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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Petition for Cancellation

Notice is hereby given that the following party has filed a petition to cancel the registration indicated below.

Petitioner Information

Name	Thomas Skold		
Entity	Individual	Citizenship	SWEDEN
Address	Bjorno Gard, S 761 41 Norrtalje, 761 41 SWEDEN		

Attorney information	Arthur Jackson Moser Taboada 1030 Broad Street - Suite 203 Shrewsbury, NJ 07702 UNITED STATES docketing@mtiplaw.com 732-935-7100

Registration Subject to Cancellation

Registration No.	4429015	Registration date	11/05/2013
Registrant	Galderma Laboratories, L.P. 14501 North Freeway Forth Worth, TX 76177 UNITED STATES		

Goods/Services Subject to Cancellation

Class 003. First Use: 2007/06/21 First Use In Commerce: 2007/06/21 All goods and services in the class are subject to cancellation, namely: Cosmetics and skin care preparations, namely, face, hand and body soaps, cleansers and moisturizers; hair shampoos and conditioners; sunblocks and sunscreens
Class 005. First Use: 2005/05/27 First Use In Commerce: 2005/05/27 All goods and services in the class are subject to cancellation, namely: Pharmaceutical and medical preparations, namely, oral and topical drugs for thetreatment of inflammatory disorders of the skin, namely, acne, dermatitis, psoriasis, eczema, rosacea, and related disorders

Grounds for Cancellation

Priority and likelihood of confusion	Trademark Act Sections 14(1) and 2(d)

Related Proceedings	92052897

Marks Cited by Petitioner as Basis for Cancellation

U.S. Application No.	85037342	Application Date	05/13/2010
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	BASED ON RESTORADERM LIPOGRID TECHNOLOGY		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 005. First use: First Use: 0 First Use In Commerce: 0 A lipid structural matrix of solid lipid particles and vesicles comprised of fatty acids, cholesterol-type stabilizers,phospholipids and or ceramides with a carrier function, sold as a component of dermatological preparations used in the treatment of skin disorders		

U.S. Application No.	85037362	Application Date	05/13/2010
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	RESTORADERM LIPIDGRID		
Design Mark			
Description of Mark	NONE		
Goods/Services	Class 001. First use: First Use: 0 First Use In Commerce: 0 A lipid structural matrix of solid lipid particles and vesicles comprised of fatty acids, cholesterol-type stabilizers,phospholipids and or ceramides with a carrier function, sold as a component of a pharmaceutical preparation		

Attachments	85037342#TMSN.png(bytes) 85037362#TMSN.png(bytes) SKD013 - Letter Accompanying Petition.pdf(89114 bytes)

	SKD013 - Petition to Cancel.pdf(198078 bytes) SKD013_EXH_1_GDConsolidated.pdf(401623 bytes) SKD013_EXH_2_2004Agmt.pdf(1222828 bytes) SKD013_EXH_3_SkoldBrief.pdf(4300198 bytes) SKD013_EXH_4_SkoldReplyBrief.pdf(229934 bytes) SKD013_EXH_5_GDCrossAppellantReplyBrief.pdf(190673 bytes)

Signature	/Arthur E. Jackson/
Name	Arthur E. Jackson
Date	11/01/2018

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Registration No. 4429015

Dated: November 1, 2018

Thomas Sköld, Petitioner, v. Galderma Laboratories, L.P., Registrant	)	Cancellation No. _____

BOX TTAB/FEE Galderma Laboratories, L.P. Galderma Limited, LLC
Commissioner for Trademarks
2900 Crystal Drive
Arlington, VA 22202-3513

LETTER ACCOMPANYING PETITION FOR CANCELLATION

Consistent with the actions in Cancellation Proceeding No. 92052897, the Board would likely, absent the Civil Litigation described in the accompanying Petition, hear the priority claim, and consider whether to dismiss the contract claim. Registrant would want to seek to dismiss one or both claims. If the Board is inclined to stay in light of Civil Action No. 2:14-cv-05280 filed in the United States District Court for the Eastern District of Pennsylvania, and the appeals in front of the Court of Appeals for the Third Circuit (Docket Nos. 17-3148 and 17-3231), Petitioner suggests in the interest of efficiency staying this matter, while noting for the Registrant the preservation of the right to file motions to dismiss and an Answer when the stay is lifted to the same extent and on comparable timing, as if the lifting of the stay had started the clock for such actions, and noting for the Petitioner a comparable preservation of rights.

Respectfully submitted,

Date: November 1, 2018 By: /Arthur E Jackson/

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Registration No. 4429015

Dated: November 1, 2018

Thomas Sköld, Petitioner, v. Galderma Laboratories, L.P., Registrant	))))) Cancellation No. _____)))

BOX TTAB/FEE Galderma Laboratories, L.P. Galderma Limited, LLC
Commissioner for Trademarks
2900 Crystal Drive
Arlington, VA 22202-3513

PETITION FOR CANCELLATION

Thomas Sköld an individual who is a citizen of Sweden, and resident at Björnö Gård, S-761 41, Norrtälje, Sweden, believes that he will be damaged by Registration No. *4429015* ("Subject Registration") as it relates to goods in Class 3, namely cosmetics and skin care preparations, namely, face, hand and body soaps, cleansers and moisturizers; hair shampoos and conditioners; sunblocks and sunscreens., and hereby petitions to cancel the registration of the mark RESTORADERM for these goods.

According to the registration, the Registrant is Galderma Laboratories, L.P., composed of Galderma Limited, LLC, a Delaware limited liability company. Apparently in more detail, recent court filings by Registrant indicate that Registrant is "a privately-held partnership owned in part by Galderma General LLC and in part by Galderma Limited LLC." Consolidated Principal and Response Brief of Appellees / Cross-Appellants filed 11 May 2018 in Docket Nos. 17-3148 and

17-3231 before the Court of Appeals for the Third Circuit ("Galderma Consolidated Brief," attached as Exhibit 1). Although such assignment does not appear to have been recorded, the Galderma Consolidated Brief asserts at n. 5 that "Galderma's [incl. Galderma Laboratories, L.P.] U.S.-based intellectual property was assigned to Nestlé Skin Health [Care, S.A.], a parent company of the Galderma entities." Thus, Nestlé Skin Health Care, S.A., is believed to be the assignee of the Subject Registration.

In suspended Cancellation Proceeding No. 92052897, Sköld sought cancellation of Registration No. *2985751*, which asserts to relate to goods in Class 5, namely therapeutic skin care preparations and treatment for skin disorders, and Registration No. *3394514*, which asserts to relate to goods in Class 3, namely non-medicated skin care preparations. Both registrations list Galderma Laboratories, Inc. as the current owner. Registration No. *2985751* has been formally abandoned by Galderma Laboratories, Inc. Recent court filings by Registrant indicate that Galderma Laboratories, Inc. is now known as NSH Services, Inc. Galderma Consolidated Brief at p. i.

Thus, the surviving relevant RESTORADERM registrations are the Subject Registration, Class 3 to COSMETICS AND SKIN CARE PREPARATIONS, NAMELY, FACE, HAND AND BODY SOAPS, CLEANSERS AND MOISTURIZERS; HAIR SHAMPOOS AND CONDITIONERS; SUNBLOCKS AND SUNSCREENS, and Class 5 to PHARMACEUTICAL AND MEDICAL PREPARATIONS, NAMELY, ORAL AND TOPICAL DRUGS FOR THE TREATMENT OF INFLAMMATORY DISORDERS OF THE SKIN, NAMELY, ACNE, DERMATITIS, PSORIASIS, ECZEMA, ROSACEA, AND RELATED DISORDERS; and No. *3394514*, Class 3 to NON-MEDICATED SKIN CARE PREPARATIONS. These registrations, if under conflicting ownership, would create a likelihood of confusion.

In the application for the Subject Registration, to overcome such a rejection for likelihood of confusion, Registrant filed an Affidavit of Maud Robert averring that "[t]hrough the corporate chain, both Galderma Laboratories, L.P. and Galderma Laboratories, Inc. are ultimately 100% owned by Galderma Pharma S.A." Though (by apparent editorial error) the Affidavit says the opposite, Galderma Pharma S.A. is believed to be a wholly-owned subsidiary of Galderma, S.A. Consistent with control by Galderma, S.A., the Affidavit stated that the global portfolio of the Galderma family of trademarks is "centrally maintained and managed by Galderma S.A. through its trademark department based in Lausanne Switzerland." In the associated response to Office Action, Galderma's attorney stated: "As in *In re Wella A.G.* [5 USPQ2d 1359, 1361 (TTAB 1987)], Galderma Pharma S.A. 'controls the activities and operations of [Galderma Laboratories, L.P. and Galderma Laboratories, Inc.][company name insertion in the original], including the selection, adoption and use of the trademarks.'" Thus, the use of the mark, and control of trademark prosecution, rests in the same hands.

On information and belief, when Nestlé S.A. acquired all of the stock of Galderma S.A. in 2014, it placed Galderma S.A. as a wholly-owned subsidiary of its wholly-owned Nestlé Skin Health S.A. This matches representations on ownership made by Galderma Laboratories L.P., Galderma Laboratories, Inc., Galderma S.A. and Nestlé Skin Health S.A. in a Galderma Consolidated Brief at p. i.

Cancellation No. 92052897 was briefed for final hearing on Cause 1, Priority of Use, when on 28 January 2015 the Board suspended proceedings pending final disposition of Civil Action No. 2:14-cv-05280 filed in the United States District Court for the Eastern District of Pennsylvania on 15 September 2014. The defendants in that civil action include Galderma Laboratories, L.P, as well as Galderma Laboratories, Inc., Galderma S.A. and Nestlé Skin Health

S.A. That civil action has now had a Judgment, and has had a hearing on 30 October 2018 in front of the Court of Appeals for the Third Circuit on cross appeals (Docket Nos. 17-3148 and 17-3231). In the Judgment, the appended Verdict Form recited that Plaintiff had established that under a 2004 Agreement (attached as Exhibit 2), the same agreement so named below, defendants were required to transfer the RESTORADERM mark to Sköld following agreement termination. (Brief of Appellant Sköld, including Vol. 1 of the Appendix, including the Judgment at JA00006, appended as Exhibit 3; further appended, as Exhibit 4, is Reply Brief of Appellant in Support of Principal Appeal and Brief in Opposition to Cross-Appeal; also further appended, as Exhibit 5, is Cross-Appellants' Reply Brief)

This current Petition maintains the claim of priority and also a contract theory that Respondent no longer owns the mark, which contract theory Sköld believes is properly within the Board's legislative mandate.

As grounds therefor, it is alleged that:

1. Sköld has adopted and continuously used the trademark RESTORADERM, since at least as early as December, 2001 to the present, in connection with presentations and promotions of a technology utilizing phospholipid and/or ceramide, cholesterol and fatty acid for dermally and transdermally delivering bioactive substances ("RESTORADERM Technology").

2. Collagenex Pharmaceuticals Inc. ("Collagenex") is the predecessor in interest to the current record owner of the '514 registration, Galderma Laboratories, Inc., and of the record owner of the Subject Registration, Registrant. In 2008, Galderma Laboratories, Inc. acquired all outstanding stock of Collagenex.

3. Sköld is the first to use the mark in the United States, and has continuously used the mark in the United States to this time. Therefore, Sköld seeks cancellation of Registrant's registrations.

4. Under the contract theory supported below, Registrant no longer owns the trademark RESTORADERM, moreover, Sköld has priority of use of the mark. So Sköld, the true owner, as found by the jury in Civil Action No. 2:14-cv-05280, seeks cancellation of Registrant's registrations.

Factual Background

5. In mid-2001, Sköld began development work on the composition that would soon be termed RESTORADERM, the work done at Institute of Surface Chemistry (a division within the Royal Institute of Technology in Stockholm Sweden). Thereafter Sköld began marketing a RESTORADERM Technology that was based on compositions of stratum corneum lipids (phospholipids/ceramide/cholesterol/fatty acid) and the presence of different macromolecular aggregates formed of the lipids, and consulting services in connection therewith. RESTORADERM Technology is among other things for delivering pharmaceutically active substances into or through the dermis of a patient.

6. On information and belief, samples of such compositions labeled RESTORADERM were sent in 2001 to dermatology professors in the United States.

7. In late 2001, Sköld presented to Collagenex the technology, which he labeled the "Restoraderm Technology." Prior to such presentation, on information and belief, Collagenex did not use the trademark RESTORADERM.

8. In late 2001, Jeff Day, Vice President for Dermatology at Collagenex began negotiations for exclusive license to the RESTORADERM Technology.

9. Sköld licensed the trademark RESTORADERM and the associated RESTORADERM Technology to Collagenex Pharmaceuticals Inc. ("Collagenex"), the predecessor in interest to the current owners of said Subject Registration and '514 registration, Galderma Laboratories Inc. ("Galderma"), in an Agreement effective February 11, 2002 (the "2002 Agreement"). (Note: it is well settled that "[w]hether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions." *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 875 (CAFC 1991), *quoting Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891).)

10. Thereafter, Collagenex filed the application leading to the now abandoned '751 registration in late February 2002, and collaborated with Sköld on the filing of a first provisional patent application on the RESTORADERM Technology in March, 2002. The resulting '751 registration was in International Class 005 and was for THERAPEUTIC SKIN CARE PREPARATIONS AND TREATMENT FOR SKIN DISORDERS.

11. The 2002 Agreement was for development services and formulations. Collagenex undertook in the 2002 Agreement to pay Sköld notable amounts of money for three deliverables, and a notable annual consulting fee. The amounts of these payments could not reasonably be termed "token" payments. Moreover, other, more substantial payment obligations are set forth in the 2002 Agreement that are inextricably tied to the deliverables and the consulting services.

12. The deliverables were conveyed by Sköld under the labeling RESTORADERM to Collagenex in Newtown, Pennsylvania, USA ("Collagenex Worksite"), and payments therefor were made to Sköld from the JP Morgan Chase Bank NA bank of 1 Chase Manhattan Plaza, NY 10081 New York, USA.

13. The consulting services, labeled RESTORADERM Technology, were delivered both by phone and fax to the Collagenex Worksite and via in person visits by Sköld to the Collagenex Worksite, and payments therefor were made to Sköld from the JP Morgan Chase Bank NA bank of 1 Chase Manhattan Plaza, NY 10081 New York, USA. Payments (made first under the 2002 Agreement, then under the Consulting Agreement identified below) were made on a quarterly basis from February 2002 throughout May 2007 to an amount which cannot be termed "token."

14. The 2002 Agreement permitted, and thereby acknowledged, the continued use of RESTORADERM by Sköld.

15. Throughout a period from about February 2002 until about November 2007, Sköld applied his consulting services as part of the development team, in connection with which he used his own laboratory facility, drafted clinical studies to be conducted by U.S. dermatologists, published clinical studies, supervised third party laboratories and manufacturing plants, presented and promoted to many pharmaceutical companies, presented to opinion leaders mostly in the United States, attended scientific committee meetings and acted as an ambassador for the RESTORADERM Technology at small and large medical conventions in the U.S. and elsewhere. These presentations included presentations to Ferndale Lab (presentation at Ferndale, Ferndale, MI), Johnson & Johnson (presentation at New Jersey, NJ), Medicis (presentation at Scottsdale, AZ), Novartis (presentation at East Hanover, NJ), Pfizer (presentation at Newtown, PN), Ranbaxy (presentation at Princeton, NJ), Stiefel (meeting at Waldorf Astoria Hotel, New York, NY), Valeant (presentation at the Grand Hotel Stockholm, Sweden), and more. Such meetings promoted interest in RESTORADERM Technology, including the RESTORADERM consulting services of Sköld.

16. On information and belief, one or more posters on RESTORADERM was exhibited at the American Academy of Dermatology 2004 (Washington, DC) and 2005 (New Orleans, LA). A poster was exhibited at the American Contact Dermatitis Society, 16th Annual Meeting, February 17, 2005 (New Orleans, LA) (titled "A Comparator Study of an Adjunctive Dermal Lipid Replacement Foam (Restoraderm®) in the Management of Refractory Hand Contact Dermatitis"). The Poster showed the RESTORADERM composition, without added medicament, effective in reducing or eliminating irritant and/or allergic contact dermatitis. Starting at about this timeframe onwards, presentations by Sköld noted this non-medicated effectiveness. Such meetings promoted interest in RESTORADERM Technology, including the RESTORADERM consulting services of Sköld.

17. RESTORADERM Technology has been presented a various scientific meetings during the period from 2002-2011, and to various disease unions (such as the Rocesea Society). All such meetings promoted interest in RESTORADERM Technology, including the RESTORADERM consulting services of Sköld.

18. Collagenex acquired modified rights in the technology, labeled "Restoraderm Technology," in an agreement effective August 19, 2004 (the "2004 Agreement"). The 2004 Agreement superseded the 2002 Agreement as to the Restoraderm Technology, and provided that it is binding upon its successors (§9.2).

19. The 2004 Agreement references a Consulting Agreement to be executed on date even therewith. Again Sköld's services were to be annually paid for with non-token payments.

20. In June 2005, Collagenex filed a Statement of Use in the application leading to the now abandoned '751 registration, providing specimens that indicated that the material was a "foam for the delivery of skin care preparations…"

21. In July 2007, Collagenex filed the application leading to the '514 registration. The resulting registration was in International Class 003 and was for NON-MEDICATED SKIN CARE PREPARATIONS. This application was filed with a specimen which incompletely shows the labeling of the product. On information and belief, that labeling indicated only a moisturizing use, not a pharmaceutical use.

22. In November 2007, Greg Ford, Director of Business Development at Collagenex, announced and later emailed that the company did not have the resources to continue development and promotion of RESTORADERM Technology. The email was in reply from an email by Sköld seeking certainty so that he could "start talking to various parties that might have an interest in the technology."

23. From December 2007 to March 2011 the RESTORADERM Technology was marketed by Sköld to many dermatological companies in the world, with a majority of the marketing efforts made in person in the United States. In 2008 a number of potential deals were terminated due to uncertainties of whether or not the rights to patents and trademarks were to be returned to Sköld by Collagenex/Galderma (Registrant) without litigation. The floor terms of these negotiations were at valuations for among other things the consulting services of Sköld are for values that could not be termed "token."

