No. 18-1233

In the Supreme Court of the United States

ROMAG FASTENERS, INC.,

Petitioner,

v.

FOSSIL, INC., ET AL.,

Respondents.

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

BRIEF FOR RESPONDENTS IN OPPOSITION

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QUESTIONS PRESENTED

Under the Lanham Act, an accounting of a defendant's profits attributable to the infringement is not automatic. Section 35 of the Act makes any such award "subject to the principles of equity." 15 U.S.C. 1117(a). In applying those principles, all courts assess the defendant's intent to determine whether equitable disgorgement is justified. Some courts hold that "the principles of equity" make willful infringement a prerequisite to disgorgement; other courts consider willfulness an important factor in the equitable determination. In practice both standards result in willful infringers disgorging their profits; and non-willful infringers not accounting for profits.

The question presented is:

Whether the Court should address the standard for an accounting of a defendant's profits even though (a) regardless of the different formulations of "principles of equity" invoked by lower courts, their application in the overwhelming majority of cases results in an accounting being ordered when the infringement was willful and denied when it was not; and (b) the trial court's findings in this case bar petitioner from recovering respondents' profits under either standard applied by the courts of appeals.

RULE 29.6 STATEMENT

Fossil, Inc., which formally changed its name to Fossil Group, Inc. as of May 2013, has no parent corporation; publicly held BlackRock, Inc. holds 10% or more of its stock. Fossil Stores I, Inc. is a wholly-owned subsidiary of publicly held Fossil Group, Inc.

Macy's, Inc. has no parent corporation and no publicly held corporation owns 10% or more of its stock. Macy's Retail Holdings, Inc. is a wholly-owned subsidiary of Macy's, Inc.

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BRIEF IN OPPOSITION

COUNTER-STATEMENT REGARDING JURISDICTION

The Federal Circuit finally and fully adjudicated the issue presented—whether petitioner was entitled to an award of defendant's profits—in its May 3, 2017 order expressly "reinstat[ing]" that court's March 31, 2016 decision and judgment "affirming the district court's judgment declining to award Fossil's [trademark] profits." (Pet. App. 13a-15a). The court of appeals limited its remand to the separate issue of the laches determination's effect on the patent damages award (*id*. at 14a). The court's February 2019 order expressly rejected petitioner's attempt to re-litigate the profits issue (*id*. at 3a). Because petitioner failed to seek review by this Court within ninety days of the entry of the May 2017 order that finally determined the issue presented, the petition is out-of-time. *See* 28 U.S.C. § 2101(c).

STATEMENT

The petition should be denied for multiple reasons in addition to the Court's lack of jurisdiction.

First, no meaningful conflict exists.

Disgorgement of an infringer's profits has never been automatic. Rather, before and after passage of the Lanham Act, the law made that extraordinary and often draconian windfall remedy "subject to the principles of equity." The lower courts all agree that equity requires scrutiny of a trademark infringer's intent in determining whether equitable disgorgement is permissible. Some courts hold that equity *requires* willful infringement before other equitable factors are evaluated; others hold that willfulness is *important*, but not a prerequisite. But these differing standards in practice produce similar results: even where willfulness is "important" but not a prerequisite, the overwhelming majority of decisions upholding defendant's profits awards involve intentional, willful misconduct. And "important factor" courts almost never award profits absent willfulness.

Litigants' behavior confirms this conclusion. Trademark plaintiffs continue to file most trademark cases in the Second and Ninth Circuits, both of which require proof of willfulness. And the absence of amicus support for the petition—even though associations representing trademark owners regularly file briefs addressing questions they deem important—confirms the lack of meaningful conflict and the unimportance of the issue presented.

Second, this case is a poor vehicle for addressing the question presented. The jury found that Fossil did not act willfully and the district court found that the evidence at most could show negligence, not reckless disregard, willful blindness, or actual knowledge. Those determinations, together with every other relevant "principle of equity," would preclude an equitable accounting of Fossil's profits to Romag under any standard.

Romag's inequitable acts—misrepresentations, purposeful and prejudicial delay and unclean hands—also preclude award of the equitable disgorgement remedy here. The district court specifically found that Romag inequitably delayed filing this action until the holiday shopping season to inflict maximum economic pressure on defendants—including the inability to sell $4 million in merchandise—in a failed effort to force defendants to settle on terms favorable to Romag. It also found that Romag mislead the district court in its TRO filing, preventing the district court from accurately applying the governing legal standard.

Moreover, the remedies Romag did obtain were substantial. It obtained powerful and costly (to Fossil) preliminary and permanent injunctive relief, a remedy that courts have held satisfies the equities where the infringement is non-willful. Romag also recovered nearly double its actual damages of $37,000, when the jury awarded it roughly $66,000 in patent royalties. Romag, however, rejected statutory damages up to $200,000 in favor of a hoped-for massive windfall of all defendants' handbag profits exceeding $26 million. That is more than ***700 times*** Romag's actual loss. Principles of equity preclude just that kind of punitive windfall.

Third, the decision below was correct. The common law required willfulness for an award of an infringer's profits. Section 1117(a)'s reference to "the principles of equity"—which has remained unchanged despite subsequent amendments—incorporated that common-law rule. And, as the Federal Circuit correctly concluded, nothing in a 1999 technical, conforming amendment altered that standard.

A. Legal Background.

Section 32 of the Lanham Act, 15 U.S.C. § 1114(1), makes infringement of a federally registered trademark actionable. Section 43(a), 15 U.S.C. § 1125(a), creates a cause of action for false designation of origin.

The statute authorizes a range of possible remedies, including injunctions (*see* 15 U.S.C. § 1116(a)); statutory damages (*id.* § 1117(c)); actual damages (*id.* § 1117(a)); defendant's profits (*ibid.*); and reasonable attorneys' fees (*ibid.*).

The standards governing monetary remedies in infringement and false designation actions are specified in Section 35(a), 15 U.S.C. § 1117(a). Prior to 1999, that provision stated that a plaintiff establishing a violation of either provision

> 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.

