

No. 18-1233

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*

REPLY BRIEF FOR PETITIONER

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TABLE OF CONTENTS

	Page
I. The Circuit Split Warrants Review	2
II. This Case Is An Ideal Vehicle For Review	7
III. The Decision Below Was Incorrect	9
CONCLUSION	12

II

TABLE OF AUTHORITIES

	Page
Cases:	
<i>Banjo Buddies, Inc. v. Renosky</i> , 399 F.3d 168 (3d Cir. 2005).....	3
<i>Church & Dwight Co. v. Russ</i> , 99 F. 276 (C.C.D. Ind. 1900).....	10
<i>Cooper Indus., Inc. v. Aviall Servs., Inc.</i> , 543 U.S. 157 (2004)	11
<i>Dep't of Banking, Nebraska v. Pink</i> , 317 U.S. 264 (1942) (per curiam)	7, 8
<i>Dig. Realty Tr., Inc. v. Somers</i> , 138 S. Ct. 767 (2018)	9
<i>Duncan v. Walker</i> , 533 U.S. 167 (2005).....	11
<i>Fed. Trade Comm'n v. Minneapolis- Honeywell Regulator Co.</i> , 344 U.S. 206 (1952)	7
<i>Halo Electronics, Inc. v. Pulse Electronics, Inc.</i> , 136 S. Ct. 1923 (2016)	4
<i>Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.</i> , 240 U.S. 251 (1916).....	7, 8
<i>Kirtsaeng v. John Wiley & Sons, Inc.</i> , 136 S. Ct. 1979 (2016)	3, 4
<i>Lamar, Archer & Cofrin, LLP v. Appling</i> , 138 S. Ct. 1752 (2018).....	11
<i>Lawrence Mfg. Co. v. Tennessee Mfg. Co.</i> , 138 U.S. 537 (1891).....	10
<i>Major League Baseball Players Ass'n v. Garvey</i> , 532 U.S. 504 (2001) (per curiam).....	7
<i>Menendez v. Holt</i> , 128 U.S. 514 (1888).....	10
<i>Mercer v. Theriot</i> , 377 U.S. 152 (1964) (per curiam).....	7

III

	Page
Cases—continued:	
<i>Oakes v. Tonsmierre</i> , 49 F. 447 (C.C.S.D. Ala. 1883).....	10
<i>Octane Fitness, LLC v. ICON Health & Fitness, Inc.</i> , 572 U.S. 545 (2014).....	4
<i>PlayNation Play Sys., Inc. v. Velez Corp.</i> , -- F.3d ---, 2019 WL 2180589 (11th Cir. May 21, 2019).....	5
<i>Retractable Techs., Inc. v. Becton Dickinson & Co.</i> , 919 F.3d 869 (5th Cir. 2019)	5
<i>SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC</i> , 137 S. Ct. 954 (2017)	6, 7, 8
<i>Stone Creek, Inc. v. Omnia Italian Design, Inc.</i> , 875 F.3d 426 (9th Cir. 2017)	5
<i>Stonebraker v. Stonebraker</i> , 33 Md. 252 (Md. 1870)	10
<i>Synergistic International, LLC v. Korman</i> , No. 05-49, 2007 WL 517677 (E.D. Va. Feb. 8, 2007).....	3
Statutes and rule:	
15 U.S.C. § 1114(2)	10
15 U.S.C § 1117(a)	5, 9, 10, 11
15 U.S.C. § 1125(a)	9, 10, 11
15 U.S.C. § 1125(c)	9, 10, 11
15 U.S.C. §1125(d)	9, 10, 11
15 U.S.C. § 1125(d)(1)(A).....	10
Sup. Ct. R. 10(a).....	2

IV

	Page
Miscellaneous:	
Br. in Opp., <i>Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.</i> (No. 04-1693), 2005 WL 2178847 (Sept. 1, 2005).....	5, 6
Br. in Opp., <i>Halo Electronics, Inc. v. Pulse Electronics, Inc.</i> , 136 S. Ct. 1923 (2016).....	4
Br. in Opp., <i>Kirtsaeng v. John Wiley & Sons, Inc.</i> , 136 S. Ct. 1979 (2016)	4
Br. in Opp., <i>M2 Software, Inc. v. Viacom, Inc.</i> (No. 07-202), 2007 WL 3071017 (Oct. 17, 2007).....	6
H.R. Rep. No. 79-219 (1945)	4
S. Rep. No. 79-1333 (1946)	4
Mark A. Thurmon, <i>Confusion Codified: Why Trademark Remedies Make No Sense</i> , 17 J. Intell. Prop. L. 245 (2010)	10

