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Excelled Sheepskin v. Oregon Brewing

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

August Term, 2016

(Argued: June 22, 2017 Decided: July 27, 2018)

Docket No. 16-3602-cv

Excelled Sheepskin & Leather Coat Corp.,

Plaintiff-Counter-Defendant-Appellee,

v.

Oregon Brewing Company,

Defendant-Counter-Claimant-Appellant.

Before:

DENNIS JACOBS, PIERRE N. LEVAL and REENA RAGGI, *Circuit
Judges.*

Defendant Oregon Brewing Company (“OBC”) appeals from the grant of summary judgment in favor of Plaintiff Excelled Sheepskin & Leather Coat Company (“Excelled”) by the United States District Court for the Southern District of New York (George B. Daniels, J.), finding that OBC infringed Excelled’s trademark in ROGUE for apparel, enjoining OBC from use of the mark on apparel in department stores, and dismissing OBC’s counterclaims for infringement and for cancellation of Excelled’s federal trademark registrations. Because OBC was the senior user and the evidence did not show that it was precluded by laches, the court erred in granting summary judgment for Excelled. VACATED in part, REVERSED in part, and REMANDED.

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1 MICHAEL A. GROW, Arent Fox LLP,
2 Washington, DC & BERNICE K. LEBER,
3 Arent Fox LLP, New York, NY, *for*
4 *Plaintiff-Counter-Defendant-Appellee.*

5
6 JOHN J. DABNEY, McDermott Will &
7 Emery LLP, Washington, DC, *for*
8 *Defendant-Counter-Claimant-Appellant.*

9
10 LEVAL, *Circuit Judge:*

11 In a trademark dispute over use of the brand-name ROGUE on t-shirts,
12 sweatshirts, hats and similar apparel, Defendant Oregon Brewing Company
13 (“OBC”) appeals from the grant of summary judgment in the United States
14 District Court for the Southern District of New York (George B. Daniels, J.) in
15 favor of Plaintiff Excelled Sheepskin & Leather Coat Corporation
16 (“Excelled”). OBC is a commercial brewery, which sells beer under the brand
17 name ROGUE nationwide. Since 1989, OBC has also used the ROGUE brand
18 on clothing, such as t-shirts, sweatshirts, hats, and similar apparel. Excelled is
19 an apparel company. In 2000, it began to use ROGUE as a brand on leather
20 coats and jackets. In 2009, Excelled began to use ROGUE, in department
21 stores and stores that sell only clothing (“clothing-only stores”), on the same
22 categories of apparel that OBC had long marketed under ROGUE.

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1 Excelled sued OBC in 2012 alleging *inter alia* trademark infringement
2 based on OBC's sale of ROGUE-branded apparel *in department and clothing-*
3 *only stores* beginning in 2011. OBC counterclaimed in 2012 alleging *inter alia*
4 trademark infringement by Excelled, based on Excelled's sales of ROGUE-
5 branded t-shirts, sweatshirts, and hats beginning in 2009. OBC also sought
6 cancellation of four of Excelled's federal trademark registrations on the theory
7 of fraud on the trademark office.

8 The district court granted Excelled's motion for summary judgment on
9 trademark infringement against OBC, and also granted Excelled's motion for
10 summary judgment dismissing OBC's counterclaims. The district court relied
11 primarily on the fact that, notwithstanding OBC's priority in the use of the
12 mark on the types of apparel in question, Excelled was the first to use the
13 mark on such goods *in department stores and clothing-only stores*, which the
14 district court concluded gave Excelled priority in those categories of stores. In
15 addition, the court concluded that Excelled's prior registration of its ROGUE
16 mark in the Trademark Office established its priority notwithstanding OBC's
17 prior use, and that OBC had forfeited its claims through laches by delay in

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1 suing. We find that the district court erred in its reasoning. We accordingly
2 vacate in part, reverse in part, and remand.