24. Citing breach of contract, Sköld sent a termination letter to Collagenex (2004 Agreement) on January 29, 2008 requesting patents and patent applications, trademarks to be returned

together with a settlement on outstanding milestones. In seeking the milestone payment settlement, in effect, Sköld was seeking payments that were inextricably linked to his RESTORADERM consulting services and RESTORADERM Technology compositions.

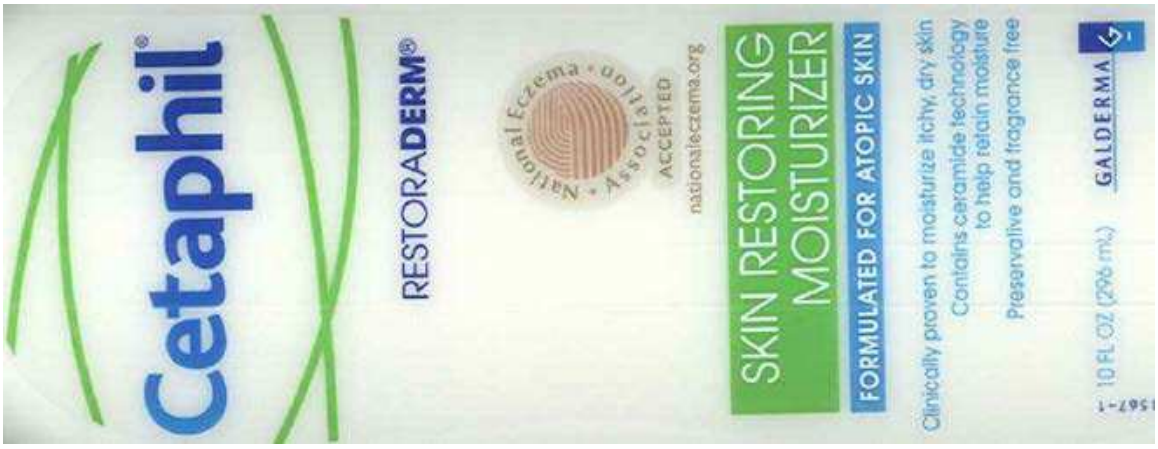
25. On February 12, 2008, Collagenex responded, asserting that it was not in breach.

26. On February 26, 2008, Collagenex announced to Sköld that Collagenex had been acquired by Galderma.

27. In March 2008, Sköld sent a letter to Collagenex giving Galderma time to decide whether the RESTORADERM Technology was of interest to it. In a Conference call in March between Sköld and Art Clapp of Galderma, Galderma stated that it needed three to six months to make such a decision.

28. In or about March 2009, Sköld enquired of Quintin Cassady, Vice President and General Counsel at Galderma, of about his having heard that Galderma had decided not to pursue the RESTORADERM Technology but had interest in the trademark RESTORADERM. Mr. Cassady said that this was nonsense and that Sköld should take no notice to such "rumors."

29. In August 2009, Galderma Laboratories, L.P. (Galderma Limited, LLC, general partner) filed a U.S. Trademark Application No. 77805846 in International Class 003 for RESTORADERM for COSMETICS AND SKIN CARE PREPARATIONS, NAMELY, FACE, HAND AND BODY SOAPS, CLEANSERS AND MOISTURIZERS; HAIR SHAMPOOS AND CONDITIONERS; SUNBLOCKS AND SUNSCREENS. That application has become Registration No. 4429015, the Subject Registration now sought to be cancelled. The specimen, filed 8 August 2013, was in highly relevant part as follows:



30. In November 27th, 2009, Galderma sent Sköld a notice of termination of the 2004 Agreement, in which it stated that per a Paragraph 8.5(b) of the 2004 Agreement that it was returning all applicable materials, documents, and/or information to Sköld. Among the things set forth in the cited provision is "all goodwill" relating to "Restoraderm Intellectual Property." Among the things returned to Sköld pursuant to this letter was an international portfolio of patent applications and about 1,000 products and samples labeled RESTORADERM. Patents and patent applications were returned to Sköld on February 22nd 2010. This letter made clear to Sköld, that while payments due for past services and products may be in dispute, Sköld's RESTORADERM Technology and services needed to be even more actively marketed elsewhere.

31. The United States Patent and Trademark Office received on December 8, 2009, and recorded at Reel/Frame: 4109/0411, an assignment from Collagenex Pharmaceuticals, Inc. to Galderma Laboratories, Inc. of Registration No. 3394514, the assignment having an execution date of August 1, 2008.

32. During 2010, beginning on or about February 16, 2010, Sköld was paid for travel and paid additional fees in connection with his RESTORADERM consulting services. Also during this period, samples labeled RESTORADERM were sent to multiple pharmaceutical companies.

Also during 2010, PowerPoint presentations on RESTORADERM Technology were made to multiple pharmaceutical companies. Slide presentations that identify the natural components of the RESTORADERM Technology compositions and their excellent skin penetration were made to pharmaceutical companies throughout the period from late 2001 to today.

33. RESTORADERM Technology, as that terminology is used by Sköld, is well known among U.S. dermatology physicians regarded as opinion leaders as well as by most pharmaceutical companies working in the dermatology field.

34. Sköld has received on or about 100 or more phone calls and e-mails from people in the U.S., most of from dermatologists, making enquiries about whether RESTORADERM refers to a lipid composition based on natural skin lipids (as the terminology is used by Sköld) or a more traditional dermatological suave (as the term "Restoraderm" is now used by Galderma).

35. The evident confusion became apparent, Sköld noticed, during the summer of 2010 when rumors spread that Galderma was in the process of launching "Cetaphil Restoraderm" in Canada (Cetaphil being a trademark owned by Galderma) and later on would also be launching the same in the U.S.

36. "Cetaphil Restoraderm," according to Sep. 14, 2010 Press Release from Galderma on Cetaphil Restoraderm,, was being offered for sale in the U.S in at least the late 2010 time frame. According to web postings in this time frame, this product contained (emphasis added): water, glycerin, caprylic/capric triglyceride, helianthus annuus (sunflower) seed oil, pentylene glycol, butyrospermum parkii (shea butter), sorbitol, cyclopentasiloxane, cetearyl alcohol, behenyl alcohol, glyceryl stearate, tocopheryl acetate, hydroxypalmitoyl sphinganine, niacinamide, allantoin, panthenol, arginine, disodium ethylene dicocamide PEG-15 disulfate, glyceryl stearate

citrate, sodium PCA, ceteareth-20, sodium polyacrylate, caprylyl glycol, citric acid, dimethiconol, disodium EDTA, sodium hyaluronate, cetyl alcohol. RESTORADERM Technology however is dependent on significant amounts of phospholipid and/or ceramide, cholesterol and free fatty acids. RESTORADERM Technology is also incompatible with significant amounts of oils, such as those underlined above. Thus, clearly, "Cetaphil Restoraderm" is not RESTORADERM Technology.

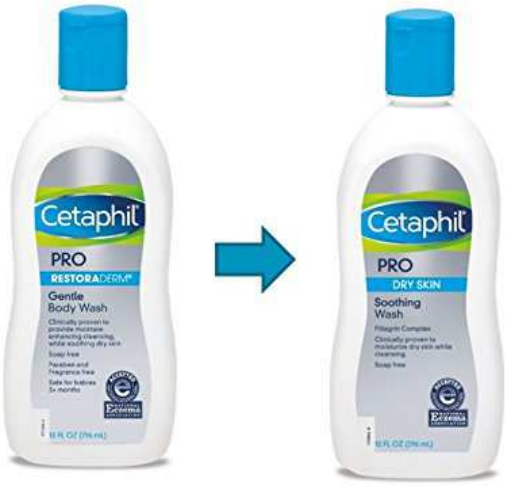
37. Objective evidence of the confusion is provided by rosacea-support.org/cetaphil-restoraderm-for-extra-dry-skin-and-eczema.html, where it is written with respect to the "Cetaphil Restoraderm" that (emphasis added): "When Galderma acquired Collagenex in 2008, Collagenex listed a technology known as Restoraderm (along with Oracea and Sansrosa) as one of the assets acquired. RESTORADERM Technology at that time was described as a 'proprietary, foam-based, topical drug delivery technology'. It isn't clear to me whether this product [Cetaphil Restoraderm] is related to this technology or is something else entirely."

38. Sköld attended the Caribbean Dermatology Symposium on Aruba in January 2011, along with about 300 U.S. dermatologists. One of the lectures was sponsored by Galderma and mentioned Cetaphil Restoraderm and some of its components. It was clear to Sköld that attendees were looking around in the audience for Sköld wondering what this was all about. After the lecture dermatologists came up to Sköld and wondered why Sköld had changed the composition and dropped the basic idea behind RESTORADERM Technology.

39. Sköld is currently working with a company called Ferndale, and with another company previously known as Intraderm Oculus, to develop products using Sköld's Restoraderm technology. The product developed with Intraderm Oculus is based on Sköld's Restoraderm technology and was launched into the marketplace in April 2016. However, because of

Galderma's actions, Sköld cannot use his Restoraderm trademark to identify those products---though Sköld would do so if he could.

40. In possible anticipation of the outcome of the appeal of the civil action, the Galderma parties may be seeking to transition consumers to buy its eczema products without the disputed mark. Two products found in a CVS store on 25 September 2018 were seemingly directed to the same market niche, but one was Cetaphil® PRO **RESTORA**DERM® Gentle Body Wash (with Filagrin complex and a National Eczema Association certification), and the other was Cetaphil® PRO DRY **SKIN** Soothing Wash (with "unique" Filagrin complex and a National Eczema Association certification). Looking these products up online shows that they have the same list of ingredients (Water, Butyrospermum Parkii (Shea) Butter, Sodium Trideceth Sulfate, Helianthus Annuus (Sunflower) Seed Oil, Glycerin, Sodium Lauroamphoacetate, Sodium Chloride, Cocamide MEA, Citric Acid, Niacinamide, Sodium PCA, Allantoin, Arginine, Tocopheryl Acetate, Caprylyl Glycol, 1,2 Hexanediol, Guar Hydroxypropyltrimonium Chloride, Potassium Sorbate, Disodium EDTA). At www.cetaphil.com/pro-gentle-body-wash, it says, suggestive of the transition away from the disputed mark: Cetaphil PRO Gentle Body Wash – New name, same great formula as Cetaphil RestoraDerm!" At www.amazon.com/Cetaphil-Pro-Soothing-Wash-Ounce/dp/B07CYD55KZ, there is the following interesting graphic suggestive of the intent, in the United States, to transition away from using the RESTORADERM mark:



Cause 1: Priority of Use

41. Recitations on the history and use of RESTORADERM, ¶¶1 – 39 above, are adopted and re-alleged here.

42. Sköld has used RESTORADERM in the United States in connection with a dermatology product, and in connection with consulting services for a dermatology product, from a time prior to any conception of that mark by Registrant or its predecessor.

43. Sköld has continuously used RESTORADERM in this country from his first use in the United States until today.

44. The RESTORADERM services and Technology are integrally connected with the goods described in the Subject Registration, and the RESTORADERM services are, within the small world of dermatological product developers, well identified as associated with Sköld. Therefore, those in small world of dermatological product developers will be likely to confuse any goods sold under the Subject Registration as being associated with Sköld.

45. Accordingly, the Subject Registration, Registration No. 4429015, should both be cancelled under Lanham Act §2(d), 15 U.S.C. §1052(d).

Cause 2: Contract Theory

46. The trademark RESTORADERM is owned by Sköld due to (a) the trademark being part of that recited in Section 2.1 of the 2004 Agreement or (b) a fatal ambiguity in the 2004 Agreement as to the trademark subject matter, which in turn implicates parole evidence which clearly indicates that trademark RESTORADERM was a subject of the 2004 Agreement.

47. Under Pennsylvania law, a contract will be found to be ambiguous if, and only if, it is reasonably or fairly susceptible to different constructions, is capable of being understood in more senses than one, is obscure in meaning through indefiniteness of expression, or has a double meaning. *Erie Insurance Company/Erie Insurance Exchange v. Flood*, 649 A.2d 736, 738 (Pa. Cmwlth. 1994).

48. The 2004 Agreement identifies the Intellectual Property by the trademark RESTORADERM, using the phrase "Restoraderm Intellectual Property," yet does not recite that the trademark is part of the batch of rights defined as Restoraderm Intellectual Property.

49. The items subject to the 2004 Agreement include that identified in Section 2.1(d), which by its plain meaning must include the trademark RESTORADERM.

50. Since items subject to the 2004 Agreement included the trademark RESTORADERM, then pursuant to Section 8.5(b)(iii), the trademark must be transferred to Sköld as a result of the November 2009 letter declaring termination. Consistent with Section 8.5(b)(iii) the patent estate in the Technology has been transferred to Sköld.

51. Parole evidence confirming that the trademark RESTORADERM was intended to be included in the items subject to the 2004 Agreement includes the discussion of trademark diligence in a February 2008 Letter.

Damage and Relief

52. Since the Board cannot order the transfer of the trademarks, Sköld seeks to remove any stain of Registrant's apparent ownership of RESTORADERM on Sköld's applications for BASED ON RESTORADERM LIPOGRID TECHNOLOGY (Serial No. 85037342) and RESTORADERM LIPIDGRID (Serial No. 85037362).

53. If the Registrant is permitted to retain the registrations sought to be cancelled, and thereby, the *prima facie* exclusive right to use in commerce the mark *RESTORADERM* on the recited subject matter, its use of the mark will continue to confuse dermatologists and pharmaceutical companies familiar with the RESTORADERM Technology.

54. Recitations on confusion, ¶¶ 35-37 above, are adopted and re-alleged here.

55. Physicians are likely to consider the goods of Registrant sold under the mark RESTORADERM as emanating from Sköld, and direct patients to purchase such goods as those of the Sköld, resulting in loss of development opportunities to Sköld, and deceiving physicians as to the nature and quality of the goods.

56. Concurrent use of the mark by the Registrant and Sköld may result in irreparable damage to Sköld's reputation and goodwill, if the goods sold by the Registrant are inferior, since purchasers are likely to attribute the source of the Registrant's goods to the Sköld.

57. If the Registrant is permitted to retain the registrations sought to be cancelled, a cloud will be placed on Sköld's title in and to its trademark, *RESTORADERM*, and on its right to enjoy the free and exclusive use thereof in connection with the sale of its goods, all to the great injury of Sköld.

58. Accordingly, for the reasons set forth above, Sköld seeks the cancellation of Registration No. 4429015.

Respectfully submitted,

Date: November 1, 2018 By: /Arthur E Jackson/

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Exhibits:

1: Consolidated Principal and Response Brief of Appellees / Cross-Appellants filed 11 May 2018 in Docket Nos. 17-3148 and 17-3231 before the Court of Appeals for the Third Circuit;
2: 2004 Agreement;
3: Brief of Appellant in the above named matter, including Vol. 1 of the Appendix;
4: Reply Brief of Appellant in Support of Principal Appeal and Brief in Opposition to Cross-Appeal, in the above named matter;
5: Cross-Appellants' Reply Brief, in the above named matter.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Registration No. 4429015

Thomas Sköld, Petitioner, v. Galderma Laboratories, L.P., Registrant	)	Cancellation No. ____

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition for Cancellation, together with all Exhibits 1 – 3, and the companion Letter Accompanying Petition for Cancellation was sent first class mail, postage pre-paid on this 1 of November, 2018 to:

Attn: G MATHEW LOMBARD
LOMBARD & GELIEBTER LLP
305 BROADWAY, FL 7
NEW YORK, NEW YORK UNITED STATES 10007

With courtesy copy to the attorney of record in Cancellation Proceeding No. 92052897:

Attn: JEFFREY M. BECKER
HAYES AND BOONE, LLP
2323 VICTORY AVENUE, SUITE 700
DALLAS, TX 75219
UNITED STATES

__/Arthur E Jackson/_____
Arthur E. Jackson

NO. 17-3148, 17-3231

In the United States Court of Appeals
For the Third Circuit

THOMAS SKÖLD,

Appellant and Cross-Appellee

V.

GALDERMA LABORATORIES L.P.;
GALDERMA LABORATORIES, INC.; GALDERMA S.A.;
NESTLÉ SKIN HEALTH S.A.,

Appellees and Cross-Appellants

CONSOLIDATED PRINCIPAL AND RESPONSE BRIEF OF APPELLEES / CROSS-APPELLANTS

From the U.S. District Court, Eastern District of Pennsylvania,
Cause No. 2:14-cv-05280, Hon. Wendy Beetlestone, presiding.

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CORPORATE DISCLOSURE STATEMENT AND STATEMENT OF FINANCIAL INTEREST

Pursuant to Rule 26.1 and Third Circuit LAR 26.1, Galderma Laboratories L.P.; Galderma Laboratories, Inc.; Galderma S.A.; and Nestlé Skin Health S.A. make the following disclosure:

1. All parent corporations are:

NSH Services, Inc. (formerly known as Galderma Laboratories, Inc.), a privately-held corporation, is a wholly-owned subsidiary of Galderma Pharma S.A.

Galderma Laboratories, L.P. is a privately-held partnership owned in part by Galderma General LLC and in part by Galderma Limited LLC.

Galderma S.A., a privately-held corporation, is a wholly-owned subsidiary of Nestlé Skin Health S.A.

Nestlé Skin Health S.A., a privately-held corporation, is a wholly-owned subsidiary of Nestlé S.A.

2. All publicly held companies that hold 10% or more of the party's stock:

No publicly-held corporation directly owns 10% or more of Galderma Laboratories, L.P., NSH Services, Inc. (formerly known as Galderma Laboratories, Inc.) or Galderma S.A.

100% of the stock of Nestlé Skin Health S.A. is owned by Nestlé S.A., a publicly-held company traded at the SIX Swiss Exchange (VTX: NESN).

3. There is no publicly held corporation which is not a party to the proceeding before this Court but which has as a financial interest in the outcome of the proceeding.

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JURISDICTIONAL STATEMENT

Galderma agrees with Sköld's jurisdictional statement. The district court had subject matter jurisdiction under 28 U.S.C. § 1331 and 28 U.S.C. §§ 1338(a) and (b) because Sköld's suit raises claims under the Lanham Act.

