $15,320.61 against Macy's, but reserving the question whether Romag was entitled to prejudgment interest. Pet. App. 12a. The district court entered an amended final judgment, which provided for prejudgment interest, attorneys' fees, and costs, on September 11, 2018. Pet. App. 8a-10a. It amended that judgment in immaterial respects on October 15, 2018. Pet. App. 5a-7a.

5. Romag appealed again to the Federal Circuit in November 2018. Pet. App. 3a. Fossil moved to dismiss the portion of the appeal that addressed the question presented under the Lanham Act on the ground that the issue had already been litigated and reaffirmed by the Federal Circuit on remand from the Supreme Court. Pet. App. 2a-3a.

On February 5, 2019, the Federal Circuit granted the motion "to the extent that the appeal is limited to issues decided by the district court in its orders after the remand from this court"—*i.e.*, the patent-damages issues. Pet. App. 3a. It explained that "a court will not generally revisit an issue once decided in the litigation." Pet. App. 3a (internal quotation marks omitted). The court further explained that it saw "no reason to relitigate an issue that has already been fully addressed." *Id.*

Following that order, Romag informed the Federal Circuit that its "sole remaining challenge to the district court's judgment in this case concerns the Lanham Act profits issue" and that, as a result, no further issues remained to be briefed. Notice, *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 18-2417, ECF No. 35 (Feb. 19, 2019).

This petition followed.

REASONS FOR GRANTING THE PETITION

I. The Courts of Appeals Are Intractably Divided Over Whether Willfulness Is A Prerequisite To Recover Profits for Trademark Infringement

Every federal court of appeals has considered whether plaintiffs must establish willful infringement before they can litigate their entitlement to an award of an infringer's profits for a violation of section 43(a). Six have answered in the negative; six have answered in the affirmative. That deep and even split on a frequently recurring question thwarts uniform application of federal trademark law. This Court's review is therefore warranted.

1. a. As the decision below acknowledged, the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits do not require plaintiffs to show willfulness before considering whether to award them profits to remedy violations of section 43(a). In those circuits, the infringer's intent is just one of several factors in a flexible analysis of the equities.

Quick Technologies, Inc. v. Sage Group PLC, 313 F.3d 338 (5th Cir. 2002), is typical of cases holding that a plaintiff need not make a threshold showing of willfulness to recover an infringer's profits. There, the Fifth Circuit observed that "several of [its] sister circuits have embraced a willfulness requirement in order to obtain an award of profits." *Id.* at 347. But, the court continued, the "plain language of § 1117(a)" after the 1999 amendment confirmed that there is no "bright-line rule." *Id.* at 349. "[W]illful infringement" is, instead, "an important factor which must be considered when determining whether an accounting of profits is appropriate." *Id.*

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 an important equitable factor but not a prerequisite" to recovery of profits. *Id.* at 171. The Fourth Circuit 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." *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *see also id.* at 175 n.13 (addressing the effect of the 1999 amendment to the Lanham

Act). And the Sixth Circuit determined that willfulness is "not required" but is 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).

Similarly, in the Eleventh Circuit, "an accounting of a defendant's profits is appropriate" in any one of three circumstances: 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) (per curiam) (emphasis added) (citing *Howard Johnson Co. v. Khimani*, 892 F.2d 1512, 1521 (11th Cir. 1990)). And the Seventh Circuit has 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.*, 886 F.2d 931, 941 (7th Cir. 1989).

b. In stark contrast to those decisions, six circuits interpret section 35 to require a threshold showing of willfulness before plaintiffs can litigate their entitlement to recover an infringer's profits under section 43(a).

Five circuits require plaintiffs to establish willfulness in all cases—an approach that the Federal Circuit embraced in the decision below. Most recently, the Ninth Circuit clarified that "willfulness remains a prerequisite for awarding a defendant's profits." *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017), *cert. denied*, 138 S. Ct. 1984 (2018). In reaching its decision, the Ninth Circuit relied in part on the Federal Circuit's analysis of the 1999 amendment in this case. *See id.*

In the Second Circuit, "a finding of defendant's willful deceptiveness is a prerequisite for awarding profits." *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 261 (2d Cir. 2014) (quoting *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992)). 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 Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990).

The First Circuit also requires a showing of willfulness, but only in cases, like this one, where the plaintiff and defendant are not direct competitors. In *Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 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. According to that court, "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).