3
4 BACKGROUND

5 I. Facts

6 The following facts are undisputed.

7 OBC is a commercial brewery founded in 1988. Its principal
8 merchandise is beer, which it sells under the mark “ROGUE.” Since
9 approximately 1989, it has also sold ROGUE-branded clothing and other
10 merchandise, including t-shirts, hats, sweatshirts, and aprons, throughout the
11 United States, including in its pubs, brewery, bed and breakfasts, and hop
12 farm. Since the mid-1990s, OBC has sold ROGUE clothing at beer festivals
13 across the country and via mail order nationwide. In 1995, OBC began
14 distributing its ROGUE clothing through third-party retailers Fred Meyer and
15 Cost Plus. Since 2004, OBC’s ROGUE clothing has been sold through other
16 retail stores and websites, including Beer Clothing Co., Crazy Shirts, Portland
17 State University’s bookstore, Whole Foods, and sharpedgebeer.com. In 2011,
18 OBC began selling its ROGUE clothing through department and clothing-

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1 only stores, including Urban Outfitters, Nordstrom, and Sears. Since 2012,
2 OBC has used its own website and those of eBay and Amazon in the sale of its
3 ROGUE clothing.

4 Excelled is an apparel company founded in 1927. Excelled's first sale of
5 any item bearing the mark ROGUE occurred in 2000. Initially, most of
6 Excelled's clothing products were made of, or contained, leather. Following
7 the 2008 recession, Excelled "expand[ed] its product line" and began selling
8 more non-leather products, including complete outfits of ROGUE-branded
9 clothing. Excelled currently sells a variety of clothing and footwear bearing
10 marks that include the word ROGUE. Excelled sells its ROGUE products
11 through department stores and clothing-only stores, including Nordstrom,
12 Saks, Neiman Marcus, and Macy's, and through websites, including its own:
13 rogue.us.com.

14 In 2004 and 2005 respectively, Excelled and OBC both applied to the
15 United States Patent and Trademark Office ("PTO") to register the mark
16 ROGUE. Excelled had previously registered the mark ROGUE LEATHER BY
17 REILLY OLMES. App'x 764-65. As part of its application to register ROGUE,
18 Excelled submitted a sworn declaration that, as of 2004, it was using ROGUE

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1 on “men’s, ladies’ and children’s clothing, namely coats, jackets, vests, shirts
2 and pants.” *Id.* at 786 (internal quotations omitted). After the PTO expressed
3 concern about a likelihood of confusion from both parties’ uses of the mark,
4 Excelled and OBC entered into a Settlement and Trademark Consent
5 Agreement (“the Agreement”) requiring each to delete certain items of
6 clothing from their pending applications. Excelled consented to OBC’s
7 registration of ROGUE for all clothing “excluding jackets, coats and skirts.”
8 *Id.* at 194. OBC consented to Excelled’s registration of ROGUE for “jackets,
9 coats and skirts . . . and/or footwear,” and further to Excelled’s *use* of ROGUE
10 on “jackets, coats, *shirts* and skirts.” *Id.* at 193 (internal quotations omitted)
11 (emphasis added). The Agreement asserted the parties’ belief that, “so long as
12 the respective marks are used in the manner set forth in this Agreement there
13 will be no likelihood of confusion between the respective marks.” *Id.* at 194,
14 198.

15 OBC submitted a copy of the Agreement to the PTO and narrowed its
16 application to “clothing, namely t-shirts, sweatshirts, polo shirts, turtlenecks,
17 aprons, hats, and not including jackets, coats and skirts.” *Id.* at 822 ¶88
18 (internal quotations and emphasis omitted). The PTO responded by