This Court has jurisdiction to decide the parties' appeals under 28 U.S.C. § 1291 because the district court's final judgment disposes of all parties and issues. (JA6-7) Sköld filed his notice of appeal within 30 days of the judgment (September 28, 2017) (JA1), and Galderma Laboratories, L.P., Galderma, S.A., and Nestlé Skin Health, S.A. filed their notice of cross-appeal within 14 days of Sköld's notice of appeal (October 10, 2017). (JA2107)

STATEMENT OF ISSUES PRESENTED FOR REVIEW

Sköld's Appeal

Trademark-Infringement and Unfair-Competition Claims

1. Has Sköld established likelihood of confusion as a matter of law?
2. Has Sköld demonstrated that the jury's finding of no likelihood of confusion is against the weight of the evidence?
3. In the alternative, is Sköld's claim of ownership of the Restoraderm® mark barred as a matter of law under this Court's commercial-use standard?

False Advertising

4. Has Sköld established that the jury's no-deception finding is against the weight of the evidence?
5. In the alternative, is Sköld's claim of ownership of the Restoraderm® mark barred as a matter of law under this Court's commercial-use standard?

Remedies

6. Did the district court abuse its discretion in declining to issue injunctive relief when the jury properly rejected Sköld's infringement claim?

7. Did the district court abuse its discretion in declining to issue declaratory relief beyond a declaration of unjust enrichment when the jury rejected the infringement claim and awarded disgorgement?

8. Did the district court properly exercise its discretion in excluding evidence of foreign trademark sales based on the use of a domestic trademark?

Galderma's Cross-Appeal on Sköld's Unjust-Enrichment Claim

1. As a matter of law, does Sköld own the benefit he claimed to confer—the Restoraderm® trademark?[1]
2. Does Pennsylvania's four-year statute of limitations bar Sköld's unjust-enrichment claim?[2]
3. Is there legally sufficient evidence of unjust enrichment given that Galderma's use of the Restoraderm® mark did not confuse or deceive the market?[3]

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[1] Galderma raised this issue in its renewed motion for judgment as a matter of law (JA2064-71), and the district court ruled on the issue in its order disposing of the motion. (JA25-28)

[2] Galderma raised this issue in its renewed motion for judgment as a matter of law (JA2076-78), and the district court ruled on the issue in its order disposing of the motion. (JA29-31)

[3] Galderma raised this issue in its renewed motion for judgment as a matter of law (JA2078-29), and the district court ruled on the issue in its order disposing of the motion. (JA31-33)

STATEMENT OF RELATED CASES AND PROCEEDINGS

Galderma concurs in Sköld's Statement of Related Cases and Proceedings.

PARTIES, ABBREVIATIONS, AND JOINT APPENDIX REFERENCES

"Sköld" refers to Plaintiff/Appellant Thomas Sköld.

"Galderma L.P." refers to Defendant/Appellee/Cross-Appellant Galderma Laboratories, L.P.

"Galderma, Inc." refers to Defendant/Appellee Galderma Laboratories, Inc. Galderma, Inc. was dismissed in the district court; it appears in this case as an Appellee.

"Galderma S.A." is a Defendant/Appellee/Cross-Appellant.

"Nestlé Skin Health" refers to Defendant/Appellee/Cross-Appellant Nestlé Skin Health Care, S.A.

"Galderma" refers collectively to the following entities: Galderma, L.P.; Galderma, Inc.; Galderma S.A.; and Nestlé Skin Health. When using the term "Galderma" in the section discussing the Cross-Appeal, that terms refers to only Cross-Appellants Galderma, L.P., Galderma S.A., and Nestlé Skin Health.

References to the Joint Appendix are in the form "JA[page #]." When citing to the trial testimony, page and line references are used.

STATEMENT OF THE CASE

A. Sköld pursued a few prospective business relationships to develop a product based on his dermal-delivery technology.

Thomas Sköld came up with a theory for a dermal-delivery technology designed to allow the skin to absorb active ingredients. (JA123-24 (76:19-77:2); JA301:16-17) Sköld pursued prospective business relationships with a handful of companies in the hopes of developing his technology into a marketable product. (JA126-27 (79:23-80:2)); (JA368:5-10) Sköld testified that in 2001 he met with or had phone calls with a few pharmaceutical companies to discuss development of the potential technology. (JA280-82 (66:18-68:1); JA368-69 (154:11-155:4); JA389:5-9)[4]

These were exploratory meetings "all based on the science, [to] find what the technology was about" and involved presentations about Sköld's "early findings of [his] development efforts." (JA303:4-16;

[4] The companies were Johnson & Johnson, Allergan, Medicis (via conference call), and CollaGenex. Sköld testified that the Johnson & Johnson meeting took place in New Jersey on the morning of September 11, 2001, though he also testified that it "got cancelled, as we say in Sweden, but it got cancelled before it was supposed to be ended." (JA282:2-25; JA370:4-13) Sköld concedes that no documents exist confirming this meeting. (JA305:16-18)

JA370:17-24; JA1773) He had no commercialized product ready to sell at that time. (JA1822; JA427-28 (213:24-214:1))

Sköld testified that in the summer of 2001 he (in collaboration with a colleague) coined the name Restoraderm for his technology concept but did nothing to record it. (JA121-22 (74:9-75:22); JA123:15-18; JA193:2-6; JA307-08 (93:6-94:19)) Sköld testified that he referred to his dermal-delivery technology as Restoraderm during only two business pitches in the fall of 2001—to Johnson & Johnson and CollaGenex. (JA193:2-6; JA280:18-23; JA305-06 (91:25-92:18); JA307-08 (93:3-94:9))

Sköld, however, did not offer evidence of trademark use of "Restoraderm" during those few meetings he had in late 2001. He did not offer any slide decks presented at those meetings. Beyond his own testimony that he uttered the term "Restoraderm" during the Johnson & Johnson and CollaGenex meetings, he offered no detail regarding this context in which the term "Restoraderm" was mentioned in those meetings. Further, Sköld did not call any individuals from Johnson & Johnson, Allergan, or Medicis to testify as to what happened during those alleged meetings or phone call.

The only documentary evidence provided by Sköld shows that on the few occasions that he did present his concept to would-be developers, he was all over the map. Sometimes he referred to his technology as simply a "derm delivery system." (JA301:10-17; JA1773) In a proposed business plan, Sköld referred to his technology as "LipoDerm RestoDerm EpiLip." (JA1822; JA309-10 (95:13-96:25)) That same document also used the term "Restaderm." Sköld testified that a different document titled "LipoDerm Restoraderm a vehicle technology for special use" was provided to Johnson & Johnson and CollaGenex. (JA1473; JA205:3-13) And a document called "A theory of the 'mode of action' concerning this new technology" refers to Sköld's idea as "LipoDerm Lipoid Restoraderm Technology." (JA1472)

Sköld also did not offer any evidence (whether testimonial or documentary) to demonstrate that he used the term "Restoraderm" in any other contexts—whether marketing materials, pitch meetings, product samples, or otherwise—before his engagement with CollaGenex. Instead, his case for trademark use rests on his own vague and uncorroborated descriptions of three or four pitch "meetings"

(which "meetings" include a short phone call and a meeting on September 11, 2001 that, according to Sköld, was "cancelled").

After he agreed to work exclusively with CollaGenex to develop the technology into a product, Sköld had other preliminary discussions about his technology at a sparsely attended January 2002 Caribbean dermatology meeting. (JA208:21-25) Sköld and a CollaGenex representative presided over a "focus group" of about ten people related to the technology and, according to Sköld and his friend Jeff Day, provided non-commercial samples of the technology to this group. (JA210:1-17; JA211:8-10; JA394-95 (180:20-181:16))

B. Sköld entered into a development agreement with CollaGenex in 2002, and CollaGenex filed trademark registrations for the Restoraderm mark in 2002.

These preliminary business discussions culminated in a Co-Operation, Development, and Licensing Agreement (the 2002 Agreement) between Sköld and CollaGenex. (JA1457; JA129:9-23) The goal of this agreement was to develop Sköld's dermal-delivery technology into a "potential product[]." (JA1457; JA129:13-23; *see* JA375-76 (161:20-162:7)) Under the agreement, "[a]ll trade marks applied for or registered (including 'Restoraderm') shall be in the sole

name of CollaGenex and be the exclusive property of CollaGenex during the Term and thereafter." (JA1465 (§ 4.2.1))

Pursuant to the 2002 Agreement, CollaGenex on February 28, 2002, filed a trademark registration for the Restoraderm mark for "Therapeutic skin care preparations and treatment for skin disorders" with the United States Patent and Trademark Office (the PTO). (JA1702; JA450-51 (236:23-237:7)) The PTO issued a trademark registration for the Restoraderm mark in 2005. (JA1709) CollaGenex followed up with a trademark application for the Restoraderm mark for "Non-medicated skin care preparations" in 2007, and the PTO registered that mark in 2008. (JA1710, 1717)

C. Sköld and CollaGenex signed a new development agreement in 2004.

Sköld and CollaGenex replaced the 2002 Agreement with the "Asset Purchase and Product Development Agreement" in August 2004 (the 2004 Agreement). At that time, there was no product on the market using Sköld's technology. (JA133:2-4)

Under the 2004 Agreement, Sköld transferred patent rights and associated know-how to CollaGenex. (JA1479 (§ 2.1)). This material is defined as "Purchased Assets," which include "Restoraderm Intellectual

Property," "Books and Records" related to "Restoraderm Intellectual Property," and all "goodwill if any." (*Id.*) The term "Restoraderm Intellectual Property" includes patent rights, know-how, and the right to sue. (JA1478 (§ 1.20)) Of significance, trademarks are not within the definition of "Restoraderm Intellectual Property" or "Purchased Assets." (*See* JA1478 (§ 1.20, 1.26); JA1575)) This agreement contained a voluntary termination right. If CollaGenex (or a successor) elected to terminate, the terminating party was obligated to transfer the "Purchased Assets and Additional Records" to Sköld. (JA1492)

D. Galderma acquired CollaGenex, transferring the 2004 Agreement and the Restoraderm trademarks to Galderma.

With CollaGenex facing financial difficulties, Galderma, Inc. acquired CollaGenex. (JA377-78 (163:18-164:1)) Galderma is a skin-health company that offers both over-the-counter and prescription products for a wide variety of skin conditions and diseases. (JA635:9-17) Galderma completed the acquisition so that it could obtain a well-regarded rosacea product called Oracea. (JA640-41 (155:8-156:15))

CollaGenex transferred its assets (including the Restoraderm® trademark) to Galderma. (JA644:5-11; 648:9-13; JA639:8-24) As part of this acquisition, Galderma, Inc. stepped into CollaGenex's shoes

under the 2004 Agreement. (JA467-68 (6:15-7:18)) Galderma entities became owners of the CollaGenex trademark registrations, with Galderma, Inc. listed as the owner of the U.S mark[5] and Galderma, S.A. as the owner of the international mark. (JA451-52 (237:13-238:24)) Galderma, L.P. is the operating company, which sells the company's products. (JA635:9-17) Galderma, L.P. also filed a trademark application for the Restoraderm mark after the acquisition. (JA454:3-10) At that time, there was no commercialized product in the market using Sköld's technology. (JA160:1-4)

E. Galderma thoroughly evaluated Sköld's technology but determined that a commercial product was not feasible and terminated the 2004 Agreement.

After the 2008 acquisition, Galderma reviewed and evaluated Sköld's technology. (JA648:17-19) This was a comprehensive review process stretching into 2009: Galderma considered economic and technical issues in a series of meetings and studies and evaluated pending patent applications. (JA1611, 1612, 1615-1618, 1623, 1628,

[5] Galderma's U.S.-based intellectual property was assigned to Nestlé Skin Health, a parent company of the Galderma entities, in 2015. (JA470:1-11)

1630; JA649-54 (164:15-169:13); JA655-56 (170:1-171:3); JA666:2-6; JA668:3-13))

Galderma kept Sköld informed about the evaluation process, inviting him to the company's research-and-development facility in France for an in-depth two-day meeting with Galderma patent, regulatory, and formulation experts. (JA175-77 (128:13-130:10); JA225:1-6; JA654:9-13; JA1611, 1612, 1615, 1618, 1784) Sköld also attended meetings at Galderma's Fort Worth, Texas headquarters in late 2008. (JA230-32 (16:17-18:7)) Galderma further explained to Sköld that it would conduct technical, manufacturing, and feasibility diligence to determine whether to move forward with the technology. (JA224:4-8; JA233-34 (19:15-20:18); JA654:8-13; JA655:1-3); *see also* JA1618))

Galderma's Product Portfolio Review Board (PPRB)—comprised of the company's top scientists—completed a comprehensive review of Sköld's technology concept, including stability studies, clinical tests, and barrier-recovery tests. (JA655:7-21; JA656-60 (171:11-175:23)) The PPRB recommended that Galderma not develop the technology because of poor performance, low innovation level, and little probability that a

patent would be granted. (JA1646; JA660:16-23; JA668:14-20; JA165:6-16; JA166:17-21)

Based on this recommendation, Galderma terminated the 2004 Agreement. (JA1646; JA407-08 (193:12-194:13); JA660:16-23; JA661:16-25) Galderma informed Sköld of the termination at an in-person meeting in Sköld's home country of Sweden in November 2009 and delivered a termination letter. (JA1661; JA161-62 (114:10-115:1); JA662-63 (177:1-178:6); JA664:5-21) At that point, Sköld had already received $2.5 million in compensation under the two CollaGenex agreements. (JA278-80 (64:3-66:17))

In compliance with the 2004 Agreement, Galderma Inc. returned all "Purchased Assets" to Sköld; it shipped the development materials to Sköld and transferred all patent applications and related materials covered by the agreement in late 2009 and early 2010. (JA1667, 1669, 1776, 1803; JA235:10-14; JA284:11-16; JA330:21-24; JA415:17-24; JA665:3-5) Sköld does not claim otherwise, and, on appeal, he has abandoned his claim that Galderma breached the 2004 Agreement.

F. In early 2010, Galderma reminded Sköld that Galderma owned the Restoraderm trademark and instructed Sköld to not use the name.

Galderma made clear throughout the post-termination process that it would retain the rights to the Restoraderm® trademark and that Sköld should not use the mark. (JA670-71 (185:14-186:22)) In February 2010, Galderma's head of licensing Chris De Bruyne wrote Sköld that: "As you know we are owner of this trade name [Restoraderm] and I would like to ask you *not to use* this name anymore in your communication on the technology." (JA1670) (emphasis added) Galderma's position was clear and unqualified in March 2010: Galderma owned the Restoraderm mark and Sköld was instructed to stop using the name.

Sköld understood Galderma's position: "Galderma [has] not assigned the trademark back to me so you are, for now, the rightful owner until your position is challenged." (JA1669, 1671) After receiving Galderma's written demand that Sköld stop using the Restoraderm name, Sköld filed a May 2010 trademark application for the name Lipogrid (a term he previously used to describe his technology that and that he ultimately used on a product in 2016) and a proceeding

to cancel Galderma's trademark in the PTO in August 2010. (JA253:13-25; JA1720)

Despite the termination, Sköld continued to pursue a business relationship with Galderma. (JA673:3-6) In May 2010, he proposed a new development agreement and further offered that Galderma retain trademark ownership rights while allowing Sköld to use the mark in small print. (JA1778-79) Galderma considered the proposal as a matter of business courtesy, but ultimately declined to move forward because a new agreement was "not a strategic fit for the company at this time." (JA1672, 1781; JA359:12-18; JA359-60 (145:24-146:1); JA361:1-11; JA673-74 (188:3-189:17))

G. Consistent with its ownership rights and statements to Sköld, Galderma launched the Cetaphil® RestoraDerm® product line.

Consistent with Galderma's rights to the Restoraderm mark and in line with its early 2010 communications with Sköld, Galderma began using the mark on its line of eczema-relief products—a product line called "Cetaphil® RestoraDerm®"—in the United States.[6] (JA436:2-4; JA605:18-21)

[6] These products were already on sale in Canada. (JA1807)

Galderma selected the Restoraderm mark for this product because Galderma wanted to maximize the value of its significant investment in the CollaGenex acquisition, and Restoraderm was a "pretty good trade name" that could convey a product's ability to restore the skin. (JA409-13 (195:6-199:22); JA617:19-24; JA641-42 (156:19-157:19); JA643:12-18; JA1649, 1796) But the "most important thing on the bottle" was the trusted Cetaphil brand. (JA438:15-21; JA608-09 (123:20-124:4); JA637:3-10; JA637-38 (152:24-153:5))

The Restoraderm product line was a sub-brand of Galderma's Cetaphil line (which has around 30 skin-care products) and consisted of a body wash and a skin moisturizer formulated for eczema and atopic dermatitis. (JA603:11-14; JA1695; JA1769) The products are sold by Galderma to distributors and retailers and are available over-the-counter to the general public. The products are also marketed to health-care providers, specifically dermatologists. (JA440:2-7; JA445-46 (231:24-232:4); JA606:1-19; JA613:8-15)) The product does *not* use Sköld's technology, and he had no product on the market at the time of the Cetaphil RestoraDerm® launch. (JA1631-58; JA245:24-25)

Sköld first learned of Galderma's product launch no later than August 2010. (JA1673, 1806) The next day Sköld filed a petition to cancel Galderma's trademark registration referencing an article announcing the product launch. (JA1676) Sköld also forwarded the article to De Bruyne and asked him to "straighten it out one way or another." (JA1673) One month later, on September 14, 2010, Galderma L.P. issued a press release announcing the product launch. (JA1674) Sköld filed suit on September 15, 2014. (JA974)

Sköld testified that some unspecified researchers ordered the Restoraderm product when trying to test Sköld's technology, and a few attendees at a conference in early 2011 congratulated Sköld on the Galderma product launch. (JA273:2-9; JA273-74 (59:25-60:7); JA274:8-22) Sköld claims that this proves market confusion. But none of those individuals testified at trial, while one of Sköld's witnesses—Professor James Marks—was unable to "generalize" about whether the broader dermatology community believed that Restoraderm was linked to Sköld's technology. (JA424-25 (210:17-211:1)). And Galderma's senior brand manager never heard from consumers, dermatologists, or anyone else that they were confused about the use of the Restoraderm name.