2. Courts, academics, and commentators widely acknowledge the square conflict that this case presents.

Numerous courts, including the Federal Circuit below, have catalogued the disagreement. Pet. App. 26a-29a; *see also, e.g.*, *Stone Creek*, 875 F.3d at 441 (noting that the courts of appeals "remain divided on the role of willfulness in awarding profits"); *Masters v. UHS 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)."); *Quick Techs.*, 313 F.3d at 347-48 (collecting 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). Scholarly publications regularly acknowledge the lack of consensus among the courts over 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); Timothy D. Kroninger, Comment, *Awarding Profits in Trademark Infringement Actions: Reconciling the Circuit Split on the Willfulness Requirement with Underlying Trademark Law Rationales*, 2018 Mich. St. L. Rev. 793, 797. Many, in fact, have called for this Court to decide the question presented. *See, e.g.*, Almeling, *supra*, at 217; Blake R. Bertagna, *Poaching Profits: An Examination of the Ability of a Trademark Owner to Recover an Infringer's Profits Under the Lanham Act as Amended in 1999*, 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).

The circuit split is so stark that three leading treatises on trademark law and the Restatement of Unfair Competition discuss it—and agree that this Court's intervention is necessary to break the deadlock. *See* 3 Anne Gilson LaLonde, *Gilson on Trademarks* § 14.03(6)(c)(i) (2018) ("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."); *id.* (speculating that this Court would reject a willfulness requirement "[i]f the willfulness issue came before the Court"); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30.62 (5th ed. 2018) (noting the disagreement and stating that "[t]he Supreme Court has not ruled on this question"); Siegrun D. Kane, *Kane on Trademark Law* § 17:3.1 (6th ed. 2013) ("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 (Am. Law Inst. 1995) (discussing the disparate approaches).

The division over whether a plaintiff must establish willful infringement to obtain an award of an infringer's profits for violations of section 43(a), in sum, is stark, deep, and longstanding. 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. The frequency with which courts grapple with the question presented amplifies its importance. All twelve geographic circuits—thirteen circuits including the decision below—have weighed in. And during the last year alone, district courts decided more than a dozen claims for infringers' profits, reaching the following conflicting results:

A number of district courts required willfulness for disgorgement of profits. *See, e.g.*, *Alfwear, Inc. v. Icon Health & Fitness, Inc.*, No. 2:17cv00476, 2018 WL 6592728, at *1 (D. Utah Dec. 14, 2018); *Pipe Restoration Techs., LLC v. Coast Bldg. & Plumbing, Inc.*, No. 8:13-cv-00499, 2018 WL 6012219, at *5 (C.D. Cal. Nov. 16, 2018); *Toyo Tire & Rubber Co. v. Doublestar Dong Feng Tyre Co.*, No. 15-00246, 2018 WL 3203421, at *6 (C.D. Cal. June 26, 2018); *Synoptek, LLC v. Synaptek Corp.*, No. 16-01838, 2018 WL 3359017, at *9 (C.D. Cal. June 4, 2018); *Obesity Research Inst., LLC v. Fiber Research Int'l, LLC*, 310 F. Supp. 3d 1089, 1127 (S.D. Cal. 2018); *7-Eleven, Inc. v. Z-Eleven Convenience Store Inc.*, No. 16-cv-4116, 2018 WL 1521859, at *3 (E.D.N.Y. Jan 17, 2018); *Lavatec Laundry Tech. GmbH v. Voss Laundry Sols.*, No. 3:13-cv-00056, 2018 WL 2426655, at *7-9 (D. Conn. Jan. 9, 2018).

Multiple district courts relied on willfulness—and willfulness alone—to determine that profits should be awarded. *See AECOM Energy & Constr., Inc. v. Ripley*, 348 F. Supp. 3d 1038, 1062-65 (C.D. Cal. 2018) (awarding infringer's profits given "ample evidence" of willful infringement); *Mionix, LLC v. ACS Tech.*, No. 16-cv-02154, 2018 WL 4042729, at *10-11 (D. Colo. Aug. 24, 2018) ("disgorgement [was] an available and appropriate remedy" because infringement was willful); *Marketquest Grp., Inc.*

v. BIC Corp., 316 F. Supp. 3d 1234, 1299 (S.D. Cal. 2018) (noting an accounting of profits would be "appropriate" where infringement was willful); *Yah Kai World Wide Enters., Inc. v. Napper*, 292 F. Supp. 3d 337, 356 (D.D.C. 2018) (finding plaintiffs entitled to profits because infringement was willful).