It specified that if a 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." *Ibid.* Also, such an award "shall constitute compensation and not a penalty." *Ibid.*

An equitable accounting of a defendant's profits is not automatic. This Court explained—in a case under the Lanham Act's statutory predecessor, the Trademark Act of 1905—"that an accounting will [not] be ordered merely because there has been an infringement." *Champion Spark Plug Co. v. Sanders,* 331 U.S. 125, 131 (1947), discussing *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942). "[W]here an injunction will satisfy the equities of the case," an award of the defendant's profits has been denied. *Ibid.* In *Champion*, there was "no showing of fraud or palming off" and "the likelihood of damage to [the plaintiff] or profit to [the defendants] due to any misrepresentation seem[ed] slight"; the Court held that the grant of the injunction by itself therefore "satisf[ied] the equities of the case." *Ibid*.

All courts of appeals agree that under Section 1117(a)'s "principles of equity" the infringer's intent is at the minimum an important factor in determining disgorgement.

Some courts of appeals require a showing of willfulness before considering an accounting of defendant's profits. *See*, *e.g*., *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537, 1540 (2d Cir.), *cert. denied*, 506 U.S 991 (1992); *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 on other grounds*, *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 175 (3d Cir. 2005); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) (profits award possible only for "willful, deliberate infringement or deception"); *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1401, 1405 (9th Cir. 1993); *ALPO Petfoods, Inc. v. Ralston Purina Co.,* 913 F.2d 958, 961, 965, 969 (D.C. Cir. 1990) (Thomas, J.) (profits award "proper only in a case involving actions that evince willfulness or bad faith, such as passing off a product as another seller's product").

Other courts have concluded that "principles of equity" made willfulness an important consideration, but not a prerequisite. *E.g.*, *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998).

In 1996, fifty years after enacting Section 1117(a), Congress amended another provision of the

Lanham Act to add a new cause of action for trademark dilution, specifying that a prevailing plaintiff would be entitled only to injunctive relief unless a defendant also "willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." 15 U.S.C. § 1125(c)(2). A plaintiff that made that showing would also "be entitled to the [monetary] remedies set forth in section 1117(a) * * * subject to the discretion of the court and the principles of equity." *Id.* § 1125(c)(5).

However, the 1996 amendment created uncertainty, because Congress failed to amend Section 1117(a) to reference the new dilution cause of action. As Congress explained, it therefore amended the statute again in 1999

> [t]he language of the [1996 amendment] presented to the President for signing did not include the necessary changes to [Section 1117(a)] * * *. 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 [Section 1117(a)] * * * to allow for * * * damages.

H.R. Rep. 106-250, 106th Cong., 1st Sess., at 6 (1999).

The 1999 amendment altered Section 1117(a) as follows (added text in italics):

> 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),~~ *a violation under section 1125(a), or a willful violation under section 1125(c), of this title* shall have been estab-

> lished 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.[1]

B. The Parties.

Romag owns a patent for a type of magnetic snap fastener and the registered trademark ROMAG. Pet. App. 64a. Romag's snaps are manufactured in China by Romag's factory, Wing Yip, which sells them and pays Romag a five-cent per snap royalty. *Ibid.*

Fossil sells consumer fashion accessories, including handbags, both directly and through retailers such as Macy's. Pet. App. 65a-66a. Fossil does not manufacture the handbags it sells; it contracts with third-parties—in this case Superior Leather Limited, which manufactured the bags using components, including snaps, that it purchased. Pet. App. 66a.

C. District Court Proceedings.

Romag commenced this trademark and patent action on November 22, 2010, three days before

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[1] The current version reads:

> 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, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

Thanksgiving. The district court granted a TRO on November 30, 2010. Pet. App. 71a.

Romag sought injunctive relief and defendants' profits, but not actual or statutory trademark damages. District Ct.'s Jury Charge, ECF No. 410, at 22; Pet. 8. Romag sought an award of all defendants' handbag profits—totaling approximately $26 million, Plaintiff Exhibit. 263—which it wanted trebled, Romag Complaint, at 11.

1. Following trial, the jury found Fossil and Macy's liable for patent infringement; determined that neither willfully infringed; and awarded royalty damages of roughly $66,000. Pet. App. 34a-35a.

On Romag's trademark-related claims, the jury found Fossil liable but again determined Fossil had not willfully infringed. Based on a jury instruction Fossil objected to—and conditionally cross-appealed from—the jury made an advisory award of Fossil's profits. Pet. App. 34a, 58a-59a.

The jury determined that use of the Romag mark "accounted for approximately 1% of Fossil's profits on the accused handbags." Pet. App. 59; *see Mishawaka Rubber*, 316 U.S. at 206 ("[t]he plaintiff * * * is not entitled to profits demonstrably not attributable to the unlawful use of his mark"). The district court upheld that determination. *Id.* at 50a-58a.

2. The district court held a bench trial with respect to Romag's claims for equitable relief.

It held that Romag "had sufficient knowledge * * * by June 2010 to bring suit," Pet. App. 85a, but unreasonably and inexcusably delayed filing:

> 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.

Pet. App. 81a.

In support of this conclusion, the court found that:

- Romag had twice before—in November 2007 and 2009—"issu[ed] cease and desist letters and [sought] emergency relief on the eve of Black Friday [the first shopping day after Thanksgiving], a time that is an obvious pressure point for retailer defendants." Pet. App. 80a.[2]
- Howard Reiter, Romag's president, received an email from China in May 2010 alleging that Superior was using counterfeit snaps; contacted his IP counsel the next day; had information in his files showing that Superior manufactured handbags for Fossil; and obtained Fossil bags that his wife (the company's general counsel and petitioner's co-counsel) and

[2] The district court observed that although Romag's president claimed at trial "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." Pet. App. 80a.

sister bought suspecting they might have counterfeit snaps. Pet. App. 68a-69a.

- The court found "inexplicabl[e]" Reiter's testimony that—with all this occurring "within one week"—he "drew no connection between his wife's concerns regarding the Fossil bags and the email alleging that Superior was purchasing counterfeit snaps." Pet. App. 79a. Reiter failed to investigate the information about counterfeiting then or during his July 2010 trip to China, and he "offered no explanation" for failing to do so. *Ibid.*
- Also "not ring[ing] true" to the district court was Reiter's testimony that he "had an epiphany in late October, the trigger for which he could not recall, that led him to finally make the connection between the Fossil bags and the Superior invoices." Pet. App. 79a-80a.