(JA615-16 (130:17-131:1)). Nor did other Galderma executives. (*See, e.g.*, JA676:14-20)

H. Sköld launched a prescription product called Ceramax based on his technology concept in 2016.

After the 2004 Agreement was terminated, Sköld moved forward on efforts to commercialize his technology. (JA283-84 (69:1-70:7)) He obtained a patent in the United States in 2011 and ultimately developed and commercialized a product using Sköld's technology called Ceramax bearing Sköld's "Lipogrid" trademark. (JA127:17-25; JA283-84 (69:21-70:7); JA284-85 (70:17-71:4); JA288-89 (74:21-75:1); JA291:7-21; JA337-41 (123:22-127:5); JA364:14-21; JA378-79 (164:10-165:11); JA1720) Ceramax is a medical device and prescription product, marketed and sold by Intraderm Oculus; it reached the market in April 2016. (JA283-84 (69:21-70:7); JA290:2-19; JA341:6-17)

At the time of trial, Sköld testified that he had products in "clinical trials" using his technology with a company called Ferndale. (JA289:2-18) The Ferndale product is not on the market. (JA289-90 (75:23-76:1)) Sköld speculated that he would have used the Restoraderm name on these products if permitted, but he provided no further details on packaging, symbols, or any other explanation of how

he would have marketed his products using the Restoraderm name. (*See* JA289:19-22)

I. The district court entered judgment based on the jury's finding that there was no confusion or marketplace deception and awarded Sköld $58,800 for unjust enrichment.

The procedural history and the rulings presented for review are outlined below.

This case went to trial on Sköld's claims against Galderma for trademark infringement, unfair competition, false advertising, breach of the 2004 Agreement, and unjust enrichment. (JA13) The jury found that Sköld owned the Restoraderm trademark but rejected trademark and unfair-competition claims based on its finding that "the relevant market" would not "be confused as to" the source of either Galderma's or Sköld's products. (JA8) The jury rejected the false-advertising claim as well, finding that Galderma's use of the Restoraderm mark did not "deceive, or have the capacity to deceive a substantial segment of customers in the marketplace." (JA9)

The jury next found against Sköld on his breach-of-contract claim based on the statute-of-limitations defense: Sköld knew or should reasonably have known "before September 14, 2010 that Defendants did

not intend to transfer the Restoraderm® trademark to Plaintiff." (JA10) Despite the jury's no-confusion and no-deception findings, it found that Galderma was unjustly enriched and awarded him $58,800 in disgorgement. (JA10-11)

The Court entered an initial final judgment conforming to the jury's verdict and rejecting Sköld's requests for declaratory and injunctive relief. (JA1437-38) The parties timely filed post-judgment motions. (JA2056, 2089) The Court ruled on those motions and issued an amended final judgment, again conforming to the jury's findings but this time issuing a declaration that Defendants "were unjustly enriched by the use of the Restoraderm® trademark." (JA4, 6-7, 13)

The parties timely appealed. (JA1, 2107) On appeal, Sköld has abandoned his contract claim and does not seek to enforce the 2004 Agreement, including his previously asserted claim that Galderma was obligated by that agreement to transfer the Restoraderm® trademark to Sköld.

SUMMARY OF THE ARGUMENT

Sköld seeks the protections of trademark law for a name—Restoraderm—that he never used on a product for sale in the market. All Sköld had in the summer of 2001 was a nascent dermal-delivery technology that he described using various names in a few development meetings and calls. He hoped to one day develop that concept into a commercial product by partnering with others. Sköld's trademark-infringement case is thus built on speculation: *If* Sköld had a product on the market bearing the Restoraderm name, the market would have been confused. *See* Sköld Br. at 29-31, 38.

Sköld presented not a shred of evidence about how he would have used the Restoraderm name. The jury was instead left to guess about how Sköld would have deployed the Restoraderm name to differentiate and sell his potential product (if at all) and how that use might have (if at all) impacted consumers. Galderma's rights, however, are not speculative. Its trademark rights date back to CollaGenex's 2002 trademark application.

Trademark and unfair-competition law require use and confusion in the real world. Sköld's contrived and hypothetical claim that he

would have put the Restoraderm name on an unspecified, allegedly competing product thus fails. And it certainly cannot justify extraordinary declaratory and injunctive remedies that would order trademark relief foreclosed by trademark law. Nor does it allow Sköld to recover foreign trademark damages under the guise of an unjust-enrichment theory.

For the reasons that follow, the Court should affirm the dismissal of Sköld's trademark, unfair-competition, and false-advertising claims and reverse the unjust-enrichment claim predicated on Sköld's asserted ownership of the Restoraderm mark.

Sköld's Appeal

Trademark Infringement and Unfair Competition

Even setting aside the speculative and hypothetical nature of his claims, the jury properly applied the balancing and fact-bound *Lapp* standard to the entirety of the record in finding that there was no likelihood of confusion. Sköld did not prove actual confusion in the market even though Galderma's product had been on the market for almost six years at the time of trial. In the sophisticated market at issue (dermatologists and pharmaceutical companies), Sköld concedes

that he was easily able to correct any claimed confusion. And the products at issue (Galderma's Cetaphil® line and Sköld's eventual Ceramax product) are worlds apart. The jury's finding of no confusion is fully supported by the record.

False Advertising

Sköld also seeks a new trial on the false-advertising claim. The record supports the jury's finding that the market was not deceived. Sköld presented no consumer surveys pointing to confusion or deception; no testimony by independent purchasers; no evidence of actual deception; and no evidence of diminution in sales (because there were no sales). In short, the record contains no evidence that a "substantial segment" of the market was in any way deceived by Galderma's use of the Restoraderm name.

Remedies

The district court properly exercised its discretion in declining to issue trademark-based injunctive and declaratory relief based on the jury's firmly grounded no-confusion and no-deception findings. Sköld tries to side-step that problem by tethering the requested relief to unjust enrichment. But Sköld cannot invoke his unjust-enrichment

claim (which depends on trademark ownership and use) to obtain equitable relief that trademark law forecloses.

For much the same reason, the district court was also right to exclude evidence of Galderma's foreign sales on Sköld's unjust enrichment claim. The claim depends exclusively on the existence of U.S.-based trademark rights. Trademark rights exist in each country solely according to that country's statutory scheme, thus precluding the admissibility of damages evidence for foreign trademark use in this case.

Galderma's Cross-Appeal

Sköld's unjust-enrichment claim, which rests on trademark ownership and use, fails as a matter of law for three reasons.

First, the district court applied the wrong legal framework to Sköld's trademark ownership theory. Under the proper standard for commercial use established in this Court's decision in *Natural Footwear*, Sköld was required to present evidence of: sales of a Restoraderm-trademarked product before the CollaGenex registration; growth trends in the market; actual purchases by consumers; and advertising. But Sköld had only an undeveloped technology—no

product on the market—before CollaGenex's 2002 trademark registration and thus cannot meet this standard as a matter of law.

Second, the statute of limitations bars the claim, which under settled Pennsylvania law accrued when Galderma told Sköld that it owned the Restoraderm® mark and to stop using it in the Spring of 2010. In other words, the benefit (the trademark) was conferred more than four years before Sköld filed suit in September 2014.

Finally, the unjust-enrichment claim fails because there is no inequity to Sköld when the market is neither confused nor deceived by the trademark's use.

ARGUMENT

Sköld's Appeal

I. Dismissal of Sköld's trademark-infringement, unfair-competition, and false-advertising claims was proper.

A. The jury correctly rejected Sköld's trademark-infringement and unfair-competition claims.

1. The Court applies a deferential standard of review.

Sköld seeks judgment as a matter of law on infringement. Sköld has the burden of proof on this issue. JA927-28, 937 (instructing jury that Sköld bears burden of establishing confusion). Granting judgment as a matter of law "for the party having the burden of proof is rare,

reserved for extreme circumstances." *Fireman's Fund Ins. Co. v. Videfreeze Corp.*, 540 F.2d 1171, 1177 (3d Cir. 1976). The Court must "'test the body of evidence not for its insufficiency to support a finding, but rather for its overwhelming effect.'" *Fireman's Fund Ins. Co.*, 540 F.2d at 1177 (quoting *Mihalchak v. Am. Dredging Co.*, 266 F.2d 875, 877 (3d Cir. 1959)). To grant such a motion, the Court must conclude that "'not only that there is sufficient evidence to support the finding, even though other evidence could support as well a contrary finding, but additionally that there is insufficient evidence for permitting any different finding.'" *Id.* (quoting *Mihalchak,* 266 F.2d at 877). "It is not sufficient that the facts be undisputed; there must also be no sufficient ground for inconsistent inferences to be drawn therefrom." *Id.*

Sköld also seeks a new trial on his trademark-infringement, unfair-competition, and false-advertising claims. A new trial is proper only if the verdict is against the weight of the evidence or trial errors produce a result inconsistent with substantial justice. *See Roebuck v. Drexel Univ.*, 852 F.2d 715, 735-36 (3d Cir. 1988). When a party argues the jury's "'verdict is against the weight of the evidence,'" a new trial is available "'only when the record shows the jury's verdict resulted in a

miscarriage of justice or where the verdict, on the record, cries out to be overturned or shocks [the] conscience.'" *Greenleaf v. Garlock, Inc.*, 174 F.3d 352, 366 (3d Cir.1999) (quoting *Williamson v. Consol. Rail Corp.*, 926 F.2d 1344, 1353 (3d Cir.1991)). The Court does not substitute its credibility determination for the jury's. *Id.* The important principle underlying these standards is "respect [for] the jury's important role in our legal system," which prohibits the court from "substitute[ing] [its] view of the evidence for that of the jury." *Grazier v. City of Phila.*, 328 F.3d 120, 129 (3d Cir. 2003).

2. The jury properly found that there was no likelihood of confusion.

a. Sköld's infringement case rests on speculation.

To establish confusion, Sköld was required to prove that "consumers viewing the [Restoraderm] mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark." *See A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 211 (3d Cir. 2000). A mere possibility of confusion is not enough. *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 166 F.3d 197, 206 (3d Cir. 1999).

In a confusion case, the question is this: Will consumers in the marketplace be confused "between the use of two contested trademarks on competing products"? *See A&H Sportswear, Inc.*, 237 F.3d at 216. Sköld concedes that he never had a product on the market identified by the Restoraderm mark.[7] Sköld Br. at 38 ("Sköld did not have a finished product in the retail consumer market that also used the Restoraderm mark at the same time as Galderma.") Thus, he cannot even begin to meet the *A & H Sportswear* standard and instead turns to pure speculation to make out an infringement case.

Sköld asserts that Galderma's use of the Restoraderm trademark on its products establishes confusion as a matter of law because "the marks … are one and the same mark." Sköld Br. at 30. This argument depends on a series of hypotheticals: *If* Sköld had a product on the market bearing the Restoraderm name, the market *would have been* confused. *See* Sköld Br. at 29-31, 38. While the jury was shown Galderma's two Cetaphil® RestoraDerm® products as found on store

[7] For the reasons outlined in Section IV.B, as a matter of law, Sköld does not use the Restoraderm® mark in commerce, providing an additional reason to affirm the district court's dismissal of the trademark, unfair-competition, false-advertising claims. *See A&H Sportswear, Inc.*, 237 F.3d at 216 (requiring ownership to prevail on trademark and unfair-competition claims).

shelves (JA1695; JA1769), Sköld had only on a few sheets of paper from 2001 and 2002 that were provided to a handful of individuals on a few limited occasions that alternatively described his nascent technology as "Lipoderm Lipoid Restoraderm Technology" and "LipoDerm Restoraderm a vehicle technology for special use." (JA1472, 1473, 1826) Sköld provided no bottles, no marketing materials of any kinds—he did not even provide mock-ups of potential bottles. Given the state of the evidence, the jury was left to guess about how Sköld would have used the Restoraderm name (if at all) to differentiate and sell his potential product and how that use might have (if at all) impacted consumers.

Sköld ignores all this, further speculating that he "can only assume that the jury reached this conclusion [no-confusion] because Sköld did not have a finished product in the retail consumer market that also used the Restoraderm mark at the same time as Galderma." Sköld Br. at 38. But competing use is pivotal to the confusion inquiry, as this Court's cases make clear. *A&H Sportswear, Inc.*, 237 F.3d at 216 (emphasizing competing products); *Pappan Enters., Inc. v. Hardee's Food Sys., Inc.*, 143 F.3d 800, 804 (3d Cir. 1998) (focusing on competing

use of products in the market); *Opticians Ass'n of Am. v. Indep. Opticians of Am*., 920 F.2d 187, 195 (3d Cir. 1990) (same).

Indeed, the *Lapp* factors presuppose that the parties have products in the marketplace. *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983) ("price of the goods," "actual confusion," "whether the goods, though not competing, are marketed through the same channels of trade," "the targets of the parties' sales efforts," "the relationship of the goods in the minds of consumers," and "consuming public might expect [Plaintiff] to manufacture" both products). There were no products in the market using these so-called "same" marks from which the jury could find confusion.

To wire-around the lack of evidence on this point, Sköld again turns to speculation, asserting that it is "likely that he would have" entered the consumer market. Sköld Br. at 38-39. The cited evidence simply reinforces the speculative nature of the claim and that Sköld was nowhere close to having a commercial product in the market. (*See* JA 290-92) After all, the 2004 Agreement was terminated in 2009, yet the product based on Sköld's dermal delivery technology— Ceramax — did not even reach the market until 2016, almost seven years later.

(JA127:17-25; JA283-84 (69:21-70:7); JA284-85 (70:17-71:4); JA288-89 (74:21-75:1); JA291:7-21; JA337-41 (123:22-127:5); JA364:14-21; JA370:6-10; JA378-79 (164:10-165:11); JA1720)

Apart from the speculative problems with Sköld's claim, this Court has also made clear that when the same (or very similar) name is involved, market-based context is critical. Factors such as market sophistication (here, dermatologists, researchers, and healthcare providers) and distinctions between the products and the markets (here, Galderma's over-the-counter products vs. Sköld's prescription product launched in 2016) are key to the overall confusion inquiry. *See Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 300 (3rd Cir. 2001) (no confusion when the parties had similar names (Checkpoint Systems and Check Point Software) and stock symbols because there were other distinguishing factors: the products were distinct, the potential investors were sophisticated and careful, and the shares traded on different exchanges). Even if the parties had used the same mark on products actually in the market, the jury was presented with ample testimony to conclude that there is no likelihood

of confusion. See *infra*, § 1.B.2(b) (discussing likelihood-of-confusion factors).

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In sum, Sköld never explains why the jury was required to find confusion based on a contrived claim that he *would have* put the Restoraderm name on an unspecified, allegedly competing product, particularly in the context of the other evidence undermining his claim of confusion. There is no basis to enter judgment as a matter of law on infringement.

b. The jury properly considered the evidence and balanced the *Lapp* factors in finding no likelihood of confusion.

In keeping with this Court's precedent, the Court directed the jury to "consider all relevant evidence" and to use the *Lapp* factors to evaluate the evidence. JA941-43 (emphasis added); *Lapp,* 721 F.2d at 463; *see also A & H*, 237 F.3d at 211. The Court has "repeatedly insisted that the *Lapp* factors are not to be mechanically tallied." *A&H*, 237 F.3d at 216; Restatement Third, Unfair Competition § 21, comment a (1995). Instead, they are simply "tools to guide a qualitative decision." *Id.*

It is thus entirely within the jury's purview to determine "[t]he weight given to each factor in the overall picture." *Fisons Horticulture, Inc. v. Vigoro Indus.*, 30 F.3d 466, 476 n.11 (3d Cir. 1994). Weighing the factors, "must be done on an individual fact-specific basis," because "[n]ot all of the factors are present in every case." *Id.* Moreover, "[n]o single factor is dispositive, and a finding of a likelihood of confusion does not require a positive finding on a majority of the[] factors." *A&H Sportswear, Inc.*, 237 F.3d at 216 (quoting *A&H Sportswear Co. v. Victoria's Secret Stores, Inc.*, 57 F. Supp. 2d 155, 164 (E.D. Pa. 1999)). Confusion is a question "of fact, and we cannot roll up our sleeves and engage in the balancing ourselves." *A&H*, 237 F.3d at 237.

Sköld's brief ignores the balancing nature of the *Lapp* inquiry, directing the Court to instead apply a mechanistic factor-by-factor analysis of the confusion question. It is thus easy to lose sight of the purpose of the *Lapp* factors. They provide a referential guide to the jury in identifying evidence to weigh in answering a single question: Under the totality of the circumstances, is there a likelihood consumers in the marketplace will be confused "between the use of two contested

trademarks on competing products"? *See A&H Sportswear, Inc.*, 237 F.3d at 216.

Cutting through the pages of Sköld's one-sided narrative and factor-by-factor discussion, what emerges is a limited and insubstantial case for confusion based on Sköld's self-serving and uncorroborated testimony that an internet researcher and unspecified attendees of a single dermatology conference were confused about the use of the Restoraderm name. *See* Sköld Br. at 34-35. This evidence is not nearly sufficient to overturn the jury's determination under either a matter-of-law or weight-of-the-evidence standard.[8]

Turning first to the alleged evidence of actual confusion (*Lapp* factor 4). First, Sköld testified in conclusory fashion that "researchers"

[8] Before delving into Sköld's mechanistic, factor-by-factor argument that seeks to re-weigh the evidence, a threshold preservation question should be resolved. In the district court, Sköld did not engage the individual *Lapp* factors, focusing instead on the argument "that the jury needed to consider only the first *Lapp* factor" to find infringement. JA36. By eschewing the balance of the *Lapp* factors in the district court and declining to engage them with any specificity, Sköld has not preserved his new arguments for review in this Court. *See Frank v. Colt Indus., Inc.*, 910 F.2d 90, 100 (3d Cir. 1990). Accordingly, the Court need not reach Sköld's arguments on the remaining *Lapp* factors. *See Lesende v. Borrero*, 752 F.3d 324, 333 (3d Cir. 2014). In any event, none of Sköld's arguments support reversal of the jury's no-confusion findings.

ordered Cetaphil® RestoraDerm® on the internet in an attempt to conduct "studies" on Sköld's technology concept. (JA274:8-22) But Sköld merely offered that the "researchers" were associated with an "Australian company" (*Id.*, 60:19) and failed to provide any details whatsoever concerning the names of these alleged researchers, when the product was allegedly ordered, or his alleged contact with these researchers. Nor did Sköld attempt to elicit testimony at trial from any of the alleged researchers who were purportedly confused about the origin of Cetaphil® RestoraDerm®.