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The question whether a showing of willfulness is a prerequisite to an award of an infringer's profits has divided the courts of appeals six to six. The question arises virtually every time a plaintiff succeeds in a trademark-infringement case. The question has important implications for the policies underlying the Lanham Act. And the question is squarely presented and outcome determinative. This is a paradigmatic case for review.

Fossil does not dispute that a six-six circuit split exists. Although Fossil contends that the divergent approaches produce "similar results," Br. in Opp. 2, as long as the question presented *can* be, and sometimes *is*, dispositive, similarly situated parties are treated differently

depending on where they file suit. This Court’s certiorari jurisdiction exists to prevent this very scenario. *See* Sup. Ct. R. 10(a). This case illustrates the point: the application of Second Circuit precedent here deprived Romag of the opportunity to prove its entitlement to an award of profits—an opportunity Romag would have had in six geographic circuits.

Unable to meet those points head-on, Fossil falls back on a set of purported vehicle problems. But its vehicle arguments only underscore the triviality of its objections to certiorari. Fossil’s threshold jurisdictional objection is baseless and, if accepted, would force a sea change in this Court’s practice. And Fossil’s effort to litigate—at the certiorari stage—Romag’s ultimate entitlement to an award of Fossil’s profits misses the point of the question presented: namely, whether Romag should have the opportunity to litigate the profits issue in the first place.

Finally, Fossil’s construction of the Lanham Act on the merits conflicts with the statutory text and misconstrues background common-law principles. Nothing in Fossil’s opposition detracts from the indisputable fact that the courts of appeals are evenly divided on a pure and outcome-determinative question of federal law.

I. The Circuit Split Warrants Review

1. Fossil concedes that the question presented has sharply divided the courts of appeals. Br. in Opp. 24-25. So Fossil tries to minimize it by arguing that the split “has little practical importance” because the presence of willfulness will dictate whether profits are awarded regardless of the applicable test. *Id.* at 25. That argument is unpersuasive.

All that matters for present purposes is whether courts can and have awarded lost profits without finding

willfulness. In *Banjo Buddies, Inc. v. Renosky*, for instance, the Third Circuit affirmed a profits award without determining whether the infringement was willful because “all of the other [equitable] factors”—including the defendant’s culpable, if not willful, behavior and the public interest in deterring the defendant’s conduct—“support[ed] an award of profits.” 399 F.3d 168, 175-76 (3d Cir. 2005). Similarly, in *Synergistic International, LLC v. Korman*, the trial court awarded an infringer’s profits even though it found that the defendant had not engaged in willful infringement. No. 05-49, 2007 WL 517677, at *11 (E.D. Va. Feb. 8, 2007). There, as in *Banjo Buddies*, the defendant’s conduct was “not blameless” and an award of profits would serve the public interest by making infringement unprofitable. *Id.* at *9-12. Although neither mark holder established willfulness, both recovered profits.

That approach stands in stark contrast to the standard the district court applied below. Here, as in *Banjo Buddies* and *Synergistic*, the defendant was “not blameless.” See *Synergistic*, 2007 WL 517677, at *12; Pet. 8 (discussing jury finding that Fossil acted with “callous disregard”). Here, as in those cases, a substantial public interest exists in deterring the defendant’s conduct. See *Banjo Buddies*, 399 F.3d at 176; Pet. 28 (discussing policy consequences of allowing manufacturers to escape meaningful trademark liability by failing to monitor their supply chains). But here, in contrast to *Banjo Buddies* and *Synergistic*, the district court struck the jury’s profits award without analyzing any factors other than willfulness.