Meanwhile, district courts in other circuits applied a multifactor analysis to decide whether profits awards were appropriate. *See, e.g.*, *KCI USA, Inc. v. Healthcare Essentials, Inc.*, No. 1:14-cv-549, 2018 WL 4327802, at *7 (N.D. Ohio Sept. 10, 2018). In stark contrast to courts where willful infringement automatically entitled the mark holder to profits, some of these courts declined to award profits for other reasons, even in the presence of willful infringement. *See Hamdan v. Tiger Bros. Food Mart Inc.*, No. 15-412, 2018 WL 3029991, at *3-5 (M.D. La. May 22, 2018) (relying on factors other than willfulness to hold that award of profits was not appropriate); *SurgiQuest v. Lexion Med., Inc.*, No. 14-382, 2018 WL 2247216, at *9-10 (D. Del. May 16, 2018) (declining to award profits even though willfulness of infringement "weigh[ed] in favor of disgorgement").

Finally, still another district court noted the confusion among the circuits and sidestepped the issue altogether. *See Safeway Transit LLC v. Discount Party Bus, Inc.*, 334 F. Supp. 3d 995, 1008 n.7 (D. Minn. 2018) (noting circuit split and avoiding the question of whether infringement was willful).

2. Not only does the question presented occur regularly, but its resolution has significant practical and policy implications.

As a practical matter, whether willfulness is a prerequisite to recovery of an infringer's profits often determines whether the mark holder can recover any monetary remedy for a trademark violation. Compensation based on the plaintiff's actual damages is often difficult to measure and obtain. Many courts require a plaintiff to prove actual consumer confusion or deception in order to receive its own damages. *See* 5 McCarthy, *supra*, § 30:74; 3 Gilson, *supra*, § 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 almost 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, 245 (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"). An award of the infringer's profits, therefore, can be the difference between a meaningful recovery for trademark infringement and no recovery at all.

Whether a mark holder must make a threshold showing of willfulness before recovering profits substantially impacts the availability of that remedy. As this Court recently observed, there is a significant difference between a factor being "an important factor" in an analysis and "the controlling one." *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1988 (2016). In *Kirtsaeng*, the Court granted certiorari to resolve a similar conflict under the Copyright Act. *See id.* at 1984 n.1. Here, the distinction between treating willfulness of infringement as a weighty concern, on the one hand, and as a dispositive concern, on the other hand, can change the outcome of a case.

In *Banjo Buddies*, for example, the Third Circuit assumed that infringement was not willful but still sustained an award of an infringer's profits because "all of the other . . . factors support[ed]" the award. 399 F.3d at 175. And in *Synergistic International, LLC v. Korman*, 2007 WL 517677 (E.D. Va. Feb. 8, 2007), the trial court awarded the infringer's profits even though it found that the defendant did not engage in willful infringement. *Id.* at *11. In both cases, the mark holder recovered the infringer's profits, even though there was no willful infringement; the result would have been different in half of the geographic circuits.

Resolution of the question presented is also vital to the policy considerations motivating the Lanham Act. Congress enacted the Lanham Act to harmonize the then-existing patchwork of trademark protections and to ensure that trademark rights would not vary based on geography. H.R. Rep. No. 79-219, at 1-2, 4 (1945); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 (1992) (Stevens, J., concurring) (observing that the Act was intended to create "uniform legal rights and remedies that were appropriate for a national economy").

As things stand, however, a mark holder's eligibility to recover profits depends on which court is deciding the infringement dispute. That is contrary to Congress' purpose in enacting the Lanham Act. And it underscores the urgent need for this Court's guidance.

3. a. 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. 33a. And the absence of willfulness would have similarly precluded Romag from recovering profits under the law of the First, Eighth, Ninth, Tenth, or D.C. Circuits.

Under the law of one of the six circuits that does not impose a threshold willfulness requirement, Romag could have instead litigated whether an award of profits was consistent with background "principles of equity" and could have had an opportunity to recover profits notwithstanding the lack of willfulness. 15 U.S.C. § 1117(a).