Sköld's second argument was based on some comments at the January 2011 Caribbean dermatology meeting. He offered broad-brush testimony that "people" approached him at that meeting to congratulate him on the launch of the Cetaphil® RestoraDerm® products. But Sköld could identify only *one* person with whom he actually spoke (Jack Ellis) (JA272-74 (58:20- 60:7)), and otherwise offered only generalized and unspecified statements concerning any alleged confusion at that meeting. (JA273-74 (59:25-60:7))

Even if this thin evidence is viewed as supporting Sköld's *theory* of confusion, a single company that ordered samples or a handful of

unspecified persons with whom Sköld allegedly spoke at a conference is simply not enough to establish a likelihood of confusion. That is because confusion must be more than *de minimis*: An appreciable number of consumers must be confused for an infringement claim to survive. *See Checkpoint Sys.,* 269 F.3d at 298-99 (20 instances of confusion over five years is *de minimis* evidence of actual confusion); *Int'l Ass'n of Machinists & Aero. Workers v. Winship Green Nursing Ctr.*, 103 F.3d 196, 201 (1st Cir. 1996) ("the law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care"); *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 743 (2d Cir. 1998) ("A probability of confusion may be found when a large number of purchasers likely will be confused as to the source of the goods in question."). Sköld's isolated and idiosyncratic evidence is not sufficient to render judgment for Sköld or order a new trial. *A&H*, 237 F.3d at 227.

Contrast this weak evidence of actual confusion with evidence presented to the jury contradicting Sköld's theory, including from Sköld himself. Sköld readily acknowledged that he was able to correct any

alleged confusion among individuals in the dermatology industry. (JA276 (62:15-63:2)) And one of Sköld's witnesses—Professor James Marks—was unable to "generalize" about whether the broader dermatology community believed that Restoraderm was linked to Sköld's technology. (JA424-25 (210:17-211:1)) The jury also heard testimony from Galderma's senior brand manager and another company executive that they never heard from consumers, dermatologists, or anyone else that they were confused about the use of the Restoraderm name. (JA615-16 (130:17-131:1); JA676:14-20) The jury was entitled to credit this testimony.

Of critical importance to this Court's review on the actual confusion question, Sköld introduced no testimony from any allegedly confused consumers, dermatologists, or others in the market, depriving Galderma of any ability to test these claims. *See A & H*, 237 F.3d at 227. Nor was there any documentary evidence. The jury was permitted to make its own credibility determinations about Sköld's uncorroborated anecdotes and could easily discount these claims given the vague and plainly self-serving descriptions and the contrary evidence. *Greenleaf v. Garlock, Inc.*, 174 F.3d 352, 366 (3d Cir.1999).

The fact that Galderma was in the market since 2010 with the Restoraderm trademark (*Lapp* factor 6) without any evidence regarding actual confusion apart from Sköld's self-serving testimony could very well have been dispositive for the jury. *See Lapp*, 721 F.2d at 463; JA943:5-6 (instructing the jury to consider—in conformity with *Lapp*—the length of time Galderma has used the mark without evidence of *actual confusion* arising).

The jury properly examined the evidence in light of the remaining *Lapp* factors as well. A few examples are illustrative. Sköld argues that the Restoraderm mark is a "suggestive" one (Factor 2) based on testimony that Galderma valued the mark. But he does not explain how whatever value Galderma put on the mark translates to the strength of the mark or confusion.

Sköld asserts that the care and attention a consumer would be expected to exercise in making a purchase (Factor 3) is neutral. Sköld Br. at 33-34. Yet the evidence here focused almost exclusively on the sophisticated and discerning dermatology market, which is readily able to distinguish between technologies and labels. (*See* JA28, 38-39) That

is borne out by Sköld's concession that he was able to correct any alleged confusion among individuals in the dermatology industry. (JA276-77 (62:15-63:2)) In suggesting that the consumer market also matters, Sköld presents no evidence of actual or likely confusion in this market apart from his speculation that he would have entered the market with a product using the Restoraderm mark. This factor weighs strongly in favor of Galderma. [9]

Sköld assails Galderma's intent (Factor 5), suggesting that Galderma's goal was to push him out of the market. Sköld Br. at 35-36. Again, Sköld disregards contrary record evidence, which makes clear that Galderma's decision to use the RestoraDerm® mark was based on a host of considerations that had nothing to do with Sköld: Galderma owned the trademark registrations; it chose the mark based on a business directive to capture value from the significant investment the company made when it acquired CollaGenex; and because the trademark could be useful in describing the new line of Cetaphil

[9] For much the same reason—the sophistication of the market, the absence of any attempts by Sköld to market and sell in the relevant markets, and no evidence of consumer confusion—Factors 7 (marketing channels) and 8 (sales targets) are in Galderma's favor. Sköld Br. at 36-39 (discussing these factors).

products. (JA639:4-24; JA643:16-22; JA644:5-11; JA409-13 (195:6-199:22); JA617:19-24; JA641-42 (156:19-157:19); JA643:12-18; JA1631, 1787) Given the time it took Sköld to get a product to market after the 2009 contract termination—almost seven years—the jury was free to reject the claim that he was somehow pushed out of the market.

Factors 9 (similarity of function) and 10 (expectation that trademark owner would manufacture a product) greatly favor Galderma. Galderma's Cetaphil® RestoraDerm® mass-market over-the-counter product is quite different from Sköld's technology and the Ceramax product he ultimately launched—assuming that is even the product to which Galderma's RestoraDerm® should be compared. Galderma's products consisted of a body wash and a skin moisturizer formulated for eczema and atopic dermatitis. (JA603:11-14) But Ceramax is a medical device and prescription product. (JA283-84 (69:21-70:7); JA290:2-19; JA341:6-17) Sköld points to no evidence that these products would have competed or that customers would have been confused about these products. *See, e.g.*, *Lapp*, 721 F.2d at 461.

The jury properly balanced the *Lapp* factors and weighed the evidence in finding no confusion; therefore, the district court's judgment on trademark infringement and unfair competition should be affirmed.

B. The jury properly rejected Sköld's false-advertising claim.

Sköld argues that the Court should order a new trial on the false-advertising claim. Sköld first asserts—with no discussion of any evidence—that the jury's finding that the Restoraderm name did not "have the capacity to deceive a substantial segment of customers in the marketplace for these products" is against the weight of the evidence. (JA1406) The record contains no evidence that a "substantial segment" of the market was in any way deceived by Defendants' use of the Restoraderm name.

The type of evidence generally used to demonstrate deception was entirely absent from Sköld's presentation to the jury: consumer surveys; testimony by independent purchasers; evidence of actual deception; or diminution in sales. *See McNulty v. Citadel Broad. Co.,* 58 F. App'x 556, 566 (3d Cir. 2003); *Ames Publ'g Co. v. Walker-Davis Publ'n, Inc.*, 372 F. Supp. 1, 12 (E.D. Pa. 1974). To the contrary, Sköld could only testify that a small number of unidentified conference

attendees and an unspecified number of internet researches might have been confused about whether Galderma's product used Sköld's technology. But this is not evidence of "substantial" consumer deception. *See Johnson & Johnson-Merck Consumer Pharm Co. v. Rhone-Poulenc Rorer Pharm, Inc.*, 19 F.3d 125, 134 n.14 (3d Cir. 1994) (evaluating survey evidence showing deception but concluding that deception among 7.5% consumers insufficient).

Sköld also suggests that because the jury found for him on one element of his false-advertising claim, nothing further was required to prevail on the false-advertising claim. Sköld Br. at 44. But Sköld was required to establish each of the independent elements presented to the jury on the *agreed* verdict form. *See Pernod Ricard USA, LLC v. Bacardi U.S.A., Inc.*, 653 F.3d 241, 248 (3d Cir. 2011) (identifying the elements). Based on the record, the jury instructions, and verdict form, the jury could have found that no customer was deceived because, for example, Restoraderm does not mean anything to consumers, or that it was so small on the bottle that a "substantial portion of consumers" would not even see the word Restoraderm, or that a substantial portion

of consumers would not actually be misled. *See Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 648-49 (3d Cir. 1958).

A new trial on this claim is not warranted.

C. In the alternative, Sköld does not own the Restoraderm® trademark as a matter of law.

For the reasons explained in Section IV, *infra*, Sköld does not own the Restoraderm® trademark as a matter of law under this Court's commercial-use standard. Without ownership rights, his claims for trademark infringement, unfair competition, and false advertising fail. *A&H*, 237 F.3d at 210. For these alternative reasons, the Court can affirm the district court's judgment dismissing each of these claims.

II. The district court properly denied Sköld's requests for declaratory and injunctive relief.

A. Standard of review.

This Court reviews the district court's denial of an injunction and declaratory relief for abuse of discretion. *Silverman v. Eastrich Multiple Inv'r Fund, L.P.*, 51 F.3d 28, 30 (3d Cir. 1995). An abuse of discretion does not exist unless the district court's decision rests upon "a clearly erroneous finding of fact, an errant conclusion of law, or an improper application of law to fact." *Nat. Res. Def. Council v. Texaco Ref. & Mktg., Inc.*, 906 F.2d 934, 937 (3d Cir. 1990).

B. Injunctive relief is not available.

Sköld argues that injunctive relief should issue on two grounds. He first claims that—if the Court rules as a matter of law that there was infringement—he is entitled to injunctive relief. For the reasons explained above, the jury properly decided the infringement question; therefore, no injunctive relief is appropriate. *See Ciba-Geigy Corp. v. Bolar Pharm. Co., Inc.*, 747 F.2d 844, 850 (3d Cir. 1984) ("In deciding whether a permanent injunction should be issued, the court must determine if the plaintiff has actually succeeded on the merits (i.e. met its burden of proof); *Triumph Hosiery Mills, Inc. v. Triumph Int'l, Corp.*, 308 F.3d 196, 200 (2d Cir. 1962) (observing that "confusion … is the basic touchstone for injunctive relief" under the Lanham Act, and therefore reversing preliminary injunction).

Sköld next argues that he is entitled to injunctive relief on his unjust-enrichment claim. But the jury's disgorgement award fully compensates Sköld for any injuries associated with Galderma's use of the mark. *See Allied Erecting & Dismantling Co. v. Genesis Equip. & Mfg., Inc.*, 511 F. App'x 398, 404-05 (6th Cir. 2013) (affirming district court's denial of permanent injunction in trade secrets case because

plaintiff "failed to provide any support for the argument that it was not adequately compensated by the jury's monetary award" and "failed to demonstrate irreparable harm").

Injunctive relief serves an entirely different purpose—to prevent prospective confusion in the marketplace. *See*, *e.g.*, *Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp.*, 954 F. Supp. 2d 145, 157 (E.D.N.Y. 2013). As explained above, there is no support for such an injunction here because there is no confusion or consumer deception. *See Triumph Hosiery Mills, Inc.*, 308 F.3d at 200.

Accordingly, the district court properly denied injunctive relief on this claim.

C. Neither is additional declaratory relief.

Sköld seeks declaratory relief beyond what the district court ordered on two grounds. He first argues that—if the Court were to find infringement as a matter of law—the Court should issue declaratory relief on the Lanham Act claims. For the reasons outlined above, the jury properly rejected Sköld's infringement claim; therefore, no declaratory relief is available on that basis. *See USX Corp. v. Barnhart*, 395 F.3d 161, 166 (3d Cir. 2004) (explaining that the Court "'cannot

provide a remedy, even if one is demanded, when plaintiff has failed to set out a claim for relief'" and it cannot impose liability where none has been established) (quoting Moore's Federal Practice).

Second, Sköld complains that the Court should have issued broader declaratory relief. Sköld Br. at 51. The Court properly exercised its discretion in limiting the declaratory relief to the terms of the jury's verdict—declaring that Defendants were unjustly enriched. Although even that relief was unnecessary in light of the disgorgement award and the verdict form, there is no reason for this Court to go any further.

Yet Sköld asks the Court to go much further; he seeks to leverage partial jury findings in Question Nos. 1 and 3a into a complete declaratory judgment pronouncing liability and infringement. Sköld Br. at 51. But the Court "'cannot provide a remedy, even if one is demanded, when plaintiff has failed to set out a claim for relief'" and it cannot impose liability where none has been established. *See USX Corp.*, 395 F.3d at 166. Declaratory relief establishing trademark and unfair competition liability requires much more than a favorable finding on a single element of a claim (i.e., ownership). Sköld cannot

end-run multiple legal bars to his claims for relief by "'draping'" them "'in the raiment of the Declaratory Judgment Act.'" *See Algrant v. Evergreen Valley Nurseries Ltd. P'ship*, 126 F.3d 178, 185 (3d Cir. 1997) (citation omitted) (claimant cannot "circumvent" statute of limitations through the Declaratory Judgment Act).

The Court should deny the requested declaratory relief.

III. The district court properly excluded evidence of foreign sales.

A. Evidentiary rulings are reviewed for abuse of discretion.

This Court reviews rulings on the admissibility of evidence for an abuse of discretion. *Moyer v. United Dominion Indus., Inc.*, 473 F.3d 532, 542 (3d Cir. 2007). Under this deferential standard, the district court's ruling must stand unless Sköld can demonstrate the exclusion of global damages was "arbitrary, fanciful or clearly unreasonable." *Id.*

B. The district court properly exercised its discretion in excluding evidence of Galderma's foreign sales.

Sköld seeks a new trial on unjust-enrichment damages, claiming that he should have been allowed to introduce evidence of Galderma's foreign revenues from the sales of Cetaphil® RestoraDerm® products. The district court properly excluded this evidence because the sole basis

for Sköld's unjust-enrichment claim is that he owned U.S. trademark rights.

Without foreign trademark rights, there can be no foreign damages. "The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme." *Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 714 (3d Cir. 2004). At trial, Sköld failed to present any evidence that he owned *foreign rights* in the Restoraderm trademark, and he does not argue otherwise on appeal.

Galderma's foreign sales of Cetaphil® RestoraDerm® products is thus irrelevant to Sköld's unjust enrichment claim, and the district court properly excluded this evidence. Fed. R. Evid. 402 (prohibiting the admission of irrelevant evidence); *see also Kos Pharms., Inc.*, 369 F.3d at 714 (citing *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 639 (2d Cir. 1956)).

A new trial on the unjust enrichment claim is not warranted.

Galderma's Cross-Appeal

IV. Sköld's unjust-enrichment claim fails as a matter of law.

As an alternative to his other trademark-related claims and now-abandoned claim under the 2004 Agreement, Sköld alleged unjust

enrichment. The jury found that Galderma was unjustly enriched by the use of the mark and awarded Sköld $58,800 in disgorgement.

To sustain this claim, Sköld must establish that he owned the mark (the benefit allegedly conveyed and then used). Under the proper legal framework, Sköld cannot establish trademark ownership.

The claim fails for two other reasons as well.

First, Pennsylvania's four-year statute of limitations bars the claim, which accrued when Galderma told Sköld that it owned the Restoraderm® mark and to stop using it.

Second, the unjust-enrichment claim—predicated on trademark use—fails because there is no inequity to Sköld when the market is neither confused nor deceived by the trademark's use.

The Court should reverse the district court's judgment on unjust enrichment, including its declaratory relief on this claim.

A. A *de novo* review standard applies to the issues raised in the cross-appeal.

This Court reviews the denial of a motion for judgment as a matter of law *de novo*. *Acumed LLC v. Advanced Surgical Services, Inc.*, 561 F.3d 199, 211 (3d Cir. 2009). While the Court must view all evidence in a "light most favorable to the prevailing party," the jury's

verdict does not stand if "'the record is critically deficient of the minimum quantum of evidence to sustain the verdict.'" *Id.* (quoting *Gomez v. Allegheny Health Servs., Inc.*, 71 F.3d 1079, 1083 (3d Cir.1995)).

This Court exercises plenary review over the district court's conclusions of law, including its "choice and interpretation of legal precepts" and its application of the law to the facts. *Post v. St. Paul Travelers Ins. Co.*, 691 F.3d 500, 515 (3d Cir. 2012); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 173 (3d Cir. 2005). Likewise, this Court reviews the district court's construction of Pennsylvania law *de novo*, and it engages in a "plenary review" on the statute of limitations points set forth below. *Miller v. Philadelphia Geriatric Ctr.*, 463 F.3d 266, 270 (3d Cir. 2006); *Nelson v. County of Allegheny*, 60 F.3d 1010, 1012 (3d Cir. 1995).

B. As a matter of law, Sköld does not own the Restoraderm® trademark.

1. Sköld did not establish commercial use under the correct legal standard.

Federal registration of a trademark is *prima facie* evidence of the mark's validity and the registrant's ownership of the mark and exclusive right to use the mark in commerce. 15 U.S.C. § 1115(a); 15

U.S.C. § 1057(c). Filing a trademark application provides priority over any person using the mark after that date. *See Lucent Info. Mgmt. v. Lucent Techs., Inc.*, 186 F.3d 311, 315 (3d Cir. 1999), *cert. denied*, 528 U.S. 1106 (citing 15 U.S.C. §§ 1051(b), 1057(c)). CollaGenex filed an application with the U.S. Patent and Trademark Office to register the Restoraderm® mark on February 28, 2002 (JA1702-08), which was later assigned to Galderma, Inc. (JA644:5-11)

To rebut the *prima facie* effect of the trademark registration, Sköld must establish that his activities *before* CollaGenex's (Galderma's predecessor-in-interest) trademark application "established prior rights in the mark through *use* in commerce." *Lucent Info. Mgmt.*, 186 F.3d at 315 (emphasis added). "Use" is defined as the "bona fide use of a mark in the ordinary course of trade." *Lucent Info. Mgmt.*, 186 F.3d at 315 (quoting 15 U.S.C. § 1127).