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1 explaining that “[t]he exclusion of specific articles of clothing is not enough to
2 overcome a likelihood of confusion with an identical mark for other clothing
3 items.” *Id.* at 791 ¶20 (internal quotations omitted). OBC further narrowed its
4 application to goods “sold primarily in the trademark owner’s brewpubs and
5 web site.” *Id.* at 822 ¶90. The PTO then registered OBC’s ROGUE mark for
6 goods sold “primarily in the trademark owner’s brewpubs and web site.” *Id.*
7 at 792-93. The PTO also registered Excelled’s ROGUE mark for “clothing,
8 namely, coats, jackets, vests, shirts and pants,” *Id.* at 774 (registration number
9 3,346,559). Excelled subsequently filed a Declaration of Use and
10 Incontestability for the mark ROGUE LEATHER BY REILLY OLMES,
11 submitting to the PTO a sworn declaration that, as of February 2010, the mark
12 was “in use in commerce on . . . men’s women’s and *children’s* clothing made
13 in whole or in substantial part of leather, namely, coats, vests, shirts, and
14 pants.” *Id.* at 767 (internal quotations omitted) (emphasis added). Excelled
15 also registered the marks ROGUE STATE and ROGUE for footwear. *Id.* at 774.

16 II. Proceedings Below

17 On February 24, 2012, Excelled brought this action against OBC
18 alleging *inter alia* trademark infringement under the Lanham Act, 15 U.S.C.

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1 §§ 1114, 1125, and the common law. OBC raised a series of affirmative
2 defenses including the equitable defense of unclean hands. OBC also brought
3 counterclaims alleging *inter alia* trademark infringement under the Lanham
4 Act, 15 U.S.C. §§ 1114, 1125, and the common law and seeking cancellation of
5 four of Excelled's federal trademark registrations under a theory of fraud on
6 the PTO.

7 OBC moved for summary judgment dismissing Excelled's claims,
8 arguing that OBC's prior use of the ROGUE mark defeated those claims as a
9 matter of law. Excelled cross-moved for summary judgment granting its
10 claims and dismissing OBC's counterclaims, arguing *inter alia* that Excelled
11 had priority in the ROGUE mark in the relevant market of department and
12 clothing-only stores. On August 5, 2014, the district court granted summary
13 judgment in favor of Excelled granting its trademark infringement claims and
14 dismissing all of OBC's counterclaims. *Excelled Sheepskin & Leather Coat Corp.*
15 *v. Or. Brewing Co.*, No. 12 Civ. 1416 (GBD) (RLE), 2014 WL 3874193, at *13
16 (S.D.N.Y. Aug. 5, 2014). On September 28, 2016, the district court awarded
17 damages and fees to Excelled and entered a permanent injunction against
18 OBC's use of the mark ROGUE "in the advertising or sale of any clothing in

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1 Department and Clothing Stores; or in any trade channels other than where
2 OBC's ROGUE branded beer is sold as complements to and in promotion of
3 Defendant's own brewing and beverage business." *Excelled Sheepskin &*
4 *Leather Coat Corp. v. Or. Brewing Co.*, No. 12 Civ. 1416 (GBD) (REL), 2016 WL
5 5409482, at *4 (S.D.N.Y. Sept. 28, 2016). OBC timely filed notice of this appeal.

DISCUSSION

8 "The test [for trademark infringement] looks first to whether the
9 plaintiff's mark is entitled to protection, and second to whether defendant's
10 use of the mark is likely to cause consumers confusion as to the origin or
11 sponsorship of the defendant's goods." *Virgin Enters. Ltd. v. Nawab*, 335 F.3d
12 141, 146 (2d Cir. 2003); *see also Pirone v. MacMillan, Inc.*, 894 F.2d 579, 581–82
13 (2d Cir. 1990). Whether a mark is entitled to protection depends, in part, upon
14 a showing of prior use. *See Virgin Enters. Ltd. v. Nawab*, 335 F.3d at 146; *see also*
15 *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 741 (2d Cir. 1998)
16 (explaining trademark law "protects the rights of the first user of a
17 trademark"); *La Societe Anonyme de Parfums le Galion v. Jean Patou, Inc.*, 495

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1 F.2d 1265, 1271 (2d Cir. 1974) (“The user who first appropriates the mark
2 obtains [a]n enforceable right to exclude others from using it . . .”).