The district court determined that Romag's purposeful delay economically prejudiced Fossil, compelling it to remove merchandize worth more than $4 million from stores; and "[i]f 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." Pet. App. 81-82.

Because Romag failed to "offer[] 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," the district court found laches applied. Pet. App. 82a-83a.

The district court next sanctioned Romag for its misleading and delayed TRO filings. Pet. App. 90a-93a. It found Howard Reiter's sworn declaration underlying Romag's TRO application "misleading in several respects." *Id.* at 91a. "Its limited contents conveyed the impression that Mr. Reiter had just discovered the counterfeit ROMAG snaps [on a November visit to Macy's] and only by mere happenstance" and "contrary to his sworn trial testimony that he went to Macy's * * * with the express purpose of confirming his suspicions." *Ibid.*

"More troubling," the district court stated, was "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" of counterfeit snaps in Fossil bags. Pet. App. 91a.

Because a plaintiff's delay in bringing suit vitiates the presumption of irreparable harm in a trademark infringement action, "Romag's sparse and misleading representations deprived [the district court] of the ability to accurately apply the appropriate standard in considering Romag's request for emergency injunctive relief." Pet. App. 92a.

In addition, Romag delayed in bad faith its TRO filing until the holiday shopping season:

> 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.

Pet. App. 93a.

Next, the district court denied Romag an accounting of defendants' trademark profits, because willful infringement was necessary for such an award. Pet. App. 93a-102a. It also entered a permanent injunction against Fossil. Pet. App. 102a-104a.

3. Romag moved for a new trial on the willfulness issue, arguing that the district court erred by refusing to include reckless conduct in its jury instructions defining willfulness. The district court denied the motion, finding that Romag had waived the issue because it "did not object to this instruction, and actually requested the charge given"; and that the instructions were correct. Pet. App. 42a-50a.

The district court further held that Romag would not be entitled to a new trial in any event, because "the evidence at trial at most could have supported a finding that Fossil was negligent, not that it acted in reckless disregard, with willful blindness, or with actual knowledge of Superior's purchases of counterfeit snaps." Pet. App. 47a (footnote omitted).

The court found that "the evidence at trial established that":

- "Fossil paid full price for the snaps used by Superior, that it had never been informed of any specific instances of Superior using counterfeit snaps, and that it '[d]idn't believe that counterfeits were being used.'"

- "There was no other evidence to support a finding that Fossil knew or suspected there was a risk that Superior was using counterfeit snaps."
- "[A]bsent evidence of such suspicions, Fossil's failure to investigate Superior more generally amounts to no more than negligence by Fossil."

Pet. App. 49a. Therefore, the district court concluded, "there was no evidence that Fossil acted recklessly, with willful blindness, or with actual knowledge of a risk of counterfeit snaps." *Id.* at 49a-50a.

D. The Federal Circuit's *Romag I* Decision.

Romag appealed on two distinct issues: denial of an award of defendants' profits on the trademark claim and reduction of patent damages based on Romag's laches.

1. The court of appeals unanimously affirmed the district court's holding that willfulness is required for an accounting of a defendant's trademark profits. Pet. App. 20a-33a.

It began by observing that this Court—in pre-Lanham Act opinions applying the common law—stated that an award of profits was not proper when a defendant "acted in good faith," was an "innocent infringer," or where there was a "want of fraudulent intent." Pet. App. 20a-21a (quoting *Saxlehner v. Siegel-Cooper Co.*, 179 U.S. 42, 42-43 (1900); *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U.S. 251, 261 (1916); *McLean v. Fleming*, 96 U.S. 245, 257 (1877)). The court of appeals also cited the *Restatement of Unfair Competition*, which requires proof of intentional wrongdoing—imposing liability for the defendant's profits resulting from trademark infringement "only if * * * the actor engaged in the conduct with the intention of causing confusion or deception." Pet. App. 21a, citing *Restatement (Third) of Unfair Competition* § 37(1) (1995).

The Federal Circuit noted the pre-1999 circuit conflict on whether Section 1117(a)'s "principles of equity" require willfulness. It then addressed Romag's argument that the 1999 amendment—clarifying that monetary recovery under Section 1117(a) was available for "a willful violation under section 1125(c)"—eliminated any willfulness requirement for claims under Section 1125(a). Pet. App. 21a-24a.

The Federal Circuit observed that applicable Second Circuit trademark precedent required willfulness for an award of profits both before and after the 1999 amendment. Pet. App. 21a-22a; 28a (citing *George Basch Co.,* 968 F.2d at 1540; *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996), *cert. denied,* 531 U.S. 873 (2000); and *Merck Eprova AG v. Gnosis S.p.A.,* 760 F.3d 247 (2d Cir. 2014)).

The court of appeals found "nothing in the 1999 amendment" permitting it "to declare that the governing Second Circuit precedent is no longer good law." Pet. App. 28a-32a.

First, it found that "the limited purpose of the 1999 amendment was simply to correct an error in the 1996 Dilution Act" relating to claims under Section 1125(c). Pet. App. 29a. Congress did not contemplate or intend "any change to the willfulness requirement for violations of § 1125(a)." *Ibid.* "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." *Id.* at 30a.

Second, the source of the willfulness requirement for awards of a defendant's profits is the statutory text "subject to principles of equity," and Congress did not change those words in 1999. By adding "willful violation under section 1125(c)" Congress could not change the meaning of a preexisting statutory term that it did not amend. Pet. App. 30a.

The court of appeals reasoned that the inserted language "does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement," because "[t]he cases relied on by Romag where a negative pregnant was inferred involve statutory provisions enacted at the same time." Pet. App. 31a. "We do not think that Congressional intent can be inferred from an amendment passed years after the fact to address a drafting error." *Ibid.*

Third, the "willful violation" language serves two important purpose s wholly unrelated to Section 1125(a) claims. Because damages (not profits) are available in trademark infringement cases without proof of willfulness—but Congress wanted to limit all monetary remedies, including damages, in dilution claims to cases of willful misconduct—the language was necessary to distinguish between the two types of claims. And "even with respect to awards of profits in dilution cases, the addition of 'willful violation' was necessary to establish a uniform rule" to prevent courts from applying their infringement-related precedents to award profits in dilution cases without willfulness. Pet. App. 31a-32a.