Applying these traditional standards for commercial use, this Court employs the four-factor test set out in *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985). *See Lucent Info. Mgmt.*, 186 F.3d at 317 (applying the *Natural Footwear* test to determine trademark "use" of an unregistered mark).

Trademark ownership is determined by considering the following factors: "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." *Natural Footwear*, 760 F.2d at 1398-99.

This Court has consistently applied the *Natural Footwear* test to determine whether a party has established "use" of an unregistered trademark. In 1999 in *Lucent Info. Mgmt.*, the Court reaffirmed the *Natural Footwear* test as the mandatory test to determine priority of trademark usage in the Third Circuit. And, in 2016, the Court once again confirmed that the *Natural Footwear* test determines whether a party has established ownership of a trademark through prior use. *See Three Rivers Confections, LLC v. Warman*, 660 Fed. App'x 103, 108 (3d Cir. 2016) (relying on *Lucent Info. Mgmt.* and *Natural Footwear*). District courts in this circuit have uniformly and consistently followed this standard.[10]

[10] *See, e.g.*, *SMJ&J, Inc. v. NRG Heat & Power, LLC*, 912 F. Supp. 2d 189, 206-07 (M.D. Pa. 2012) (applying the *Natural Footwear* test to determine trademark "use" of an unregistered mark); *Duffy v. Charles*

Sköld presented no evidence of any of these factors. Sköld had no product on the market before CollaGenex's 2002 registration. That is because the undisputed record establishes that Sköld was in the process of attempting to *develop* a commercial product. (JA126-27 (79:23-80:2); 368:5-10; 303:4-16; JA370:17-24; JA1457; JA1773) At the time, Sköld had nothing more than a nascent technology that he described by various names. (JA1472, 1473, 1822) Thus, there were no sales of a Restoraderm-trademarked product before the CollaGenex registration; no growth trends in the market; no actual purchases by consumers; and no advertising. Under this standard, Sköld's claim fails as a matter of law. *Natural Footwear*, 760 F.2d at 1398-99.

The district court nevertheless declined to apply this standard, reasoning that Sköld's technology "was never intended to be directed to the public at large" but instead to "pharmaceutical companies and opinions leaders in the field of dermatology." (JA28) The court also

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Schwab & Co., 97 F. Supp. 2d 592, 597-98 (D.N.J. 2000) (same); *Universal Nutrition Corp. v. Carbolite Foods, Inc.*, 325 F. Supp. 2d 526, 533-34 (D.N.J. 2004); *Flynn v. Health Advocate, Inc.*, 2005 U.S. Dist. LEXIS 1704, at *19-24 (E.D. Pa. Feb. 8, 2005), *aff'd*, 169 Fed. App'x 99 (3d Cir. 2006); *see also Smith v. Ames Dep't Stores, Inc.*, 988 F. Supp. 827, 839 (D.N.J. 1997), *aff'd*, 172 F.3d 860 (3d Cir. 1998).

dismissed the relevance of commercial sales. (*Id.*) Both conclusions are legally wrong.

Sköld's obligation to establish commercial use does not depend on the size of the market (i.e., the district court's distinction between the retail sector and the smaller body of more sophisticated pharmaceutical companies). And this Court has never limited its commercial-use standard based on the size and nature of the relevant market. That is because the test itself provides sufficient flexibility to adapt to a given market. *Natural Footwear*, 760 F.2d at 1398-99 (focusing on growth trends (both positive and negative) in the market and the number of persons actually purchasing the product *in relation* to the potential number of customers). Contrary to the district court's ruling, the true focus of the Court's market-use standard is product *sales*.

That makes perfect sense because trademark law's protections "grow[] out of [a mark's] use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business." *United Drug Co. v. Theodore Rectanus Co.* 248 U.S. 90, 97-

98 (1918). In short, "[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed." *Id.*

This Court's commercial-use standard thus comports with controlling Supreme Court precedent and holds that the law only protects a party's "goodwill and business itself," not "its intention to create goodwill and a successful business." *Lucent Info. Mgmt.*, 186 F.3d at 318; *see also United Drug Co.*, 248 U.S. at 97-98.

For these reasons, Sköld's ownership claim fails under the proper legal standard for commercial use.

2. Under the district court's prior-use framework, Sköld's evidence is legally insufficient.

Not only did the district court fail to adhere to the controlling standard for commercial use by rejecting *Natural Footwear* and *Lucent*, but it also failed to apply any cognizable legal framework in their place. The district court simply pointed to scattered evidence that Sköld "coined" the name "Restoraderm" and used the name in business pitches, research papers, discussions, and on non-commercial samples, without applying any legal standard to those limited facts. (JA26-27) Sköld's evidence falls far short of demonstrating use sufficient to

establish that he owns the Restoraderm® trademark under any standard.

Sköld's activities, at most, indicate that he wanted to develop a product that he could eventually commercialize. But that is not the level of commercial use necessary to establish trademark ownership. *See Heinemann v. Gen. Motors Corp.*, 342 F. Supp. 203, 207 (N.D. Ill. 1972), *aff'd*, 478 F.2d 1405 (7th Cir. 1973) (evidence that the plaintiffs "had only a desire to open a business *in futuro*" not sufficient).

At best, Sköld's use was limited; it was inconsistent; and it was not sufficiently public to identify or distinguish his "goods" in an appropriate segment of the public mind. *Lucent Info. Mgmt.*, 186 F.3d at 315; *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1266 (5th Cir. 1975) (use must be "in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark"); *Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) ("Only active use allows consumers to associate a mark with particular goods and notifies other firms that the mark is so associated.").

At best, Sköld mentioned the term "Restoraderm" in a few documents and meetings. This comes nowhere near the sort of "use" necessary to establish trademark ownership no matter the legal framework.

Inventing a name does establish priority rights.

Courts have uniformly held that simply inventing a name is not sufficient to establish priority of trademark ownership. *Sengoku Works, Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996), *as modified*, 97 F.3d 1460 (9th Cir. 1996) ("[I]t is not enough to have invented the mark first…."); *Hydro–Dynamics, Inc. v. George Putnam & Co., Inc.*, 811 F.2d 1470, 1473 (Fed. Cir. 1987) (same); *see also* Gilson on Trademarks, § 3.03(2)[d] (2014) ("Mere invention, creation, or discussion of a trademark does not create priority rights…."); 2 McCarthy on Trademarks & Unfair Competition, § 16.11 (4th ed.) ("[R]ights in trademarks are not gained through discovery or invention of the mark, but only through actual usage."). The invention of the Restoraderm name does not support Sköld's ownership claim.

Business Pitches and Papers Show only that Sköld was Preparing to do Business.

Sköld testified that he had meetings with a few pharmaceutical companies (three in person and one by phone) to discuss his technology and that he used the name Restoraderm to refer to the technology in some of these meetings. But these exploratory meetings were scheduled in the hopes that a product could be developed and ultimately commercialized. (JA126-27 (79:23-80:2); JA127:80:7-16; JA368:5-10) It is undisputed that Sköld had no commercialized product ready to sell to the market when he met with these companies in 2001.

Sköld also provides no evidence of how "Restoraderm" was used in those meetings—no slide decks, samples, or other marketing materials. Further, no attendees from the companies that he purportedly pitched to testified. The absence of this evidence is unsurprising given that Sköld, by his own admission, was not pitching a shelf-ready branded product but instead only seeking potential development partners to work on his nascent dermal-delivery technology.

Sköld leans heavily on some papers provided to business prospects. He testified that these papers referred to his technology as Restoraderm, but Sköld never produced, and the jury never saw, those

documents. The only papers actually presented to the jury, Ex. 3 (JA1472) and Ex. 6 (JA1473) substantially undercut Sköld's claim of ownership.

Trial Exhibit 3 (JA1472), dated November 5, 2001 and titled "A theory of the 'mode of action' concerning this new technology" was written by Sköld with people from the Institute of Technology in Stockholm. (JA194:13-19) Intended for "university people" (JA200:2-4), Sköld testified that only a few dermatologists in the entire world would even understand Exhibit 3. (JA200:13-18) This exhibit does not mention any product, and uses three names to refer to the nascent technology: "Lipoderm Lipoid Restoraderm Technology."

Trial Exhibit 6 (JA1473) was written by Sköld in October or November of 2001 (JA205:3-5), specifically for CollaGenex. (JA204:18-19) It is titled "Lipoderm Restoraderm a vehicle technology for topical use," and does not mention Sköld.

The mere existence of these two papers – which are obviously not consumer-facing marketing materials – without detail regarding how they were used, provides no evidentiary value in the context of trademark use. What is more, these papers used inconsistent

terminology are confirm that Sköld was focused on developing a commercial product in the future. This is not active commercial use. *Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) ("Only active use allows consumers to associate a mark with particular goods and notifies other firms that the mark is so associated.").

Sköld's non-commercial samples do not establish commercial use.

Courts have consistently held that distribution of samples does not constitute commercial use. *Duffy*, 97 F. Supp. 2d at 597-98 (distributing samples to prospective partners does not constitute use). That conclusion is particularly appropriate here, because the evidence is undisputed that Sköld provided only 20-30 non-commercial samples. (JA185:5-25; JA210:1-17; JA394-95 (180:20-181:16))

The Caribbean Dermatology meeting confirms that Sköld was not engaged in commercial Use.

Finally, Sköld testified that, after signing a letter of intent to work exclusively with CollaGenex to *develop* a product, CollaGenex and Sköld held a "scientific board meeting" or "focus group" at a January 2002 Caribbean dermatology meeting. These limited interactions do not show commercial use. There were maybe ten people at that focus group, presumably including Sköld and CollaGenex representatives.

(JA210:1-4) Sköld testified that the focus group attendees received a copy of Trial Exhibit 232 (JA1826) and a sample of his technology. (JA210:8-15) Trial Exhibit 232 was prepared for use by CollaGenex and Sköld at a 2002 Caribbean dermatology meeting. (JA206:17-20) It does not mention Sköld. Regarding the samples, Sköld's witness Jeff Day testified that they were not "useable products that you could give to a consumer;" they were non-commercial "demos." (JA394-95 (180:20-181:16))

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Sköld's claim that Galderma was "unjustly enriched" by its use of the Restoraderm® trademark fails as a matter of law because he does not own the mark. For the same reasons, the absence of ownership rights provides an alternative basis to affirm the district court's dismissal of Sköld's trademark infringement, unfair competition, and false-advertising claims.

C. The statute of limitations bars Sköld's unjust-enrichment claim.

Sköld's unjust-enrichment claim is barred by Pennsylvania's four-year statute of limitations. *See* 42 Pa. C.S. § 5525(a)(4). An unjust enrichment claim accrues when the defendant accepts and retains the

benefit. *Sevast v. Kakouras*, 915 A.2d 1147, 1153 (Pa. 2007). Sköld's claim thus accrued when Galderma retained the benefit—the Restoraderm trademark. That benefit was conferred and accepted more than four years before Sköld filed suit (September 15, 2014) because he knew or reasonably knew that Galderma would retain the Restoraderm mark before September 14, 2010. (JA10) The unjust-enrichment claim is thus barred by the four-year statute of limitations.

Yet the district court held that Sköld's claim did not accrue until Galderma began selling Cetaphil® Restoraderm® products (after September 2010) and that the limitations period was renewed with each new sale. (JA31) When determining the accrual date for an unjust enrichment claim, the focus is on when the defendant *receives a benefit*, *not* the *subsequent use* of that benefit. *See Dugan v. Towers, Perrin, Forster & Crosby, Inc.*, 2:09-CV-5099, 2012 WL 6194211, at *15, n.11 (E.D. Pa. Dec. 11, 2012) (stating "a claim for unjust enrichment focuses upon the circumstances of a defendant's receipt of benefits rather than the defendant's subsequent use of those benefits").

A useful illustration of this point is the Pennsylvania Supreme Court's decision in *Sevast v. Kakouras*. 915 A.2d at 1153. *Sevast* held

that the plaintiff's unjust-enrichment claim accrued when the contract at issue terminated and the defendant "first held" possession of the benefit (property that he claimed should satisfy a workplace injury judgment). *Id.* In fixing the accrual date, the court rejected the plaintiff's argument that the claim did not accrue until the defendant later sold the property and "received the proceeds from the resale." *Sevast*, 915 A.2d at 1153.

That is also the approach taken in the analogous context of unjust-enrichment claims complaining of the failure to reconvey property: The statute of limitations begins when "the grantee breaches his promise to reconvey" or when "the grantor should reasonably know of the grantee's wrongful retention of the property." *Silver v. Silver*, 219 A.2d 659, 663 (Pa. 1966).[11] And it fits perfectly here. Sköld knew or reasonably should have known that Galderma would not convey the benefit Sköld claimed to have conferred more than four years before he filed suit because Galderma reminded Sköld that it owned the mark and instructed him to stop using it in February 2010. (JA1670)

[11] That is also the rule in trust cases. *See Truver v. Kennedy*, 229 A.2d 468, 475 (Pa. 1967) (declining to create a constructive trust because the statute of limitations for such a claim had expired).

Sköld's unjust enrichment claim is thus time-barred as a matter of law. *See* 42 Pa. C.S. § 5525(a)(4).

D. The unjust-enrichment claim fails because there is no evidence of confusion or deception.

To prevail on unjust enrichment, Sköld must establish that: (1) he conferred a benefit upon Galderma; (2) Galderma appreciated such a benefit; and (3) Galderma accepted and retained such benefit under circumstances where it would be inequitable for it to retain the benefit without payment of value. *Global Ground Support, LLC v. Glazer Enters., Inc.*, 581 F. Supp. 2d 669, 675 (E.D. Pa. 2008). The doctrine of unjust enrichment does not apply simply because a defendant may have benefited as a result of the actions of the plaintiff. *Lackner v. Glosser*, 892 A.2d 21, 34 (Pa. Super. 2006). Because the jury properly found no market confusion or deception, there is likewise no sufficient evidence to support the jury's unjust-enrichment findings. (*See* JA8-9)

As stated at the outset, Sköld's unjust-enrichment claim rests on federal trademark law: the benefit he claims to have conferred is a trademark he was found to own under trademark law; the conduct found to be unjust was trademark use; and the remedy (disgorgement)

is a trademark remedy. This claim is thus a companion to Sköld's trademark-related claims.

When dealing with issues relating to use of a trademark, Galderma's conduct comports with the relevant trademark law. (*See* JA638:22-JA639:24; JA643:16-22) It would be fundamentally unfair to hold Galderma to any standard other than that clearly set out in the Lanham Act and the applicable state trademark law when the conduct at issue is trademark use. This is true in essentially every context—the relevant law serves as a framework for an individual or entity to model its behavior.

Thus, when an unjust enrichment claim rests on the same allegedly improper conduct as an underlying claim, the unjust enrichment claim will rise or fall with the underlying claim. *Grand Union Supermarkets of the V.I., Inc. v. Lockhart Realty, Inc.*, 493 F. App'x 248, 255 (3d Cir. 2012) (finding "unjust enrichment claim was barred by issue preclusion and should have been dismissed" where it arose from same facts as plaintiff's precluded fraud claim); *Allegheny Gen. Hosp. v. Philip Morris*, 228 F.3d 429, 447 (3d Cir. 2000) (affirming dismissal of "unjust enrichment claims against the [defendants] since

the traditional tort claims were properly dismissed"); *Cleary v. Philip Morris Inc.*, 656 F.3d 511, 517 (7th Cir. 2011) ("if an unjust enrichment claim rests on the same improper conduct alleged in another claim, then the unjust enrichment claim will be tied to this related claim—and, of course, unjust enrichment will stand or fall with the related claim").

This is the correct rule in the trademark context. Trademark law protects an owner's right to exclusive use of a mark only when another's use (Galderma) would likely cause confusion. *Lapp,* 721 F.2d at 462; *see also Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1228 (3d Cir. 1978) (stating trademark law exists to protect both the public and trademark owners). Without market confusion, a court cannot bar the other party from using the mark. *See Triumph Hosiery Mills, Inc.*, 308 F.3d at 200.

In short, the law does not preclude Galderma's use of the Restoraderm® mark, and the unjust enrichment doctrine cannot be used to circumvent this rule. *See, e.g.*, *Steamfitters Local Union No. 420 Welfare Fund v. Phillip Morris, Inc.*, 171 F.3d 912, 937 (3d Cir. 1999) (finding "no justification for permitting plaintiffs to proceed on their unjust enrichment claim once we have determined that the District

Court properly dismissed the traditional tort claims because of the remoteness of plaintiffs' injuries from defendants' wrongdoing")

Because Sköld's underlying trademark infringement claim fails based on the jury's no-confusion and no-deception findings, his unjust enrichment claim must also fail.

CONCLUSION AND PRAYER

The jury—weighing the proper legal factors and the evidence—found that Galderma's use of the Restoraderm® trademark did not confuse or deceive the marketplace. Sköld provides no basis to overturn the jury's considered, fact-bound determinations. The Court should affirm the dismissal of the trademark infringement, unfair competition, and false-advertising claims.

The unjust enrichment claims, however, cannot stand as a matter of law. Sköld does not own the benefit he claims to have conferred—the Restoraderm® trademark. The claim also fails as a matter of law because of the statute of limitations and because it is based on the same underlying facts as his trademark-infringement claim. For these reasons, the Court should reverse the unjust-enrichment portions of the district court's judgment.

Galderma requests any other relief to which it is entitled.

Respectfully submitted,

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CERTIFICATE OF BAR MEMBERSHIP

Pursuant to Third Circuit Local Appellate Rule 36.1(c), I hereby certify that I am a member of the Bar of the Court.

Dated: May 11, 2018.

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CERTIFICATE OF SERVICE

The undersigned certifies that on this 11th day of May, 2018, a copy of the attached Consolidated Principal and Response Brief of Appellees / Cross-Appellants was electronically transmitted to the United States Court of Appeals for the Third Circuit using the Court's ECF filing system and was served on the following parties via electronic notice pursuant to the Court's ECF filing system.

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CERTIFICATE OF COMPLIANCE WITH RULE 32(A) AND REQUIREMENTS FOR ELECTRONIC FILING

1. This Brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)7(B) because this Brief contains 11,728 words, excluding the parts of the Brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This Brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this Brief has been prepared in the proportionally spaced typeface using Microsoft Word in 14-point Century font.