3 I. OBC’s Infringement Counterclaims

4 OBC appeals the district court’s grant of summary judgment to
5 Excelled dismissing OBC’s counterclaims for trademark infringement and for
6 cancellation of Excelled’s federal trademark registrations (Counts I-IV). While
7 OBC opposed Excelled’s motion for summary judgment as to these
8 counterclaims before the district court, OBC did not cross-move for summary
9 judgment on its counterclaims.

10 Excelled contends and the district court found that OBC’s rights to the
11 ROGUE mark were inferior to those of Excelled “with respect to sales in
12 department and clothing stores,” and that any trademark rights that OBC
13 might have with respect to use of ROGUE on clothing are limited to “sales as
14 complements to and in promotion of its beer business.” *Excelled*, 2014 WL
15 3874193, at *5, *7 n.16. The court explained that the first use of a mark does
16 not give the user exclusive rights over the mark “as to all goods or services
17 and across all markets.” *Id.* at *5. Prior to 2000 (the date of Excelled’s first PTO
18 application), there was no evidence of OBC sales of ROGUE clothing

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1 unrelated to the promotion of its beer, and the evidence showed OBC did not
2 begin selling ROGUE clothing in department or clothing-only stores until
3 2011.

4 We disagree with the district court's conclusion. Common law
5 trademark rights derive from "initial appropriation and use [] accompanied
6 by an intention to continue exploiting the mark commercially." *La Societe*
7 *Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d at 1271. "To prove
8 bona fide usage, the proponent of the trademark must demonstrate that his
9 use of the mark has been deliberate and continuous, not sporadic, casual or
10 transitory" *Id.* at 1271-72 (internal citation omitted). The district court
11 found that OBC deliberately and continuously sold ROGUE-branded clothing
12 throughout the United States since 1989. Even if those uses were intended
13 primarily to support OBC's ROGUE trademark for beer, they were
14 nonetheless bona fide continuous nationwide sales in significant quantities
15 and were sufficient to establish a protectable priority in use of the mark for
16 the sale of such goods. While it is correct, as the district court reasoned, that
17 first use of a mark does not give the owner exclusive rights over the mark "as
18 to all goods or services and across all markets," *Excelled*, 2014 WL 3874193, at

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1 *5, it does not follow that the owner's rights are limited to the types of stores
2 in which the owner has previously exploited the mark. The law does not limit
3 the owner's trademark rights to the types of stores in which it has sold,
4 leaving the mark up for grabs in any other type of store. The fact that, prior to
5 2011, OBC did not sell in department stores and clothing-only stores does not
6 mean that a new user was free to usurp OBC's priority in such stores.

7 To be sure, the senior user of a mark does not preserve its priority as to
8 expansion into other unrelated goods or services. *See, e.g., Patsy's Brand, Inc. v.*
9 *I.O.B. Realty, Inc.*, 317 F.3d 209, 216-17 (2d Cir. 2003) (leaving open whether
10 "the sauce market [was] sufficiently related to the restaurant market such that
11 the proprietor of a mark for a restaurant can prevent another's use of a similar
12 mark in the sauce market"); *see also Scarves by Vera, Inc. v. Todo Imports Ltd.*,
13 544 F.2d 1167, 1172-73 (2d Cir. 1976) (acknowledging senior user's rights in
14 "related, non-competing goods," but indicating absence of such rights in
15 "non-competitive products [that] are [not] sufficiently related"). But
16 expanding into new product lines in which someone else has priority is
17 different from beginning to sell the goods on which one has nationwide
18 priority in a new category of stores (where a junior user is making infringing

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1 sales under the senior user's mark). This dispute does not involve OBC newly
2 undertaking to use ROGUE on goods for which Excelled had established
3 priority. OBC maintained its senior common law rights against Excelled's
4 intervening junior use of the mark for the same items of ROGUE-branded
5 clothing that OBC has sold continuously since 1989.