In that multifactor analysis, Fossil's lack of willfulness would have been a factor, but it would not have been dispositive. The district court also would have weighed the jury's finding that Fossil exhibited "callous disregard" for Romag's trademark rights. *See* Jury Instrs. at 23, *Romag*, 29 F. Supp. 3d 85 (No. 3:10-cv-01827), ECF No. 410 (explaining that the jury must find that Fossil "demonstrated callous disregard" to award damages meant to deter Fossil from future infringement and instructing the jury to consider, among other circumstances, whether Fossil "turned a blind eye to the use of counterfeit snap fasteners"). But Romag never received an opportunity for a court to consider those factors because the district court was bound by the Second Circuit's willfulness requirement.

b. The petition is also timely. "A party aggrieved by an interlocutory ruling of an appellate court is entitled to wait until a final judgment is entered before seeking certiorari review." Stephen M. Shapiro et al., *Supreme Court Practice* 84 (10th ed. 2013); *accord* 17 Charles Alan Wright & Arthur R. Miller, *Federal Practice & Procedure* § 4036 (3d ed. 2018) ("[F]ailure to seek review, or an unsuccessful petition, do[es] not preclude review of all issues in the case after complete disposition in further proceedings.").

That is precisely what Romag did in this case. After this Court granted, vacated, and remanded the prior petition in this case in light of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017), the Federal Circuit reinstated its decision in part as to the Lanham Act issue and remanded the case to the district court for further proceedings on the issue of patent damages. Pet. App. 14a-15a.

Romag was not required to petition for certiorari on the Lanham Act issue at that interlocutory juncture. Shapiro, *supra*, at 84. The case now has returned to—and been finally resolved by—the Federal Circuit. Pet. App. 3a. It is most logical to petition the Court now given that certiorari from interlocutory decisions is appropriate only in extenuating circumstances. *See* Sup. Ct. R. 11 (a writ of certiorari before final judgment "will be granted only upon a showing that the case is of such imperative public importance as to justify deviation from normal appellate practice and to require immediate determination in this Court").

The Federal Circuit resolved the willfulness issue in an interlocutory order, but it is perfectly appropriate for this Court to address that issue now that there is a final judgment. This Court has "authority to consider questions determined in earlier stages of litigation." *Major League Baseball Players Ass'n v. Garvey*, 532 U.S. 504, 508 n.1 (2001) (per curiam); *see also Panama R. Co. v. Napier Shipping Co.*, 166 U.S. 280, 283-84 (1897) (per curiam). And this Court routinely does so. *See, e.g.*, *Mercer v. Theriot*, 377 U.S. 152, 153-54 (1964) (collecting cases).

* * *

This case, in sum, presents a clean opportunity for this Court to address a question that has divided the lower courts for decades. A decision in Romag's favor—holding that the district court must consider all relevant factors and cannot bar Romag from receiving profits merely because the jury did not find willful infringement—would conclusively resolve an intractable six-six 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

In the decision below, the Federal Circuit applied an extra-statutory willfulness requirement that flouts the plain text of section 35(a) and undermines the broader policies of the Lanham Act. This Court should not allow that serious misinterpretation of federal law to stand.

1. Section 35(a) provides that a mark holder may recover damages, including an infringer's profits—subject to the principles of equity—when "a violation under section 1125(a) or (d) of this title, *or a willful violation under section 1125(c) of this title*, shall have been established." 15 U.S.C. § 1117(a) (emphasis added). Congress' decision to distinguish between damages for "a violation" of the Lanham Act's infringement and cyberpiracy provisions (sections 43(a) and (d)) and "a willful violation" of trademark dilution protections (section 43(c)) has meaning.

"When Congress includes particular language in one section of a statute but omits it in another, this Court presumes that Congress intended a difference in meaning." *Dig. Realty Tr., Inc. v. Somers*, 138 S. Ct. 767, 777 (2018) (alterations omitted) (quoting *Loughrin v. United States*, 573 U.S. 351, 358 (2014)). As the Third Circuit has explained, Congress included "willful" before "violation under section 43(c)," but not before "violation under section 43(a) or (d)," which "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; *see also Synergistic*, 470 F.3d at 175 n.13; *Quick Techs.*, 313 F.3d at 348.

The drafting history of the statute reinforces that conclusion. Before 1999, section 35(a) provided that a mark holder could recover an infringer's profits, subject to the principles of equity, when "a violation under section 1125(a) of this title[] shall have been established." 15 U.S.C. § 1117(a) (1996).

Some courts interpreted that language as requiring a showing of willfulness as a prerequisite to recovery of infringer's profits; others did not. *Compare, e.g.*, *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) ("[A]n award of profits requires a showing that defendant's actions were willful or in bad faith."), *with Roulo*, 886 F.2d at 941 ("Other than general equitable considerations, there is no express requirement that . . . the infringer wilfully [*sic*] infringe the trade dress to justify an award of profits.").