3. Pursuant to Third Circuit Local Appellate Rule 31.1(c), I hereby certify that the text of this electronic brief is identical to the text in the hard, paper copies of the Brief.

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./s/ Richard D. Rochford, Jr.
Richard D. Rochford, Jr.

ASSET PURCHASE AND PRODUCT DEVELOPMENT AGREEMENT

This ASSET PURCHASE AND PRODUCT DEVELOPMENT AGREEMENT (the "Agreement"), dated as of August 19, 2004 (the "Effective Date"), is made by and between CollaGenex Pharmaceuticals Inc., a Delaware corporation having its principal office at 41 University Drive, Newtown, Pennsylvania, United States of America 18940 ("CollaGenex"), and Thomas Skold, a citizen and resident of Sweden of Bjorno Gard, S-761 41 Norrtalje, Sweden ("Skold"). CollaGenex and Skold are each sometimes referred to individually as a "Party" and together as the "Parties."

RECITALS

WHEREAS, the Parties entered into that certain Co-operation, Development and Licensing Agreement dated February 12, 2002 (the "Original Agreement");

WHEREAS, the Parties desire to modify the terms of their relationship by terminating the Original Agreement and, simultaneously therewith, entering into this Agreement; and

WHEREAS, in connection with such modification of terms, CollaGenex desires to acquire from Skold the topical technology that Skold has developed, as more specifically described herein, and Skold desires to transfer to CollaGenex, such topical delivery technology.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, covenants and agreements contained herein, CollaGenex and Skold, intending to be legally bound, hereby agree as follows:

ARTICLE 1
DEFINITIONS

When used in this Agreement, whether in the singular or plural, each of the following capitalized terms shall have the meanings set forth in this Article 1.

1.1 "Affiliate" means a Person that, directly or indirectly, through one or more intermediates, controls, is controlled by, or is under common control with, the Person specified. For the purposes of this definition, control shall mean the direct or indirect ownership of (i) in the case of corporate entities, securities authorized to cast more than fifty percent (50%) of the votes in any election for directors, (ii) in the case of non-corporate entities, more than fifty percent (50%) ownership interest with the power to direct the management and policies of such non-corporate entity, or (iii) such lesser percentage as may be the maximum percentage allowed to be owned by a foreign corporation under the applicable laws or regulations of a particular jurisdiction outside of the United States) of the equity having the power to vote in the election of directors or to direct the management and policies of another entity. Notwithstanding the foregoing, the term "Affiliate" shall not include subsidiaries in which a Person or its Affiliates owns a majority of the ordinary voting power to elect a majority of the board of directors, but is restricted from electing such majority by contract or otherwise, until such time as such restriction is no longer in effect.

1.2 "Books and Records" means copies of all books and records of Skold and its Affiliates related to the Restoraderm Technology or the Purchased Assets.

1.3 "Additional Records" means any and all records or documentation in whatever form pertaining to the development, marketing or sales of a Product and originating from or generated by CollaGenex under this Agreement such as, but not limited to, batch protocols, sterility protocols, clinical trial documentation, specification over raw materials and marketing materials.

1.4 "Business Day" means any day except Saturday and Sunday, on which commercial banking institutions in New York are open for business. Any reference in this Agreement to "day", whether or not capitalized, shall refer to a calendar day, not a Business Day.

1.5 "Commercially Reasonable Efforts" means, with respect to a Party, the efforts and resources which would be used by that Party consistent with prevailing pharmaceutical industry standards for a company of similar size and scope to such Party with respect to a product or potential product at a similar stage in its development or product life and of similar market potential, taking into account efficacy, safety, the anticipated Regulatory Authority approved labeling, the competitiveness of alternative products in the market place or under development, the patent and other proprietary position of the product, the likelihood of Regulatory Approval, the commercial value of the product and other relevant factors.

1.6 "Confidential Information" means all secret, confidential or proprietary information or data, whether provided in written, oral, graphic, video, computer or other form, provided by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") pursuant to this Agreement or generated pursuant to this Agreement, including but not limited to, information relating to the Disclosing Party's existing or proposed research, development efforts, patent applications, business or products and any other information or materials that have not been made available by the Disclosing Party to the general public. The terms of this Agreement shall also be deemed Confidential Information hereunder, except to the extent disclosed pursuant to Section 7.5 herein. Notwithstanding the foregoing sentences, Confidential Information shall not include any information or materials that:

(a) were already known to the Receiving Party (other than under an obligation of confidentiality) at the time of disclosure by the Disclosing Party to the extent such Receiving Party has documentary evidence to that effect;

(b) were generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure or development, as the case may be, and other than through any act or omission of a Party in breach of such Party's confidentiality obligations under this Agreement; or

(d) were subsequently lawfully disclosed to the Receiving Party by a Third Party who had no obligation to the Disclosing Party not to disclose such information or materials to others.

1.7 "Control," "Controls," "Controller" or "Controlled" means with respect to Technology and/or Patent Rights, the ownership thereof, or the possession of the ability to grant licenses or sublicenses thereto without violating the terms of any agreement or other arrangement with, or the rights of, any Third Party existing as of the date on which such license or sublicense is granted.

1.8 "FDA" means the United States Food and Drug Administration, or any successor agency thereof.

1.9 "First Commercial Sale" means the first sale by CollaGenex or its Affiliates or sublicensees of a Product to a Third Party for end use or consumption of such Product after a Regulatory Authority has granted Regulatory Approval of such Product, if applicable.

1.10 "Force Majeure" means any occurrence beyond the reasonable control of a Party that prevents or substantially interferes with the performance by the Party of any of its obligations hereunder, if such occurs by reason of any act of God, flood, fire, explosion, earthquake, strike, lockout, labor dispute, casualty or accident; or war, revolution, civil commotion, acts of public enemies, terrorist attack, blockage or embargo; or any injunction, law, order, proclamation, regulation, ordinance, demand or requirement of any government (to the extent such government has ruling authority over such Party) or of any subdivision, authority or representative of any such government; or other similar event, beyond the reasonable control of such Party, if and only if the Party affected shall have used reasonable efforts to avoid such occurrence.

1.11 "Know-how" means, whether or not patented or patentable, all ideas, inventions, trade secrets, data, instructions, methods, techniques, assays, processes (including technology manufacturing processes), procedures, inventions, know-how, data, designs, formulas, validations, documentation, technology, materials, equipment, specifications, and information.

1.12 "Losses" means any and all liabilities, damages, fines, penalties, deficiencies, losses and expenses (including interest, court costs, amounts paid in settlement, reasonable fees of attorneys, accountants and other experts or other reasonable expenses of litigation or other proceedings or of any claim, default or assessment); provided, however, that the term "Losses" shall not include any special, consequential, indirect, punitive, provisional or similar damages, except to the extent actually paid by a Party pursuant to any Third Party Claim.

1.13 "NDA" means a New Drug Application pursuant to 21 U.S.C. Section 505(b)(1) or Section 505(b)(2) submitted to the FDA or any successor application or procedure required for Regulatory Approval to commence sale of a Product.

1.14 "Net Sales" means the gross amounts received by CollaGenex or any of its Affiliates on account of sales of Products to Third Parties (including without limitation Third Party distributors and wholesalers), less the total of:

(a) Trade, cash and/or quantity discounts actually allowed or accrued which are not already reflected in the amount invoiced;

(b) Excise, sales and other consumption taxes (including VAT on the sale of such Products) and custom duties to the extent included in the invoice price and to the extent such taxes are remitted to the applicable taxing authority;

(c) Freight, insurance and other transportation charges to the extent included in the invoice price and separately identified on the invoice or other documentation maintained in the ordinary course of business;

(d) Amounts repaid, credited or accrued by reason of returns, rejections, defects or recalls or because of chargebacks, retroactive price reductions, refunds or billing errors;

(e) Payments and rebates directly related to the sale of Products accrued, paid or deducted in a manner consistent with generally accepted accounting principles ("GAAP"), pursuant to agreements with Third Parties or governmental regulations (including, but not limited to, those granted or given to managed health care organizations, wholesalers and other distributors, buying groups, health care insurance carriers, or to federal, state and local governments);

(f) Amounts written off by reason of uncorrectable debt;

(g) Any royalties payable to Third Parties in the event that a Product contains one or more ingredients in which royalty amounts are to be paid on such other ingredients; and

(h) Any other similar and customary deductions taken in accordance with GAAP consistently applied.

Use of Products for promotional, sampling or compassionate use purposes or for use in clinical trials shall not be considered in determining Net Sales. In the case of any sale of a Product between CollaGenex and its Affiliates for resale, Net Sales shall be calculated as above only on the first arm's length sale thereafter to a Third Party.

1.15 "Patent Rights" means all patents and patent applications and all patent applications hereafter filed, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications, non-provisional applications, any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

1.16 "Person" means any individual, firm, corporation, partnership, limited liability company, trust, unincorporated organization or other entity or a government agency or political subdivision thereto, and shall include any successor (by merger or otherwise) of such Person.

1.17 "Product" means a product incorporating the Restoraderm Technology.

1.18 "Regulatory Approval" means the technical, medical and scientific licenses, registrations, authorizations and approvals (including, without limitation, approvals of NDAs,

supplements and amendments, pre- and post- approvals, pricing and Third Party reimbursement approvals, and labeling approvals) of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the development (including the conduct of clinical trials), manufacture, distribution, marketing, promotion, offer for sale, use, import, reimbursement, export or sale of a Product in a regulatory jurisdiction.

1.19 "Regulatory Authority" means any national (e.g., the FDA), supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity involved in the granting of Regulatory Approval in any country.

1.20 "Restoraderm Intellectual Property" means all (a) Restoraderm Patent Rights; (b) Restoraderm Know-How, and all rights in any jurisdiction to limit the use or disclosure thereof; and (c) rights to sue and recover damages or obtain injunctive relief for past and future infringement, dilution, misappropriation, violation or breach thereof.

1.21 "Restoraderm Know-How" means any and all Know-How owned or Controlled by Skold or its Affiliates as of the Effective Date relating to the Restoraderm Technology

1.22 "Restoraderm Patent Rights" means any and all Patent Rights owned or Controlled by Skold or its Affiliates as of the Effective Date relating to the Restoraderm Technology. Schedule 1.22 contains those Patent Rights that have previously been assigned to CollaGenex by Skold, which Patent Rights are so specified under Schedule 1.22.

1.23 "Restoraderm Technology" means the topical drug delivery technology developed by Skold and covered by the patent applications recited in Schedule 1.22. For the avoidance of doubt technology for oral, nasal or intravenous use shall not, when used in this Agreement, be embraced by the term "topical".

1.24 "Sublicense Income" shall mean royalties actually received from a Third Party by CollaGenex on account of sales of Products by such Third Party in consideration for the grant of a sublicense to such third party under the Restoraderm Patent Rights.

1.25 "Third Party(ies)" means any Person other than Skold, CollaGenex and their respective Affiliates.

1.26 "Trademark" or "Trademarks" means all trademarks, service marks, trade names, domain names, and registrations and applications for registration of the foregoing.

1.27 "Valid Claim" means a claim of an issued and unexpired patent which claim has not been held invalid or unenforceable by a court or other government agency of competent jurisdiction from which no appeal can be or has been taken and has not been held or admitted to be invalid or unenforceable through re-examination or disclaimer, opposition procedure, nullity suit or otherwise, which claim, but for the licenses granted herein, would be infringed by the sale of a Product.

ARTICLE 2
PURCHASE AND SALE; CONSULTING ARRANGEMENT

2.1 Purchase and Sale of Purchased Assets. Upon the terms and subject to the conditions set forth herein, on the Effective Date, Skold shall sell, transfer and deliver to CollaGenex, and cause its Affiliates to sell, transfer and deliver to CollaGenex, free and clear of any encumbrances, and CollaGenex shall purchase from Skold and its Affiliates, Skold's and its Affiliates' full, complete and irrevocable right, title and interest in and to the assets and rights of Skold and its Affiliates that are set forth below (collectively, the "Purchased Assets") comprising all of the Skold's and its Affiliates' right, title and interest in the following:

(a) the Restoraderm Intellectual Property;

(b) the Books and Records relating to the Restoraderm Intellectual Property;

(c) all rights and claims of Skold and its Affiliates against Third Parties relating to the Purchased Assets, choate or inchoate, known or unknown, contingent or otherwise; and

(d) all goodwill, if any, relating to the foregoing.

2.2 Excluded Assets. Notwithstanding anything to the contrary contained herein, from and after the Effective Date, Skold and its Affiliates shall retain all of the right, title and interest in and to, and there shall be excluded from the sale, assignment or transfer hereunder, and the Purchased Assets shall not include the following specifically enumerated assets (collectively, the "Excluded Assets"):

(a) books and records that Skold or its Affiliates are required to retain pursuant to any applicable law or regulations, other than the Books and Records; and

(b) general books of account and books of original entry that comprise Skold's or its Affiliates' permanent accounting or tax records.

2.3 Purchase Price. The purchase price payable to Skold (the "Purchase Price") for the sale of the Purchased Assets shall be up to US $1,000,000 payable in United States Dollars as follows:

(a) US$150,000 within thirty (30) days after the Effective Date;

(b) US$150,000 on January 31, 2005; and

(c) US$700,000 within thirty (30) days after the issuance of a patent covering the Restoraderm Technology, provided such issuance occurs after the First Commercial Sale, provided further that if the patent issues prior to the First Commercial Sale, the payment pursuant to this Section 2.3(c) will be paid within thirty (30) days after the First Commercial Sale of the first Product, provided that if a patent never issues, no amounts shall be due under this Section 2.3(c) and the sale and transfer of the Purchased Assets shall still occur pursuant to the terms of this Agreement. If CollaGenex makes a good faith determination for business reasons, in its sole

discretion, to delay the launch of a commercially viable Product, then, provided that a patent has issued covering the Restoraderm Technology, it will be deemed as if a First Commercial Sale has occurred and CollaGenex shall pay Skold the US$700,000 payment for such Product within thirty (30) days after such determination has been made.

2.4 Further Assurances. Skold shall execute and deliver (and shall cause its Affiliates to execute and deliver) such additional instruments and other documents and use (and shall cause its respective Affiliates to use) all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under applicable law or reasonably requested by CollaGenex to consummate the transactions contemplated hereby and to confirm and assure the transfer of the Purchased Assets to CollaGenex.

2.5 Consulting Agreement. On the Effective Date, Skold and CollaGenex shall enter into a consulting agreement attached hereto as Exhibit A (the "Consulting Agreement"). Under the terms of the Consulting Agreement, Skold shall act as a consultant exclusively to CollaGenex regarding the Restoraderm Technology. Any and all Patent Rights, Know-How, technology or other intellectual property rights, whether developed, conceptualized, generated and/or put into practice by Skold (individually or in conjunction with CollaGenex) during the term of this Agreement or the Consulting Agreement relating to the Restoraderm Technology or any other topical drug delivery technology shall be the sole property of CollaGenex. Skold shall promptly notify CollaGenex, in writing, of any such Patent Rights, Know-How, technology or other intellectual property rights, and Skold will assign and hereby does assign, complete and irrevocable right, title and interest in and to all such Patent Rights, Know-How, technology and other intellectual property rights.

ARTICLE 3
JOINT STEERING COMMITTEE; DEVELOPMENT PLAN; BUSINESS PLAN

3.1 Joint Steering Committee.

(a) Membership. Within thirty (30) days following the Effective Date, each of the Parties shall appoint two persons from their respective organizations to serve on a joint steering committee ("Joint Steering Committee"), it being understood that in addition to Skold, Skold shall appoint an advisor or other designee to serve on the Joint Steering Committee, provided such advisor and/or designee is reasonably acceptable to CollaGenex and is bound by obligations of confidentiality at least as stringent as those contained herein. Either Party may appoint, substitute or replace members of the Joint Steering Committee to serve as their representatives upon notice to the other Party. The Joint Steering Committee shall be chaired by one of the CollaGenex representatives. Each representative of CollaGenex shall be entitled to one vote and each representative of Skold shall be entitled to one vote. The Joint Steering Committee shall to the extent practicable seek to operate by consensus, provided that CollaGenex will have the tie-breaking vote on all Joint Steering Committee decisions.

(b) **Reserved.**

(c) Responsibilities. The Joint Steering Committee shall perform the following functions: (i) review and agree upon the Products to be developed; (ii) oversee the

development of the Products pursuant to the terms of this Agreement; (iii) review and agree upon the Development Plans for Products and any material amendments to the Development Plans; and (iv) have such other responsibilities as may be assigned to the Joint Steering Committee pursuant to this Agreement or as may be mutually agreed upon by the Parties from time to time.

(d) Meetings. The Joint Steering Committee shall regularly meet in person, by video or by teleconference (as mutually agreed by the Parties from time to time) twice a year or more frequently as may be agreed upon, to exercise its responsibilities. In order for a meeting of the Joint Steering Committee to be convened, such meeting must include at least two (2) committee members of each Party and, provided this condition is met, a unanimous action taken at such meeting shall have been duly and validly taken by the Joint Steering Committee. The first meeting of the Joint Steering Committee shall be convened within thirty (30) days from the Effective Date. CollaGenex shall reimburse Skold's designee for reasonable out-of-pocket costs associated with such designee attending any meeting of the Joint Steering Committee.

(e) Agendas and Minutes for the Joint Steering Committee. Unless otherwise decided by the Joint Steering Committee, each Party will use reasonable efforts to disclose to the chair all proposed agenda items along with appropriate background or supporting information at least twenty (20) working days in advance of a Joint Steering Committee meeting. The chair will use reasonable efforts to present an agenda with appropriate background or supporting information at least ten (10) working days in advance of a Joint Steering Committee meeting. After each meeting of the Joint Steering Committee, the Party whose turn it was hosting such meeting will prepare, within ten (10) working days after each meeting (whether held in person, by video or by telecommunication), the minutes reporting in reasonable detail the actions taken or to be taken by the Joint Steering Committee, or its designees, the attendees, the status of goals and achievements as well as issues requiring resolution, and resolutions of previously reported issues, which minutes shall set forth all pertinent information presented during the meeting in form and content reasonably acceptable to the other Party and shall be signed by one of the Joint Steering Committee representatives from each of the Parties.