6 Excelled's PTO registrations do not change our analysis. The district
7 court reasoned incorrectly that Excelled had priority use of the ROGUE mark
8 "in the department and clothing store markets" because Excelled's federal
9 registration gave rise to a statutory presumption of the validity of its mark.
10 See Lanham Act § 7(b), 15 U.S.C. § 1057(b); *Lane Capital Mgmt., Inc. v. Lane*
11 *Capital Mgmt., Inc.*, 192 F.3d 337, 345 (2d Cir. 1999) ("A certificate of
12 registration with the PTO is prima facie evidence that the mark is registered
13 and valid (*i.e.*, protectible), that the registrant owns the mark, and that the
14 registrant has the exclusive right to use the mark in commerce."). But a
15 statutory presumption may be overcome. "As a general matter, registration
16 creates no substantive trademark rights against infringement beyond the
17 common law rights acquired through use of the mark." *Time, Inc. v. Petersen*
18 *Pub. Co. L.L.C.*, 173 F.3d 113, 118 (2d Cir. 1999). Notwithstanding Excelled's

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PTO registrations in 2003, 2004, 2007, and 2011, OBC established its trademark rights through roughly twenty years of priority in deliberate and continuous nationwide use of the mark since 1989.

As an alternate basis for dismissing OBC's trademark infringement counterclaims, the district court concluded that OBC "lost any common law rights in the [ROGUE] mark in connection with sales of clothing in department and clothing stores" because "[f]rom 2005 onward, after OBC became aware of Excelled's use of the [ROGUE] mark for clothing, OBC could have objected to Excelled's use, but never did." *Excelled*, 2014 WL 3874193, at *11 n.12. We disagree.

While the Lanham Act includes no specific statute of limitations, in evaluating a laches defense to trademark infringement in a New York suit, we analogize to New York's six-year statute of limitations for fraud claims. *See Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 192 (2d Cir. 1996). The laches clock begins to run when the trademark owner "knew or should have known, not simply that [the infringer] was using the potentially offending mark, but that [it] had a provable infringement claim against [the infringer.]" *ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P.C.*, 314

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1 F.3d 62, 70 (2d Cir. 2002). For claims brought after a six-year delay, there is a
2 presumption of laches so that the trademark owner must show the inequity of
3 dismissal on that basis. *Conopco*, 95 F.3d at 191. For claims brought within six
4 years, “there is no presumption of laches and the burden remains on the
5 [infringer] to prove the defense.” *Id.* To prevail, the infringer “must prove that
6 it has been prejudiced by the [trademark owner’s] unreasonable delay in
7 bringing the action.” *Id.* at 192.

8 The district court concluded that the laches clock began to run against
9 OBC when it obtained actual knowledge of Excelled’s use of the ROGUE
10 mark in 2005, at least seven years before OBC filed its counterclaims on
11 October 4, 2012. That view is incorrect. OBC could not have known it “had a
12 provable infringement claim against [Excelled],” *ProFitness*, 314 F.3d at 70,
13 until it obtained knowledge not merely that Excelled was using the ROGUE
14 mark, but that it was doing so on categories of apparel over which OBC had
15 the exclusive right to use the ROGUE mark. OBC submits that it did not
16 obtain such knowledge until 2009. Accordingly, at least on OBC’s version of
17 the facts, the laches clock began to run in 2009, less than four years before
18 OBC filed its 2012 counterclaims.