These concrete examples illustrate the broader principle that the difference between “an important factor” and “the controlling one” is significant. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1988 (2016). The Court, for example, granted certiorari in *Kirtsaeng* to consider what weight “objective reasonableness” should

have in the attorney's-fees analysis in copyright cases. *Id.* at 1984 & n.1. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.* involved a similar question: whether there is a threshold bad-faith requirement for fee awards in patent cases. 572 U.S. 545, 548 (2014). And in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, the Court assessed whether “objective recklessness” is a prerequisite to an award of enhanced patent damages. 136 S. Ct. 1923, 1932 (2016).

The parties opposing review in those cases, just like Fossil, argued that review was not warranted because the petitioner could not succeed “under *any* . . . standard.” Br. in Opp. 6, *Halo Elecs.*, 136 S. Ct. 1923; *see also* Br. in Opp. 27, *Kirtsaeng*, 136 S. Ct. 1979. The Court nevertheless granted certiorari to determine which legal test should apply. Certiorari is similarly warranted here.

2. Fossil’s other efforts to minimize the importance of the circuit split are similarly flawed. First, Fossil incredibly suggests that, if the circuit split really mattered, litigants would forum shop for their preferred rule. Br. in Opp. 22, 26-27 & n.4. The remedies available under a federal statute, however, should not depend on where a plaintiff brings suit. That is especially true under the Lanham Act, which Congress enacted to promote consistency in the Nation’s trademark law. H.R. Rep. No. 79-219, at 2 (1945); *see also* S. Rep. No. 79-1333, at 5 (1946). Plaintiffs’ decisions about where to bring suit say nothing about the importance of the question presented. Consider this case. Romag is a small family business located in Orange, Connecticut. Romag reasonably brought suit near its hometown. Romag (and businesses like it) do not have the resources to survey trademark law nationwide before suing, and they should not have to litigate in a distant forum simply to exercise federal rights.

Fossil next posits, without elaboration, that “[c]ontinued percolation” in the lower courts could eliminate the disagreement. Br. in Opp. 23. That is demonstrably wrong. In the last two years, courts of appeals on both sides of the split have reaffirmed their prior interpretations of section 35(a). See *PlayNation Play Sys., Inc. v. Velex Corp.*, -- F.3d --, 2019 WL 2180589, at *6 (11th Cir. May 21, 2019); *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 919 F.3d 869, 876 (5th Cir. 2019); *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017). Fossil offers no reason to think that any circuit—much less six—would spontaneously change course.

Finally on this score, Fossil notes that “most” of the cases cited in the petition at pp. 18-19 “simply refer to an accounting of profits without addressing the issue raised here.” Br. in Opp. 26. But Romag cited those cases for the proposition that trademark plaintiffs frequently seek lost profits, not that district courts continue to rehash a legal question that has been decided by every circuit. Fossil concedes the presence of a circuit conflict and indeed one in which *every* circuit has weighed in. Moreover, countless trademark cases are resolved without any district court opinion. The issue of what a successful mark holder must prove to obtain an award of infringer’s profits arises virtually every time a trademark-infringement plaintiff prevails or settles its claim.

3. That leaves Fossil’s observations that the Court has denied certiorari in the past and that Romag’s petition did not have amicus support. Neither is relevant.

Fossil identifies two prior cases in which the Court declined review. Br. in Opp. 21-22. Both involved unpublished decisions addressing trademark-infringement claims that predated the 1999 amendment of the Lanham Act. Br. in Opp. 11, *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.* (No. 04-1693), 2005 WL 2178847

(Sept. 1, 2005); Br. in Opp. 12-16, *M2 Software, Inc. v. Viacom, Inc.* (No. 07-202), 2007 WL 3071017 (Oct. 17, 2007).¹ In one case, the petitioner had waived the question presented in the lower court. See Br. in Opp. 8-9, *Contessa Premium Foods*, (No. 04-1693). The most recent petition was filed twelve years ago. In the interim, the circuit split deepened as courts considered, and disagreed about, the effect of the 1999 amendment. Pet. 13-17. Nor has the issue faded from view: the leading trademark treatises continue to discuss the lower courts' various approaches. See Pet. 17.

The absence of amicus participation is similarly meaningless. Br. in Opp. 23. This Court has never entertained the notion that a petitioner must obtain amicus support to secure a writ of certiorari. That makes sense: amici may choose not to file certiorari-stage briefs for any number of reasons, including cost, considerations of timing, and—where amici such as trade groups are concerned—the often-disparate interests of their members. Notably, nearly half of the merits cases argued this Term did not have amicus briefing at the certiorari stage.