The appellate court therefore found no basis for "depart[ing] from Second Circuit precedent requiring willfulness for the recovery of profits in infringement cases." Pet. App. 32a.

2. The court of appeals in *Romag I* also affirmed the application of laches to reduce patent damages based on its prior decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015) (en banc), *vacated in part by*, 137 S. Ct. 954 (2017). Pet. App. 19a-20a.

E. The Court's GVR "For Further Consideration In Light Of" *SCA*.

Romag petitioned for certiorari on the issues of trademark profits and patent laches. After the Court decided *SCA*, holding that laches does not limit patent damages within the statute of limitations, it granted the certiorari petition, vacated *Romag I* and remanded "for further consideration in light of" *SCA*. *Romag Fasteners, Inc. v. Fossil, Inc.,* 137 S. Ct. 1373 ((2017) (mem).

On the limited scope of the patent laches remand under *SCA*, Romag acknowledged the separateness of the profits and laches issues, stating that the trademark profits issue arose under a different statute; was "entirely separate and independent from the patent question," and, thus, *SCA* "has no bearing" on it; and that a laches remand would "not affect the remainder of the [*Romag I*] judgment, rejecting an award of defendants' profits for trademark infringement because Romag failed to establish Fossil willfully infringed." March 21, 2017, Petitioner's Supplemental Brief, 2-3, Case No. 16-202.

F. Post-GVR Proceedings.

1. In response to this Court's GVR order, the Federal Circuit on May 3, 2017, issued its *Romag II* order. Pet. App. 13a-15a.

First, the appellate court recognized that this Court's GVR order limited the remand to the laches issue decided in *SCA* and, therefore, did not affect other aspects of its earlier *Romag I* opinion. Pet. App. 14a. The Federal Circuit therefore expressly reinstated *Romag I's* affirmance of the district court's denial of an accounting of Fossil's trademark profits to Romag:

> (4) We hereby reinstate those aspects of our earlier decision and judgment set forth in sections II-III of our earlier opinion, [*Romag I*], affirming the district court's judgment declining to award Fossil's profits [under the Lanham Act], which were not affected by the Supreme Court's order.

Pet. App. 15a.

Romag did not file a petition for certiorari seeking review of *Romag II* within 90 days of entry of the Federal Circuit's judgment.

2. The court of appeals' laches remand narrowly directed the district court "to correct the damages judgment amount consistent with the Supreme Court's opinion." Pet. App. 14a.

On remand, Romag acknowledged that *Romag II* reaffirmed and reinstated the *Romag I* trademark profits decision and bound the district court. Joint Status Report, Dkt. 536, dated October 11, 2017, at 14. Nonetheless, trying to revive its right to seek review of the trademark profits issue, Romag urged the district court to go outside the mandate. It began by explaining that "Romag raise[d] this issue again in order to preserve it for another expected petition for certiorari" on the trademark profits issue. *Ibid.* Then, "*Romag request[ed] that the [district c]ourt's decision on remand clearly and explicitly preserve that issue for ultimate review by the Supreme Court.*" *Ibid.* (emphasis added). Fossil objected, *id.* at 14-16, and the district court rejected Romag's invitation to violate the court of appeals' mandate, November 8, 2017 Scheduling Order, Dkt. 538 at 1 (declining briefing on profits).

The parties stipulated to the amount of patent damages and the form of judgment. The October 15, 2018 Second Amended Final Judgment reflecting the stipulated patent damages amount expressly acknowledges that it addresses only recalculation of patent damages, and it confirms that *Romag II* reinstated the *Romag I* decision and judgment declining to award Fossil's profits. Pet. App. 5a-7a.

Romag filed a notice of appeal, but it did not appeal from any issue decided on remand. Rather, Romag sought review again of the trademark profits determination.

Because the affirmed and reaffirmed trademark profits decision was not the subject of remand, Fossil moved to dismiss Romag's attempted re-appeal. The court of appeals agreed, precluding Romag from challenging "the district court's trademark profits determination, and in particular its assertion that *George Basch* no longer remains good law after the 1999 Amendments." Pet. App. 3a. The Federal Circuit acknowledged that briefing on an issue affirmed and reaffirmed was "improper and unnecessary," particularly because it "did not direct any further proceedings on this issue, and the district court took no further action." *Ibid.* Thereafter, it summarily affirmed the district court's remand proceedings, which did not include the issue of trademark profits.

REASONS FOR DENYING THE PETITION

I. This Court Lacks Jurisdiction To Address The Profits Disgorgement Issue.

The Court has jurisdiction to review the Federal Circuit's February 2019 order, but the Federal Circuit itself made clear that the profits disgorgement issue presented for review was excluded from that order. Rather, that issue was finally determined in the court of appeals' May 3, 2017 order—which the Federal Circuit itself characterized as "reinstat[ing] those aspects of our earlier decision and judgment * * * affirming the district court's judgment declining to award Fossil's profits, which were not affected by the Supreme Court's order." Pet. App. 15a.

Congress limited this Court's certiorari jurisdiction to petitions filed within 90 days of entry of judgment for which a petitioner seeks review. 28 U.S.C. § 2101(c). The Court has repeatedly held that this filing period for civil cases is jurisdictional and mandatory. *See Hamer v. Neighborhood Housing Servs. of Chi.*, 138 S. Ct. 13, 21 (2017).

Here, the certiorari petition was not filed within 90 days of the May 2017 order. The Court therefore lacks jurisdiction to address the profits disgorgement issue.[3]

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[3] Romag could have petitioned for review of the reinstated *Romag II* decision within the 90-day statutory time period. *See WesternGeco LLC v. ION Geophysical Corp.*, 136 S. Ct. 2486 (2016) (mem.) (during post-GVR remand, granting petition for

Romag cannot overcome this fatal jurisdictional flaw by citing the post-*Romag II* district court laches remand proceeding; or seeking review of the February 2019 Federal Circuit order. The court of appeals in May 2017 made clear that further proceedings in the district court and the court of appeals had nothing to do with the trademark profits issue.