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1 As the party moving for summary judgment, Excelled bears the
2 burden of “demonstrat[ing] the absence of a genuine issue of material fact.”
3 *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Excelled presented no
4 evidence refuting OBC’s position that it neither knew nor should have known
5 of any sales by Excelled of ROGUE branded t-shirts, sweatshirts or hats until
6 2009 and that Excelled did not earlier sell these categories of apparel. OBC
7 relies in part on the agreement it made with Excelled in 2007 by which
8 Excelled acknowledged OBC’s exclusive rights as to all clothing “excluding
9 jackets, coats and skirts.” App’x 194. Excelled’s President William Goldman
10 attested that, since 2000, Excelled sold “a line of clothing products, including
11 jackets, coats, shirts, pants and vests under the mark ROGUE . . . , and since
12 that time Excelled has continuously sold such products” *Id.* at 121.
13 Goldman’s declarations, however, do not attest to Excelled’s sales prior to
14 2009 in the categories of merchandise (t-shirts, sweatshirts, hats, etc.) in which
15 OBC had priority. *See* Goldman Decl. Ex. C, No. ECF 62-3 *and* Goldman Decl.
16 Exs. F, G, Nos. ECF 81-4, 81-5, *Excelled*, No. 12 Civ. 1416 (GBD) (S.D.N.Y.).
17 Excelled has failed to show absence of material disputes of fact as to when

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1 OBC had knowledge of “a provable infringement claim” that triggered its
2 obligation to sue. *See ProFitness*, 314 F.3d at 70.

3 In granting summary judgment to Excelled, the district court concluded
4 that the laches clock began to run against OBC in 2005. In so doing, the court
5 failed to consider the evidence in the light most favorable to OBC. *Cf. Niagara*
6 *Mohawk Power Corp. v. Jones Chem., Inc.*, 315 F.3d 171, 175 (2d Cir. 2003) (A
7 court considering a motion for summary judgment must “construe[] the
8 evidence in the light most favorable to the non-moving party, and draw[] all
9 reasonable inferences in its favor.”). Properly construing the evidence and
10 drawing all inferences in OBC’s favor, less than four years passed before OBC
11 brought suit. Hence, there is no presumption of laches, and Excelled—as the
12 defendant in OBC’s counterclaims—bears the burden to prove that OBC’s
13 delay was unreasonable and caused prejudice to Excelled. *See Conopco*, 95
14 F.3d at 191-92.

15 Excelled has failed to meet this burden. Furthermore, it is not as if OBC
16 did nothing on learning of Excelled’s use of the mark, leaving Excelled to
17 believe there was no impediment to its exploitation of ROGUE. On first
18 learning of Excelled’s use of the ROGUE mark in 2005, OBC filed opposition

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1 to Excelled's pending PTO registrations. This immediately put Excelled on
2 notice that its use of ROGUE was contested. OBC pursued its opposition by
3 negotiating the 2007 Agreement restricting Excelled's use and registration of
4 the mark, by suing Excelled in 2011 in Oregon state court in an attempt to
5 obtain specific performance of the 2007 Agreement, and by appealing the
6 dismissal of the Oregon state action. During the period in which Excelled
7 charged OBC with laches, Excelled was fully aware that OBC was taking
8 litigious steps opposing Excelled's right to use the mark on t-shirts,
9 sweatshirts, and hats. Assuming that OBC learned in 2009 of Excelled's use of
10 the mark on such items, OBC brought suit in less than four years. Excelled has
11 made no persuasive showing that this delay was unreasonable, and,
12 especially given its awareness that it was entering contested ground, its
13 generalized assertion that it invested development, advertising, and
14 promotional resources into the ROGUE brand during those four years is
15 insufficient to support a finding of laches. *See* Plaintiff-Appellee Br. 29.
16 Construing such facts and drawing all inferences in favor of OBC, we reject
17 the district court's conclusion that OBC had "lost" its priority rights.

18 * * *

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1 In sum, Excelled has failed to show entitlement to summary judgment
2 dismissing OBC's trademark infringement counterclaims. The district court's
3 grant of summary judgment to Excelled dismissing Counts I-III of OBC's
4 counterclaims, which allege trademark infringement, false designation, and
5 unfair competition, is accordingly vacated and the claims are remanded for
6 further proceedings consistent with this opinion.