After enacting section 43(c)—and against the backdrop of that circuit split—Congress amended the language of section 35(a) three times in three years. Each time, it carefully distinguished between "a violation under section 43(a)" and "a willful violation under section 43(c)." Pub. L. No. 106-43, § 3, 113 Stat. 218, 219 (1999); Pub. L. No. 106-113, § 3003, 113 Stat. 1501, 1501A-549 (1999); Pub. L. No. 107-273, § 13207, 116 Stat. 1758, 1906 (2002).

If Congress intended to impose a threshold willfulness requirement for profits awards under section 43(a)—in addition to section 43(c)—it had a straightforward way to do so: it could have referred to "willful violations under sections 43(a) and (c)." *See Dig. Realty*, 138 S. Ct. at 777;

accord Sandoz Inc. v. Amgen Inc., 137 S. Ct. 1664, 1677 (2017).

Instead, over the course of three separate amendments, Congress maintained an explicit threshold willfulness requirement for awards of profits for trademark dilution (section 43(c)), but not trademark infringement or cyberpiracy (sections 43(a) and (d)). That confirms that the statute means what it says: willfulness is not a prerequisite for an award of infringer's profits where there is a violation of the trademark infringement provision in section 43(a).

The Federal Circuit's contrary conclusion is flawed. The court dismissed the distinction between "a violation" under section 43(a) and "a willful violation" under section 43(c) as merely correcting a latent drafting error. Pet. App. 29a-30a. Section 43(c)'s trademark dilution protections, the Federal Circuit observed, originally provided that a plaintiff could recover "the remedy set forth" in section 35(a) "if the [violation] was willfully intended." Pet. App. 24a-25a (internal quotation marks and alteration omitted). But the version of section 35(a) then in effect only provided relief for violations of section 43(a). To resolve that issue, the Federal Circuit wrote, Congress amended section 35(a) to include a "willful violation under section" 43(c). Pet. App. 25a-26a.

But that hypothesizing about Congress' purpose misses the point. The Court's "task is to construe what Congress has enacted." *Duncan v. Walker*, 533 U.S. 167, 172 (2001); *see also Arthur Andersen LLP v. United States*, 544 U.S. 696, 705 (2005) (explaining that the Court's role is "simply [to] interpret the statute as written"). And the enacted text could not be clearer that willfulness is required to award profits under section 43(c), but *not* under section 43(a). *See* p. 6, *supra*.

Even on its own terms, the Federal Circuit's argument fails to explain why Congress referred to "a willful violation," as opposed to "a violation," of section 43(c). If background principles of equity require a showing of willfulness before any award of profits, as the Second Circuit and the courts that agree with it have held, then Congress would not have needed to specify that infringer's profits were available only for "a willful violation of section 43(c)." Pet. App. 22a-23a. That requirement already would have been embedded in the statute.

If Congress believed that all violations must be willful to warrant recovery under "the principles of equity," Congress would not have needed to specify that "willful violations" of section 43(c) warrant an award of profits. *See Cooper Indus., Inc. v. Aviall Servs., Inc.*, 543 U.S. 157, 166 (2004) (explaining that the Court is "loath" to interpret statutes in a way that "would render part of the statute entirely superfluous").

2. Grafting a willfulness requirement onto section 43(a) violations would also undermine the Lanham Act's objectives. The availability of an award of an infringer's profits provides an important alternative means of compensating the trademark owner for its injuries. A forward-looking injunction, on its own, cannot effect that purpose. 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 threshold willfulness requirement on profits awards in this context hinders those 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 the jury found 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 encourages distributors of consumer products to turn a blind eye to counterfeiting, rather than monitor their supply chains for counterfeit items. That concern is especially acute in today's market, where many large brands outsource their manufacturing function. That, in turn, makes it difficult to obtain evidence of willfulness from actual infringers. And—under the Second Circuit's rule—it allows brands to avoid liability by failing to monitor their supply chain.

On the other hand, the Lanham Act's trademark dilution provision guards against *non-competing* uses of similar marks. Congress sensibly limited a profits award in that context to willful violations of the prohibition on trademark dilution. *See* p. 6, *supra*.

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 an infringer's profits conflicts with the statutory text and impedes the purposes of the Lanham Act.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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