* * *

This case, in sum, presents a clean and persistent circuit split on an important question of federal law. Only this Court's intervention can resolve the split and restore the uniformity the Lanham Act was meant to impose.

¹ In this case, of course, the Court granted, vacated, and remanded for further proceedings in light of *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017). That does not imply any view on the question presented. See p. 7, *infra*.

II. This Case Is An Ideal Vehicle For Review

1. Fossil manufactures two vehicle issues. It first suggests that the Court does not have jurisdiction because Romag did not file an interlocutory petition after the Federal Circuit remanded this case to the district court for further proceedings in light of *SCA Hygeine Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017). Fossil’s argument is frivolous. The Court has “authority to consider questions determined in earlier stages of the litigation where certiorari is sought from the most recent of the judgments of the Court of Appeals.” *Major League Baseball Players Ass’n v. Garvey*, 532 U.S. 504, 508 n.1 (2001) (per curiam); *Mercer v. Theriot*, 377 U.S. 152, 153 (1964) (per curiam). That is true even when, as here, a prior appeal conclusively settled the question presented and the parties did not litigate it further on remand. *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251 (1916), is right on point. There, this Court granted certiorari to review a trademark question decided in an earlier appeal, even though the Court had previously denied certiorari on the issue and the court of appeals, in the intervening period, had remanded the case for a calculation of damages under an alternative theory. *Id.* at 258.

Fossil’s contrary argument relies on an entirely different—and inapposite—principle. The cases cited by Fossil stand for the notion that a nonsubstantive or clerical correction to an otherwise final judgment does not restart the time for seeking review. *See Fed. Trade Comm’n v. Minneapolis-Honeywell Regulator Co.*, 344 U.S. 206, 211 (1952); *Dep’t of Banking, Nebraska v. Pink*, 317 U.S. 264, 266 (1942) (per curiam). That is because such a correction does not require the lower courts to “reconsider *any question* decided in the case,” and therefore

does not affect “the finality of the court’s first order.” *Pink*, 317 U.S. at 266 (emphasis added).

That was not the case here. The Federal Circuit remanded the case to the district court for further proceedings on an unrelated (patent) issue in light of *SCA Hygiene*. Pet. App. 14a-15a. There was no final judgment then because the district court still had to award patent damages. *See id.* at 5a-7a. Once the district court did so, the Federal Circuit summarily affirmed and entered a *final* judgment. Supp. App. 1a-2a. At that point, “any error that may have occurred in the interlocutory proceedings” is subject to this Court’s review. *Hamilton-Brown Shoe*, 240 U.S. at 258. Romag did not have to file an interlocutory petition to preserve the question presented. Indeed, had Romag proceeded as Fossil suggests it was required to do, Fossil would no doubt have urged this Court to deny certiorari on the ground that Romag should wait until a final judgment (*i.e.*, now).

2. Fossil’s second vehicle argument—that “[a] ruling in Romag’s favor . . . will not change the outcome,” Br. in Opp. 27—is no better. As discussed above, the question this petition presents is not whether Romag ultimately should receive an award of Fossil’s profits (although Romag believes it should). *See pp. 2-4, supra.* The issue, instead, is whether Romag should have the opportunity to prove its entitlement to a profits award in the first place. As to that issue, the question presented is outcome-determinative. Br. in Opp. 12 (conceding that the district court struck the damages award based entirely on lack of willfulness).

Fossil’s lengthy discussion of why it thinks Romag is not entitled to an award of profits (Br. in Opp. 27-31) is, therefore, irrelevant and premature. Fossil moved for

judgment as a matter of law on the question whether Romag could recover profits if willfulness were not a threshold requirement. *See* Def.’s Mem. Supp. Conditional Post-Trial Mot. 1-2, 7-8, *Romag*, 29 F. Supp. 3d 85 (No. 3:10-cv-1827), ECF No. 476. The district court denied Fossil’s motion because it recognized that, if willfulness were not a prerequisite, “an analysis of the equitable factors governing an award of profits” would be necessary to determine whether Romag was “entitled to such an award.” Pet. App. 59a. That analysis could include some of the considerations that Fossil cherry-picks in its brief. *See* Br. in Opp. 28-31. But the analysis also would include Fossil’s “callous disregard” for Romag’s trademark rights, Pet. 22, along with the consequences of allowing brands like Fossil to escape meaningful trademark liability by turning a blind eye to misconduct in their supply chains.