7
8 II. Excelled's Infringement Claims

9 OBC appeals the district court's grant of summary judgment in favor of
10 Excelled on Excelled's Counts I-III and V, which allege that OBC committed
11 counterfeiting, trademark infringement, false designation of origin, and unfair
12 competition when OBC began selling ROGUE-branded apparel in
13 department and clothing-only stores in 2011. OBC also appeals the denial of
14 its motion for summary judgment dismissing these claims.

15 As stated at the outset, in assessing claims of trademark infringement,
16 we consider, first, whether the plaintiff's mark is entitled to protection, and,
17 second, whether defendant's use of the mark is likely to cause consumer
18 confusion. *See Virgin Enters. Ltd. v. Nawab*, 335 F.3d at 146. The district court

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1 resolved both questions in Excelled's favor, concluding in pertinent part as to
2 the first that Excelled "has priority of use of the [ROGUE] mark for sales in
3 the department and clothing store markets" *Excelled*, 2014 WL 3874193, at
4 *11. The district court relied on the observations that "Excelled's certificates of
5 registration of the [ROGUE] marks give rise to a statutory presumption that
6 its marks are valid," and that "Excelled was the first to use and the first to
7 register its [ROGUE] marks for use throughout the United States in the
8 *department and clothing store* markets." *Id.* at *5-*6 (emphasis in original).

9 As we explained above, this reasoning was error. OBC was the senior
10 user of ROGUE on several categories of apparel nationwide and established a
11 protectible priority in the mark's use for such goods. The fact that it had not
12 sold in department or clothing-only stores did not mean that Excelled, as a
13 junior user, was free to usurp OBC's mark in those stores. As a result,
14 Excelled cannot show that it holds a protectible priority in the mark for the
15 same categories of apparel and, thus, as a matter of law cannot prevail on its
16 trademark infringement claims.

17 Accordingly, we reverse the district court's grant of summary judgment
18 to Excelled on Excelled's infringement claims (Counts I-III and V) and the

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1 court's denial of OBC's motion for summary judgment dismissing these
2 claims. The district court's award of an injunction and damages and fees
3 against OBC are also reversed, as that relief was premised on the district
4 court's liability determination as to the infringement claims. The court should
5 enter judgment dismissing Excelled's Counts I-III and V.

6
7 III. OBC's Counterclaim for Cancellation of Excelled's Trademarks

8 OBC's counterclaim alleged that Excelled fraudulently obtained its PTO
9 registrations and sought cancellation of Excelled's registrations of the marks
10 ROGUE, ROGUE for footwear, ROGUE LEATHER BY REILLY OLMES, and
11 ROGUE STATE (Count IV). Excelled moved for summary judgment
12 dismissing the claim. The district court granted summary judgment to
13 Excelled, dismissing OBC's counterclaim without addressing OBC's
14 allegations of fraud.¹ OBC appeals from that ruling.

¹ Later in the opinion, the district court discussed the fraud allegation, treating it as an "unclean hands defense" to Excelled's trademark infringement claims, thus examining the allegations in the context of OBC's motion seeking dismissal of Excelled's claim of infringement. Because we have determined that OBC has priority rights in use of the ROGUE mark, we need not consider whether OBC's assertion of Excelled's alleged fraud against the PTO shows unclean hands so as to defeat Excelled's claim of infringement.

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1 Our precedents require a party alleging fraudulent registration to prove
2 by clear and convincing evidence:

3 1. A false representation regarding a material fact.
4

5 2. The person making the representation knew or should have
6 known that the representation was false (“scienter”).
7

8 3. An intention to induce the listener to act or refrain from acting
9 in reliance on the misrepresentation.
10

11 4. Reasonable reliance on the misrepresentation.
12

13 5. Damage proximately resulting from such reliance.
14

15 *Patsy’s Italian Rest., Inc. v. Banas*, 658 F.3d 254, 270-71 (2d Cir. 2011).
16

17 As the party moving for summary judgment dismissing the claim, Excelled
18 bore the burden to show an absence of clear and convincing evidence
19 supporting OBC’s cancellation counterclaim. *See Goenaga v. March of Dimes*
20 *Birth Defects Found.*, 51 F.3d 14, 18 (2d Cir. 1995).