Under the Court's precedent, the fact that the post-GVR remand resulted in entry of a new judgment on patent damages, but did not address trademark profits, did not reset the time for Romag to seek review. *See FTC v. Minneapolis-Honeywell Regulator Co.*, 344 U.S. 206, 211-12 (1952) (It is only if the lower court "changes matters of substance or resolves a genuine ambiguity in a judgment previously rendered [that] the period within which an appeal must be taken or petition for certiorari begins to run anew."); *accord Dep't of Banking, State of Neb. v. Pink*, 317 U.S. 264, 267-68 (1942) (denying jurisdiction where subsequent order did not alter rights, and thus, did not toll 90-day period). "The test is a practical one. The question is whether the lower court, in its second order, has disturbed or revised legal rights and obligations which, by its prior judgment, had been plainly and properly settled with finality." *Minneapolis-Honeywell* at 212.

As Romag itself acknowledged and the court of appeals made abundantly clear, the Federal Circuit's May 2017 order "reinstat[ing]" that court's earlier "decision and judgment" (Pet. App. 15a) fully and finally determined the parties' trademark profit

review of separate issue the court of appeals reinstated). Romag concedes that it could have sought review, *see* Romag's Opposition to Motion to Dismiss, Fed. Cir. Case No 18-2417, Dkt. 30 at 13 (December 21, 2018); inexplicably, it choose not to do so.

rights. The post-GVR remand to the district court was limited to the wholly-unrelated patent laches issue. Consistent with the limited remand mandate, neither the court of appeals nor the district court acted to "disturb" or "revise legal rights and obligations" which had been "plainly and properly settled with finality" by the Federal Circuit's May 2017 order. And, of course, the February 2019 order *dismissing* Romag's attempted re-appeal on the profits issue did not disturb or revise the parties' rights. Rather, the court of appeals expressly refused to address the issue that had been finally determined in its May 2017 order.

Romag's authorities do not support a contrary conclusion. None of Romag's cases involve the express reinstatement by a court of appeals of its prior decision and judgment, and thereby expressly excluding the issue from remand. To the contrary, each involved remand proceedings—unlike here—where the rights of the parties on a particular point continued to be adjudicated and remained in flux. *See Mercer v. Theriot*, 377 U.S. 152 (1964) (allowing certiorari where the parties' rights under a judgment were not fully and finally adjudicated in the first decision); *Major League Baseball Players Ass'n v. Garvey*, 532 U.S. 1015 (2001) (same where outcome of the arbitration proceeding remained in flux during remand).

II. The Question Presented Does Not Warrant Review.

The Court has several times, including most recently in this case, denied review of the question presented here regarding the role of willfulness in claims for an accounting of defendant's profits in trademark infringement actions. *See*, *e.g.*, *M2 Software Inc. v. Viacom Inc.*, 223 F. App'x 653 (9th Cir.), *cert. denied*, 552 U.S. 1038 (2007); *Contessa Food Prods. Inc. v. Lockpur Fish Processing Co. Ltd.*, 123 F. App'x 747 (9th Cir. 2005), *cert. denied*, *sub. nom. Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, 546 U.S. 957 (2005).

The Court should reach the same conclusion here. *First*, there is no meaningful conflict among the courts of appeals. Although the lower courts apply different formulations of the standard for ordering an accounting of an infringer's profits, all agree that the presence or absence of willful infringement is, at minimum, an "important" factor. In the overwhelming majority of cases decided by courts applying the latter test, willfulness is present when an accounting of profits is ordered.

The lack of practical importance is confirmed by the actions of trademark owners, who can exercise considerable discretion in choosing where to sue. If the difference in standards had real-world consequences, one would expect to see a large number of cases filed in the circuits holding that willful misconduct is important, but not required. That has not occurred. To the contrary, most cases are filed in the Second and Ninth Circuits, both of which require willfulness.

Second, this case is a poor vehicle, because the legal standard urged by petitioner will not change the result. The district court found "the evidence at trial at most could have supported a finding that Fossil was negligent, not that it acted in reckless disregard, with willful blindness, or with actual knowledge of Superior's purchases of counterfeit snaps." Pet. App. 47a (footnote omitted). And the district court found that Romag had engaged in misconduct warranting the application of laches and an award of sanctions. "[T]he principles of equity" (15 U.S.C. § 1117(a)) do not permit an accounting of profits in those circumstances.

These deep flaws likely explain the absence of even a single *amicus* brief in support of either this petition or Romag's initial petition. Strong trade associations protect the interests of IP owners, appearing frequently as *amici* before the Court. Their absence speaks volumes about the lack of practical importance of the issue and the problems with this case as a vehicle for addressing it.

Finally, the court of appeals' determination is correct. Its analysis in *Romag I* of the effect of the 1999 amendment is the first comprehensive assessment by any court. *See* J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:62 (5th ed.) (March 2019 Update) (agreeing with the *Romag I* decision and noting analytical shortcomings of contrary decisions).

Indeed, the only court of appeals to address the issue since the Federal Circuit's ruling on the profits disgorgement issue—the Ninth Circuit—agreed with the Federal Circuit that willfulness remains a prerequisite under the principles of equity to an accounting of defendant's profits. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439-42 (9th Cir. 2017), *cert. denied* 138 S. Ct. 1984 (2018) (noting that circuits that had ruled the other way failed to "look [] at the back story of the remedies provision"; and finding that history "illuminating"). Continued percolation may well eliminate the court of appeals' differing standards.

A. There Is No Meaningful Conflict Among The Courts Of Appeals.

Whether the infringement was committed willfully or in bad faith is an important factor in every circuit's application of Section 1117(a)'s "principles of equity" to decide whether an accounting of an infringer's profits is warranted. The only difference is the weight accorded to the willfulness factor—and that difference has little real-world significance because willful misconduct is present in the overwhelming majority of cases in which the courts of appeals permit recovery of the defendant's profits.