None of this matters, however, at this stage. The critical point is that federal courts apply different standards to determine when a mark holder has an opportunity to prove its entitlement to an award of profits. Some courts impose a threshold willfulness requirement. Others do not. Which of those approaches applies is dispositive of whether Romag will have an opportunity to prove that it is entitled to an award of Fossil’s profits.

III. The Decision Below Was Incorrect

Finally, Fossil’s interpretation of the Lanham Act is flawed. Section 35(a) provides that a mark holder may recover 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). Because Congress included “willful” in one clause but not the other, the Court “presumes that Congress intended a difference in meaning.” *Dig. Realty*

Tr., Inc. v. Somers, 138 S. Ct. 767, 777 (2018) (internal quotation marks omitted). Applying that principle, willfulness is required for an award of profits under section 43(c), but not under sections 43(a) or (d).

Fossil insists that the Lanham Act’s reference to “principles of equity” imports a willfulness requirement from the common law. Opp. 31-34 & n.6. But the common law was not settled when Congress adopted the Lanham Act. See Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. Intell. Prop. L. 245, 285 (2010). Some courts, as Fossil points out, held that willfulness was a prerequisite to an award of profits. Br. in Opp. 31-33. Others did not. See, e.g., *Oakes v. Tonsmierre*, 49 F. 447, 453 (C.C.S.D. Ala. 1883); *Stonebraker v. Stonebraker*, 33 Md. 252, 268 (Md. 1870). In any event, willfulness was easier to prove in common-law trademark cases than it is today. *Confusion Codified*, 17 J. Intell. Prop. at 284-85. Once a mark holder established infringement of a distinctive mark, “a fraudulent intent to injure the complainant, or an actual misleading of the public, [did not need to] be proved, as it [was] presumed.” *Church & Dwight Co. v. Russ*, 99 F. 276, 279 (C.C.D. Ind. 1900); see also *Lawrence Mfg. Co. v. Tennessee Mfg. Co.*, 138 U.S. 537, 549 (1891) (“[I]f an infringement were clearly shown, the fraudulent intent would be inferred”); *Menendez v. Holt*, 128 U.S. 514, 523 (1888).

Congress knows how to impose a willfulness requirement when it wants to. Congress did so throughout the Lanham Act—including in section 35(a), where it distinguished between “a violation under section 1125(a) or (d)” and “a willful violation under section 1125(c).” 15 U.S.C. § 1117(a); see also, e.g., 15 U.S.C. §§ 1114(2), 1125(d)(1)(A). Fossil’s interpretation oversimplifies the

state of the common law when the Lanham Act was enacted; it flouts Congress' decision not to impose a willfulness requirement for profits awards in section 43(a) cases; and it improperly renders the reference to "a willful violation under section 1125(c)" "entirely superfluous." *Cooper Indus., Inc. v. Aviall Servs., Inc.*, 543 U.S. 157, 166 (2004).

Fossil's speculation about Congress' purpose in adding the phrase "a willful violation under section 1125(c)" (Br. in Opp. 34-36) does not change the analysis. The Court's "task is to construe what Congress has enacted." *Duncan v. Walker*, 533 U.S. 167, 172 (2005). And the language of the statute is perfectly clear.

In any event, the Court presumes that Congress is aware of relevant judicial decisions interpreting a statute when it legislates. *See, e.g., Lamar, Archer & Cofrin, LLP v. Appling*, 138 S. Ct. 1752, 1762 (2018). Before Congress amended the statute in 1999, a circuit split already existed regarding whether willfulness was a prerequisite to recovery. Pet. 25. Every time Congress amended the statute after that point, Congress distinguished between "a willful violation under section 1125(c)" and "a violation under section 1125(a) or (d)." Pet. 25-26. If Congress had intended to impose a willfulness requirement for section 1125(a), in addition to section 1125(c), it no doubt would have done so directly, not through an oblique reference to "principles of equity." 15 U.S.C. § 1117(a).

CONCLUSION

The petition for a writ of certiorari should be granted.

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