21 OBC submitted that Excelled defrauded the PTO (1) by failing to
22 disclose the 2007 Agreement and (2) by falsely claiming that it had sold
23 certain goods continuously.

24 As to the first allegation, it is undisputed that the Agreement was in
25 effect as of April 2007, that Excelled agreed to limit “any future application to

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1 register ROGUE” to “jackets, coats and skirts,” App’x 193, and that Excelled
2 agreed to amend its existing and pending registrations to comply with that
3 limitation. OBC argues that Excelled “deliberately withheld” the Agreement
4 from the PTO while it continued to own and apply for new and renewal
5 registrations, and that this was a material omission because “the PTO refuses
6 to register marks for goods that the applicant is contractually prohibited from
7 registering.” Def. Br. 43. Excelled contends that it could not have concealed
8 the Agreement because OBC had already disclosed it to the PTO, and in any
9 event the Agreement was immaterial since the PTO found on reviewing
10 OBC’s application that the Agreement “had no bearing on the issue of
11 confusion,” and OBC has failed to present any evidence that Excelled had
12 willful intent to deceive the PTO. Plaintiff-Appellee Br. at 37-38.

13 For OBC’s second allegation, it asserts that Excelled’s PTO applications
14 falsely represented that Excelled had sold ROGUE-branded pants, shirts, and
15 children’s clothing continuously for three years or more, whereas the record
16 evidence shows that it did not. Excelled contends that it “produced numerous
17 representative samples of documents showing sales of all the goods” listed in
18 its registration application, including “children’s sized clothing,” *Id.* at 39

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1 (citing App'x 308-09 ¶¶10-17 and Dkt. 81-4 & 81-5), and that OBC failed to
2 produce evidence of Excelled's "knowledge that the statements were false" or
3 of its "willful intent to deceive the PTO." *Id.* (citing Dkt. No. 109 at 17-18).
4 Excelled implies that any misstatements in its registration applications were
5 "inadvertent error" made in good faith. *Id.* at 39-40 (citing App'x 308 ¶9).

6 We find that Excelled has failed to show an absence of clear and
7 convincing evidence supporting OBC's cancellation counterclaim, and that
8 OBC has raised triable issues of fact as to whether Excelled knowingly made
9 material omissions and false statements with intent to deceive the PTO. First,
10 the evidence that the 2007 Agreement on its face required Excelled to delete
11 "shirts," "pants," and "vests" from its trademark registrations, and that
12 Excelled failed to do so, supports a reasonable inference that Excelled's failure
13 to disclose the Agreement in its own PTO application was a willful false
14 material omission. Second, the record evidence of Excelled's style designs
15 from 1999 to 2009, which includes no designs for children's clothing, no
16 designs for shirts before 2009, and no designs for pants spanning a three-year
17 period before 2009, supports a reasonable inference that Excelled had not
18 "continuously sold" pants, shirts, and children's clothing for three years or

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1 more at any time prior to 2012, and that its statements otherwise to the PTO
2 were false. Third, Excelled has failed to show an absence of clear and
3 convincing evidence as to its knowledge and intent to deceive, and the
4 evidence suggesting that Excelled made material omissions and false
5 statements to the PTO provides sufficient circumstantial evidence to raise a
6 triable issue of fact as to scienter.

7 In presuming the validity of Excelled's registration for the mark
8 ROGUE, the district court relied on determinations of disputed material facts
9 about the continuity of Excelled's sales that usurped the province of the jury.
10 We vacate the district court's grant of summary judgment to Excelled on
11 OBC's trademark cancellation counterclaim, and remand the claim for trial.

12
13 CONCLUSION

14 We have considered Excelled's remaining arguments in favor of
15 dismissal, and find them to be without merit. The judgment of the district
16 court is VACATED in part, REVERSED in part, and REMANDED.