Some courts hold that bad faith must be present before an infringer's profits may be awarded. *E.g.*, *George Basch Co.*, 968 F.2d at 1537 (Second Circuit; "a finding of defendant's willful deceptiveness is a prerequisite for awarding profits"); *ALPO,* 913 F.2d at 961, 965, 969 (D.C. Cir.); *Minn. Pet Breeders*, 41 F.3d at 1247 (Eighth Cir.); *Stone Creek, Inc.*, 875 F.3d at 442 (Ninth Circuit); *Bishop*, 154 F.3d at 1223 (Tenth Cir.).

Others hold that bad faith is an "important" factor to consider. *E.g.*, *Synergistic Int'l, LLC v. Korman,* 470 F.3d 162, 175 (4th Cir. 2006) (agreeing with "the Third and Fifth Circuits" that "willfulness is a proper and important factor"); *Quick Techs., Inc. v. Sage Group PLC,* 313 F.3d 338, 349, 350 (5th Cir. 2002), *cert. denied*, 540 U.S. 814 (2003) (concluding "[i]t is obvious from our cases that willful infringement is an important factor which must be considered"); *Banjo Buddies*, 399 F.3d at 171 ("[w]e hold that willfulness [sic] is an important equitable factor").

The difference in formulations has little practical importance. Every court views willfulness at least as an important factor, and the differences between them result in minimal inter-circuit variation in outcomes—in the overwhelming majority of cases in which an accounting is ordered, willfulness is present.

Indeed, the cases cited by Romag to demonstrate the circuit conflict (Pet. 13, 14) confirm that accountings are regularly denied in circuits applying the "important factor" formulation when willful infringement is not proven. *See*, *e.g.*, *Quick Techs.*, 313 F.3d at 343, 350 (jury found no willfulness; court of appeals held that jury instruction requiring willfulness was error, but went on to uphold denial of profits under multi-factor test); *Optimum Techs., Inc. v. Home Depot U.S.A., Inc.*, 217 F. App'x 899, 903 (11th Cir. 2007) (finding Home Depot's actions not willful," and that the "district court did not abuse its discretion in finding an accounting of Home Depot's profits was not an appropriate remedy"); *see also Gucci Am., Inc. v. Daffy's Inc.*, 354 F.3d 228, 231, 241-43 (3d Cir. 2003) (in case involving non-willful infringement decided prior to adoption of multi-factor test in *Banjo Buddies*, analyzing profits entitlement under both *SecuraComm's* willfulness requirement and *Quick Technologies'* multi-factor approach and finding denial of profits proper under both standards); *Seatrax, Inc. v. Sonbeck Int'l Inc.*, 200 F.3d 358, 372 & n.9 (5th Cir. 2000) (applying factors; affirming district court denial of accounting where jury found no willful infringement; and stating that court's independent research does not "reveal[] any cases from this circuit where an accounting of profits has been awarded without a finding of willfulness"); *Pebble Beach*, 155 F.3d at 555 (articulating factors and affirming denial of accounting where there was no palming off and implicitly finding that infringement was not willful).

Similarly, in circuits not requiring willfulness, egregious, bad faith infringers will, subject to consideration of other equitable factors, be made to account for profits attributable to their infringement. *See Banjo Buddies*, 399 F.3d at 176 (affirming accounting of profits where infringer "palmed off" trademarked product); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989) ("Given the evidence of intentional imitation and the substantial similarity between the two card lines," district court properly instructed the jury that an award of profits would be appropriate).

The difference among the circuits is not only insignificant, but Romag also fails to support its claim that the circuit divergence arises persistently. Romag cites several cases in support of that contention. Pet. 18-19. Most of those opinions, however, simply refer to an accounting of profits without addressing the issue raised here. Regardless, Romag's roughly 15 cases equal less than one-half of one percent of the roughly 3,000 trade-mark cases filed annually. *See* Judicial Business of the U.S. Courts, https://www.uscourts.gov/statistics/table/c-2/statistical-tables-federal-judiciary/2018/12//31 (2,934 and 3,221 trademark cases filed respectively in 2017 and 2018).

The actions of trademark plaintiffs weigh heavily against Romag's claim of importance. They have not shied away from circuits—like the Second and Ninth—requiring willfulness. Those venues remain the most popular.[4] If the standard applied was truly determinative, plaintiffs would seek out circuits with the perceived lowest hurdle to recovery. They have not done so, because in practice the presence or absence of willfulness yields the same result in any circuit.

B. This Case Is An Extremely Poor Vehicle Because The District Court's Factual Findings Bar An Accounting Of Defendant's Profits Under Any Legal Standard.

A ruling in Romag's favor on the legal issue presented will not change the outcome. The district court's factual findings preclude an award of profits under the standard Romag supports. That makes this case a poor vehicle for resolving the question—the Court instead should await a case in which the legal standard might affect the outcome.

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[4] For example, from 1994 to 2014, the federal district courts in California (14,602 filings) and New York (8,594) consistently ranked as plaintiffs' most popular trademark venues, regularly outstripping filings in venues without the willfulness requirement, such as Florida (5,549), Texas (4,088), Illinois (3,644), Pennsylvania (2,223), and New Jersey (2,614). Matthew Sag, *IP Litigation in U.S. District Courts: 1994 to 2014*, 101 Iowa L. Rev. 1067, 1108 app. B tbl.8 (2016). Most recently, in the ten most active districts for trademark filings in 2017 and 2018, where a total of 2,621 cases were filed, 58% of the cases were filed within districts in the Second and Ninth Circuits, both of which require willfulness, and the balance were filed within circuits holding willfulness as an important factor. Trevor Little, *Is the Trademark Litigation Slump Over? 2018 Trends and Predictions*, World Trademark Review (May 9, 2018), https://www.worldtrademarkreview.com/enforcement-and-litigation/trademark-litigation-slump-over-2018-trends-and-predictions.

Under the legal standard that Romag prefers, the question of willfulness does not vanish from the scene. Rather, "willful infringement is an important factor which must be considered." *Quick Techs.*, 313 F.3d at 349, 350.

Courts canvass a variety of factors, including:

(1) whether the defendant had the intent to confuse or deceive, which "addresses whether there has been a willful infringement on the trademark rights of the plaintiff, or whether the defendant has acted in bad faith";

(2) whether sales have been diverted;

(3) the adequacy of other remedies;

(4) any unreasonable delay by the plaintiff in asserting his rights;

(5) the public interest in making the misconduct unprofitable; and

(6) whether the case involves palming off.

Synergistic, 470 F.3d at 175 (citing *Quick Techs.*, 313 F.3d at 349); *accord Banjo Buddies,* 399 F.3d at 175; *see also George Basch*, 968 F.2d at 1540 (citing the following factors from the *Restatement (Third) of Unfair Competition* (Tent. Draft No. 3, 1991) § 37(2) cmt. f.: "(1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) [the] 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").

Here, analysis of these factors based on the district court's uncontested findings leaves no doubt that Romag could not receive a profits award.

Fossil was not willful. The district court—like the jury that found no willful infringement—expressly found that "the evidence at trial at most could have supported a finding that Fossil was negligent, not that it acted in reckless disregard, with willful blindness, or with actual knowledge of Superior's purchases of counterfeit snaps." Pet. App. 47a (footnote omitted).

Fossil did not divert sales. Fossil and Romag are not competitors, and no sales were diverted from Romag to Fossil.

Other remedies were available and adequate, and an accounting would be an inequitable windfall. Fossil, a non-willful infringer, was subject to an injunction from the inception of the case, a powerful remedy with strong deterrent effect. The preliminary relief that Romag obtained through the injunction rendered millions of dollars of Fossil inventory worthless and eliminated Fossil's holiday handbag sales. In addition, Romag has been awarded a 9¢ per-snap reasonable royalty, nearly doubling the 5¢ per-snap royalty it normally earned, and Romag elected not to seek statutory trademark damages. The injunction and more than $66,000 royalty payment are more than sufficient remedies for Fossil's non-willful and non-beneficial infringement.

Romag's purposeful and prejudicial delay strongly supports denying an accounting. The district court found that (1) Romag unreasonably delayed filing this action to gain a tactical settlement advantage; and (2) Romag's conduct cost Fossil millions of dollars in lost inventory and lost profits. These findings strongly support denying Romag an equitable accounting of Fossil's profits.

The public interest strongly favors Fossil. This factor "addresses the balance that a court should strike between a plaintiff's right to be compensated for the defendant's trademark infringement activities, and the statutory right of the defendant to not be assessed a penalty." *Synergistic*, 470 F.3d at 176. Here, Romag was more than compensated for its 5¢ per-snap royalty, and it did not seek statutory damages, which might have provided additional compensation for Fossil's non-willful infringement. Conversely, an award of Fossil's profits would be a windfall far beyond any notion of compensation, and would punish Fossil, particularly in light of (a) the district court's finding that Fossil did not know about or benefit from the infringement, and (b) the undisputed fact that Romag's snap mark did not drive Fossil's handbag profits—demonstrated by the jury's allocation of only 1% of Fossil's profits.

Fossil Did Not Palm Off. "Palming off" means use of the trademark by a "defendant subjectively and knowingly intended to confuse buyers." J. Thomas McCarthy, *Trademarks and Unfair Competition* § 25:3 (Sept. 2016 Update). Fossil's use was unknowing, without intent to confuse, and, as the jury's attribution of only 1% of Fossil's profits to the infringement shows, did not confuse buyers.

Romag's unclean hands preclude an equitable accounting. The *Restatement* and *George Basch Co.* factors also require consideration of a plaintiff's unclean hands. The district court's findings that Romag acted in bad faith, engaged in sanctionable delaying tactics, and proffered a misleading declaration strongly militate against Romag and its claim for an equitable profits award.

In sum, every factor weighs heavily against an award of profits—so Romag would not obtain such an award even under its preferred legal test.

C. The Court Of Appeals' Holding Is Correct.

Willfulness is a prerequisite to an award of the defendant's profits in a trademark infringement action.

1. Section 1117(a)'s "Principles Of Equity" Expressly Incorporated A Willfulness Requirement.

Proof of willfulness was required at common law. The Court, in *Saxlehner*, held that "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." 179 U.S. at 42-43. By contrast, the Court affirmed an accounting of the infringer's profits where the "defendant [did] not stand as an innocent infringer." *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.,* 240 U.S. 251, 261 (1916); *see also McLean*, 96 U.S. at 257 (explaining that an accounting is "constantly refused * * * in case[s] of acquiescence or want of fraudulent intent") (citing cases); *Champion Spark Plug*, 331 U.S. at 131-32 (holding in a case under the Trade-Mark Act of 1905 that an injunction satisfied the equities in that case, as there had been no "fraud or palming off").

Numerous pre-Lanham Act lower court decisions likewise restricted the equitable accounting remedy—the common-law mechanism for awarding defendant's profits—to cases in which willful infringement had been established.[5] Synthesizing this authority, the 1938 *Restatement* authorized an award of profits "if, but only if, (a) [a defendant] engaged in his conduct *with the purpose of securing the benefit of the reputation* in the market of the other." *Restate-*

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[5] *See, e.g.*, *N.K. Fairbank Co. v. Windsor*, 124 F. 200, 202 (2d Cir. 1903) ("in all cases where there has been recovery [of profits], intentional fraud has been found"); *P.E. Sharpless Co. v. Lawrence*, 213 F. 423, 428 (3d Cir. 1914) (awarding profits where unfair competition was "willful and fraudulent"); *Horlick's Malted Milk Corp. v. Horluck's, Inc.*, 51 F.2d 357, 359 (W.D. Wash. 1931) (requiring "willful fraud"), *aff'd in part on other ground*s, 59 F.2d 13 (9th Cir. 1932); *Rubber & Celluloid Harness Trimming Co. v. F.W. DeVoe & C.T. Reynolds Co.*, 233 F.150, 160 (D.N.J. 1916) (same); *Dr. A. Reed Cushion Shoe Co. v. Frew*, 158 F. 552, 556 (W.D.N.Y. 1908) (accounting rests on defendant's intentional fraud and plaintiff's loss of business), *rev'd on other grounds and affirmed on denial of accounting*, 162 F. 887 (2d Cir. 1908); *Kickapoo Dev. Corp. v. Kickapoo Orchard Co.*, 285 N.W. 354, 359-60 (Wis. 1939) (recovery of profits allowed where mark was intentionally simulated); *Liberty Oil Corp. v. Crowley, Milner & Co.*, 258 N.W. 241 (Mich. 1935) (denying accounting where sales made without knowledge of plaintiffs' rights); *Globe-Wernicke Co. v. Safe-Cabinet Co.*, 144 N.E. 711, 713 (Ohio 1924) (citing "many authorities" limiting accounting to deliberate and willful infringement); *United Drug Co. v. Kovacs*, 123 A. 654, 655 (Pa. 1924) (holding defendants liable for their profits, but stating that "[a] different question would arise if its imitation had been an innocent one); *Regis v. Jaynes*, 77 N.E. 774, 776 (Mass. 1906) (but finding "weight of modern authority" denies accounting for use of mark "merely accidental or without an actual wrongful intent to defraud"); *Beebe v. Tolerton & Stetson Co.*, 91 N.W. 905 (Iowa 1902) (accounting requires bad faith); *George T. Stagg Co. v. Taylor*, 27 S.W. 247, 247 (Ky. Ct. App. 1894) (reversing profits award absent fraudulent intent").

ment (First) of Torts § 747 Profits (1938) (emphasis added).

When the Lanham Act was adopted in 1946, it specified that a plaintiff could—"subject to the principles of equity"—recover "defendant's profits." 15 U.S.C. § 1117(a). Congress plainly, and expressly, incorporated the pre-existing common law rule into the Lanham Act. Indeed, the inclusion within Section 1117(a) of the reference to "the principles of equity" was expressly intended to make clear that the legislation preserved the common law "principles of equity in respect of allowances of and defenses to an accounting of profits." *Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-Marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 228 (1941) (testimony of Prof. Milton Handler).

That is consistent with the Lanham Act's purpose, which was "to codify and unify the common law of unfair competition and trademark protection." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (citing S. Rep. No. 79-1333 (1946)); *see also Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) ("when a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law") (internal quotation marks omitted).

The Court's decision in *Halo Electronics v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016), confirms that conclusion. Although Patent Act Section 284 contains "no precise rule or formula" for enhancing damages in patent infringement actions, *Halo* directs that a court's "discretion should be exercised in light of the considerations" underlying the grant of that discretion; namely, more than two centuries of case law establishing a bright-line requirement of willful infringement as a prerequisite to enhancing damages. 136 S. Ct. at 1932 (internal citation omitted).

Here, it is even clearer that Section 1117(a)'s "principles of equity" must be informed by the common law rules that preceded it. It plainly required proof of willfulness to permit an accounting.[6]

2. The 1999 Amendment Did Not Alter The Standard For An Accounting.

Romag argued below that this history is irrelevant because the 1999 amendment supposedly abrogated any willfulness requirement that existed prior to that date. That argument—rejected by both the Federal and Ninth Circuits—fails for multiple reasons.

First, Congress in 1999 did not amend, reenact, or alter in any way the statutory text that is the source of the willfulness requirement—the portion of Section 1117(a) stating that the plaintiff's "entitle[ment]" to the specified monetary remedies, including "defendant's profits," is "subject to the principles of equity." Congress's addition of the word "willful" in another clause of the provision could not alter the meaning of words enacted 53 years earlier.

Second, the statutory context makes clear that "the limited purpose of the 1999 amendment was simply to correct an error in the 1996 Dilution Act" relating to claims under Section 1125(c), which could

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[6] Romag's claim that willfulness is "atextual" (Pet. 4) is belied by the text's express incorporation of "the principles of equity," which provides a clear textual basis for the willfulness requirement.

prevent dilution plaintiffs from obtaining the monetary remedy that Congress granted in 1996. Pet. App. 29a. Congress did not contemplate or intend "any change to the willfulness requirement for violations of § 1125(a)." Pet. App. 29a.

In particular, Congress did not even acknowledge the pre-1999 willfulness standards for trademark infringement claims adopted by the courts of appeals, let alone indicate any intention to address that issue. "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." Pet. App. 30a; *accord Dir. of Revenue of Mo. v. CoBank ACB,* 531 U.S. 316, 323 (2001) ("[I]t would be surprising, indeed, if Congress * * * made a radical—but entirely implicit—change * * * [with a] 'technical and conforming amendment[].'") (internal citation omitted); *Whitman v. Am. Trucking Ass'ns, Inc.,* 531 U.S. 457, 468 (2001) (Congress does not "hide elephants in mouseholes.").

Third, as the court of appeals explained, the inserted language "does not create a negative pregnant that willfulness is always required in dilution cases but never for infringement," because "the cases relied on by Romag where a negative pregnant was inferred involve statutory provisions enacted at the same time." Pet. App. 31a; *accord Stone Creek*, 875 F.3d at 442. "We do not think that Congressional intent [regarding the meaning of 'principles of equity'] can be inferred from an amendment passed years after the fact to address a drafting error." *Id*. at 31a.

Moreover, the "willful violation" language serves two important purposes unrelated to Section 1114 and Section 1125(a) claims. Because damages (as opposed to profits) are available in trademark infringement cases without proof of willfulness—but Congress wanted to limit all monetary remedies for dilution claims, including damages, to cases of willful misconduct—the language was necessary to distinguish between the two types of claims. And "even with respect to awards of profits in dilution cases, the addition of 'willful violation' was necessary to establish a uniform rule," because courts otherwise might apply their precedents in the infringement context to hold that awards of profits without proof of willfulness were permissible in dilution cases. Pet. App. 31a-32a.

In sum, the court below correctly held that the 1999 amendment has no effect on the standard for an accounting of defendant's profits in Section 1125(a) trademark infringement actions. Under the governing common law standard, adopted in the Lanham Act, willfulness is a prerequisite to such an award of profits.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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