(f) No Authority to Modify Agreement. The Joint Steering Committee shall have no authority to amend or waive compliance with the terms and conditions of this Agreement, or to approve actions of the Parties which are inconsistent with this Agreement.

3.2 Selection of and Responsibility for Development of Products.

(a) Proposals for Products. At any time after the Effective Date, either Party may make a written proposal to the Joint Steering Committee regarding the development of a product. Such proposal shall include (i) any data and other information in its possession which may be relevant to the use of the proposed product, and (ii) an outline of the major development activities required to obtain Regulatory Approval for such proposed Product in the United States, including a timeline for performing such activities. Thereafter, the Joint Development Committee shall meet in order to review such proposal.

(b) Inclusion of Products. With respect to a proposal pursuant to Section 3.2(a), if the Joint Steering Committee accepts such proposal, such proposed Product shall be developed by CollaGenex in accordance with the terms of this Agreement and the Development

Plan prepared by CollaGenex pursuant to Section 3.3 for such Product. If the Joint Steering Committee cannot agree on the inclusion of any proposed Product for development by CollaGenex, CollaGenex shall have the final decision as to whether and which Products are developed by CollaGenex under the terms of this Agreement. It is acknowledged and agreed by the Parties that CollaGenex is currently developing a benzoyl peroxide Product (the "BPO Product") and a clobetasol product (the "Clobetasol Product").

(c) Responsibility. CollaGenex shall have sole responsibility and use its Commercially Reasonable Efforts for developing Products and shall bear all costs and expenses associated with the development of such Products.

3.3 Development Plans. Once the Joint Steering Committee agrees to include, or CollaGenex has selected, a Product for development, CollaGenex shall prepare a development plan, including the clinical trials contemplated for each such Product (each, a "Development Plan"). No later than October 31 of each year following the first year of a Development Plan, CollaGenex shall update each Development Plan and provide such Development Plan to the Joint Steering Committee for review and approval, provided that CollaGenex shall have the final-decision making authority with respect to any element of a Development Plan.

3.4 Development Diligence. CollaGenex shall use its Commercially Reasonable Efforts in order to meet the following diligence obligations:

(a) On or before December 31, 2005, CollaGenex shall initiate development efforts on at least five Products; and

(b) On or before March 31, 2007, CollaGenex shall either (i) demonstrate that the initial formulation of each such Product maintains stability for a period of six (6) months or (ii) incur at least US$75,000 in costs and expenses per such Product in the development activities attempting to demonstrate such stability. For the avoidance of doubt, CollaGenex, in its sole discretion, reserves the right at any time to abandon development of a Product if CollaGenex has not yet incurred US$75,000 in development costs and expenses on such Product, provided that such abandoned Product shall not count as one of the five Products.

(c) Notwithstanding the foregoing, the Parties acknowledge and agree that CollaGenex has satisfied the diligence obligations of paragraphs (a) and (b) above with respect to the Clobetasol Product and therefore CollaGenex shall only be required to satisfy the diligence obligations in this Section 3.4 on four (4) more Products.

3.5 Regulatory Approvals. CollaGenex shall have sole responsibility for the applications for Regulatory Approvals, manufacture, marketing and distribution of the Products as well as the sole discretion as to how to pursue applications for Regulatory Approvals, manufacture, market and distribute the Products. Skold shall render CollaGenex such assistance, as may be reasonably requested or required by CollaGenex, regarding such applications for Regulatory Approval and the manufacture, marketing and/or distribution of Products.

3.6 Intellectual Property Rights. CollaGenex, at its sole discretion and expense, shall use Commercially Reasonable Efforts to develop, administrate, prosecute, procure and maintain all Restoraderm Intellectual Property Rights, including the Restoraderm Patent Rights, (including

their issuance, reissuance, reexamination and the defense of any interference, revocation or opposition proceedings) claiming the composition of matter or manufacture of the Products or their use. CollaGenex shall solicit Skold's advice and review of the nature and text of patent applications and important prosecution matters related to the Restoraderm Intellectual Property Rights in reasonably sufficient time prior to filings thereof, and CollaGenex shall take into account Skold's reasonable comments related thereto.

3.7 Commercialization and Business Plans. CollaGenex shall use its Commercially Reasonable Efforts to market and sell all Products. CollaGenex shall prepare a plan for marketing research, marketing activities and sales of the Product (each, a "Business Plan"). CollaGenex shall provide each Business Plan, as well as any amendments or updates to any such Business Plan that CollaGenex may make, to Skold for his information, review and comments.

ARTICLE 4
FINANCIAL PROVISIONS

4.1 Milestone Payments. With respect to each of the first five Products, CollaGenex shall pay the following milestone payments (the "Milestone Payments") within thirty (30) calendar days following the first occurrence of the specified event:

(a) Pilot Stability. One hundred thirty-three thousand U.S. Dollars ($133,000) upon CollaGenex's receipt of data, in a form acceptable to CollaGenex, that demonstrates the initial formulation of the Product is stable for at least six months.

(b) Clinical Batch Stability. One hundred thirty-three thousand U.S. Dollars ($133,000) upon completion of the manufacture of clinical batches of the Product under current Good Manufacturing Practice conditions with demonstrated stability based on twelve months of data at a pre-specified temperature.

(c) Technology Transfer to a Commercial Facility. One hundred thirty-four thousand U.S. Dollars ($134,000) upon completion of the manufacturing of three batches of the Product under current Good Manufacturing Practices and in accordance with requirements for filing an NDA, irrespective of whether it is intended that an NDA will be filed for such Product, with demonstrated stability based on twelve months of data at a pre-specified temperature.

Upon achievement of a milestone for a particular Product, any previous Milestone Payment for that Product for which payment was not made shall be deemed achieved and payment therefore shall be made. For the avoidance of doubt, the Milestone Payments shall be due only one time for each of the first five Products with different active ingredients regardless of how many line extensions, indications or dosage strengths are developed for Products with the same active ingredient. Milestone Payments are only payable on the first five Products with different active ingredients, and no further Milestone Payments shall be due or owing to Skold regardless of the number of Products subsequently developed.

4.2 Royalties. Subject to the provisions of this Article 4, CollaGenex shall pay Skold a five percent (5%) royalty on Net Sales of Products covered by a Valid Claim of the Restoraderm Patent Rights; provided, however, if CollaGenex, in order to make, use, sell or otherwise dispose of Products reasonably determines that it must make payments to one or more

Third Parties to obtain license or similar rights, CollaGenex may reduce the royalties due Skold by half of the amount of such third party payment, but not to such extent that the royalties due to Skold decreases below half the royalty earned.

4.3 Sublicense Income. CollaGenex shall pay to Skold twenty-five percent (25%) of all Sublicense Income that CollaGenex receives.

4.4 Patent Defense Expense Set-Off. Subject to Section 3.6, CollaGenex may prosecute any Third Party believed to be infringing the Restoraderm Patent Rights and/or defend and control any action (or counterclaim or any defense asserted in any other CollaGenex's action) initiated by a Third Party (such as interference, revocation or opposition proceedings) alleging the invalidity or unenforceability of any Restoraderm Patent Right (each, a "Restoraderm Patent Right Action"). To the extent CollaGenex incurs any out-of-pocket costs or expenses in the filing, prosecution or defense of any such Restoraderm Patent Right Action, CollaGenex shall be entitled to deduct thirty percent (30%) of any such costs or expenses from amounts that are otherwise due Skold under this Article 4.

4.5 Statements and Payment. CollaGenex shall deliver to Skold, within thirty (30) days after the end of each calendar quarter, a report setting forth for such calendar quarter the following information for each Product: (i) Net Sales of such Product on a country-by-country basis; (ii) the basis for any adjustments to the royalties payable on account of sales of such Product in any country; (iii) the royalties due to Skold on account of sales of such Product; (iv) the Sublicense Income payments due Skold on account of sales of such Product; and (iv) the exchange rates used in calculating any of the foregoing. CollaGenex shall make payment in conjunction with such report, as set forth in Section 4.7.

4.6 Taxes and Withholding. Any payments made by CollaGenex to Skold under this Agreement shall be reduced by the amount required to be paid or withheld pursuant to any applicable law, including, but not limited to, United States federal, state or local tax law ("Withholding Taxes"). Any such Withholding Taxes required by law to be paid or withheld shall be an expense of, and borne solely by, Skold. CollaGenex, as applicable, shall submit to Skold reasonable proof of payment of the Withholding Taxes, together with an accounting of the calculations of such taxes, within thirty (30) days after such Withholding Taxes are remitted to the proper authority. The Parties will cooperate reasonably in completing and filing documents required under the provisions of any applicable tax laws or under any other applicable law in connection with the making of any required tax payment or withholding payment, or in connection with any claim to a refund of or credit for any such payment.

4.7 Payment Currency; Currency Exchange. All payments made by CollaGenex to Skold hereunder shall be in United States dollars. With respect to Net Sales invoiced or expenses incurred in U.S. dollars, the Net Sales or expense amounts and the amounts due to Skold hereunder shall be expressed in U.S. dollars. With respect to Net Sales invoiced or expenses incurred in a currency other than U.S. dollars, the Net Sales or expense shall be expressed in the domestic currency of the entity making the sale or incurring the expense, together with the U.S. dollar equivalent, calculated using the arithmetic average of the spot rates on the last Business Day of each month of the calendar quarter in which the Net Sales were made or the expense was incurred. The "closing mid-point rates" found in the "Dollar spot forward

against the Dollar" table published by *The Financial Times*, or any other publication as agreed to by the Parties, shall be used as the source of spot rates to calculate the average as defined in the preceding sentence. All payments shall be made by wire transfer in U.S. dollars to the credit of such bank account as shall be designated at least five (5) Business Days in advance by Skold in writing to CollaGenex.

4.8 Maintenance of Records; Audit. For a period of two (2) years after the date of the invoice, CollaGenex shall maintain, and shall require its respective Affiliates to maintain, complete and accurate books and records in connection with the sale of Products hereunder, as necessary to allow the accurate calculation consistent with generally accepted accounting principles of the royalties and Sublicense Income payments due to Skold, including any records required to calculate any royalty adjustments hereunder. Once per calendar year, Skold shall have the right to engage an independent accounting firm reasonably acceptable to CollaGenex, which shall have the right to examine in confidence the relevant CollaGenex records as may be reasonably necessary to determine and/or verify the amount of royalties and Sublicense Income payments due hereunder. Such examination shall be conducted, and CollaGenex shall make its records available, during normal business hours, after at least fifteen (15) days prior written notice to CollaGenex, as applicable, and shall take place at the facility(ies) where such records are maintained. Each such examination shall be limited to pertinent books and records for any year ending not more than twenty-four (24) months prior to the date of request; provided that Skold shall not be permitted to audit the same period of time more than once. Before permitting such independent accounting firm to have access to such books and records, CollaGenex may require such independent accounting firm and its personnel involved in such audit, to sign a confidentiality agreement (in form and substance reasonably acceptable to CollaGenex) as to any confidential information which is to be provided to such accounting firm or to which such accounting firm will have access, while conducting the audit under this paragraph. The Skold independent accounting firm will prepare and provide to each Party a written report stating whether the royalties and Sublicense Income payment reports submitted and royalties and Sublicense Income payments paid are correct or incorrect and the details concerning any discrepancies. Such accounting firm may not reveal to Skold any information learned in the course of such audit other than the amount of any such discrepancies. Skold agrees to hold in strict confidence all information disclosed to it, except to the extent necessary for Skold to enforce its rights under this Agreement or if disclosure is required by law. In the event there was an underpayment by CollaGenex hereunder, CollaGenex shall promptly (but in no event later than thirty (30) days after such Party's receipt of the independent auditor's report so correctly concluding) make payment to Skold of any shortfall. In the event that there was an overpayment by CollaGenex hereunder, Skold shall promptly (but in no event later than thirty (30) days after Skold's receipt of the independent auditor's report so correctly concluding) refund to CollaGenex or credit to future royalties, at CollaGenex's election, the excess amount. Skold shall bear the full cost of such audit unless such audit discloses an underreporting by CollaGenex of more than ten percent (10%) of the aggregate amount of royalties and Sublicense Income payments in any twelve (12) month period, in which case, CollaGenex shall bear the full cost of such audit.

ARTICLE 5
REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 Mutual Representations, Warranties and Covenants. Each of Skold and CollaGenex hereby represents, warrants and covenants to the other Party as follows:

(a) It is duly organized and validly existing, or is a citizen and resident, as applicable, and in good standing under the laws of such Party's respective jurisdiction. It has the requisite legal power and authority to conduct its business as presently being conducted and as proposed to be conducted by it and is duly qualified to do business in those jurisdictions where its ownership of property or the conduct of its business requires;

(b) It has all requisite legal power and authority to enter into this Agreement and to perform the obligations contemplated hereunder. All actions on its part necessary for (i) the authorization, execution, delivery and performance by it of this Agreement, and (ii) the consummation of the transactions contemplated hereby, have been duly taken;

(c) This Agreement is a legally valid and binding obligation of it, enforceable against it in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court or other tribunal before which any proceeding may be brought);

(d) None of the execution and delivery of this Agreement, the consummation of the transactions provided for herein or contemplated hereby, or the fulfillment by it of the terms hereof or thereof, will (with or without notice or passage of time or both) (i) conflict with or result in a breach of any provision of any certificate or articles of incorporation or formation, by-laws, statutes, operating agreement or other governing documents of it, (ii) result in a default, constitute a default under, give rise to any right of termination, cancellation or acceleration, or require any consent or approval (other than approvals that have heretofore been obtained) of any governmental authority or under any of the terms, conditions or provisions of any material note, bond, mortgage, indenture, loan, arrangement, license, agreement, lease or other instrument or obligation to which it is a party or by which its assets may be bound, (iii) violate any law, rule or regulation of any governmental authority or stock exchange on which such Party's securities are listed applicable to it or any of its assets, or (iv) any other contractual or other obligations of the respective Party; and

(e) it shall comply in all material respects with all laws, rules and regulations applicable to its performance under this Agreement.

5.2 Additional Representations, Warranties and Covenants of Skold. Skold hereby further represents, warrants and covenants to CollaGenex that:

(a) There are no existing or threatened actions, suits or other proceedings pending against him with respect to Restoraderm Intellectual Property Rights and, Skold has not received written notice of any threatened claims or litigation seeking to invalidate the Restoraderm Patent Rights;

(b) Skold is not aware of any facts from which it reasonably concludes that any of the Restoraderm Patent Rights are invalid or that their exercise would infringe patent rights of Third Party(ies);

(c) Skold holds good title to and is the legal and beneficial owner and has full and unencumbered rights to the Restoraderm Intellectual Property, free and clear of all liens, security interests, charges and other encumbrances of any kind, and Skold has obtained the assignment of all interests and all rights of any and all Third Parties (including employees) with respect to the Restoraderm Patent Rights;

(d) Skold is the exclusive owner of all right, title and interest in the Restoraderm Intellectual Property Rights;

(e) Skold will perform his obligations under this Agreement in a professional, diligent and workmanlike manner in accordance with the standards which would be used by a physical person of similar financial strength, business experience and other relevant factors; and

(f) to the best of Skold's knowledge, CollaGenex's use of the Restoraderm Intellectual Property does not and will not infringe the intellectual property rights of any Third Party, and Skold has no knowledge that any Third Party is infringing any of the Restoraderm Intellectual Property.

5.3 Disclaimer of Warranties. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT OR MANDATED BY APPLICABLE LAW (WITHOUT THE RIGHT TO WAIVE OR DISCLAIM), NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE PRODUCTS, ANY TECHNOLOGY, GOODS, SERVICES, RIGHTS, SUCCESS OR POTENTIAL SUCCESS OF THE DEVELOPMENT, COMMERCIALIZATION, MARKETING OR SALE OF ANY PRODUCT OTHER SUBJECT MATTER OF THIS AGREEMENT AND HEREBY DISCLAIMS ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF PERFORMANCE, MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS.

ARTICLE 6
CONFIDENTIALITY, PUBLICATION AND PUBLIC ANNOUNCEMENTS

6.1 Confidentiality. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, CollaGenex and Skold agree that, until seven (7) years after the termination of this Agreement, each of CollaGenex or Skold, upon receiving or learning of any Confidential Information of the other Party, shall keep such Confidential Information confidential and otherwise shall not disclose or use such Confidential Information for any purpose other than as provided for in this Agreement. The Receiving Party shall advise its employees and consultants who might have access to the Disclosing Party's Confidential Information of the confidential nature thereof and agrees that its employees shall be bound by the terms of this Agreement. The Receiving Party shall not disclose any Confidential Information of

the Disclosing Party to any employee who does not have a need for such information. It is acknowledged and agreed that the Purchased Assets shall be the Confidential Information of CollaGenex.

6.2 Authorized Disclosure. Notwithstanding the foregoing, each of CollaGenex and Skold may disclose Confidential Information of the other Party to a Third Party to the extent such disclosure is reasonably necessary to exercise the rights granted to or retained by it under this Agreement in filing or prosecuting patent applications, prosecuting or defending litigation, complying with applicable governmental regulations, submitting information to tax or other governmental authorities (including Regulatory Authorities), or conducting clinical trials hereunder with respect to Products, provided that if a Party is required by law to make any such disclosure of the Disclosing Party's Confidential Information, to the extent it may legally do so, it will give reasonable advance notice to the Disclosing Party of such disclosure and, save to the extent inappropriate in the case of patent applications or otherwise, will use its reasonable efforts to secure confidential treatment of such Confidential Information prior to its disclosure (whether through protective orders or otherwise). If the Disclosing Party has not filed a patent application with respect to such Confidential Information, it may require the Receiving Party to delay the proposed disclosure (to the extent the disclosing party may legally do so), for up to ninety (90) days, to allow for the filing of such an application.

6.3 Return of Confidential Information. Upon termination of this Agreement, the Receiving Party shall promptly return all of the Disclosing Party's Confidential Information, including all reproductions and copies thereof in any medium, except that the Receiving Party may retain one copy for its legal files.

6.4 Unauthorized Use. If either Party becomes aware or has knowledge of any unauthorized use or disclosure of the other Party's Confidential Information, it shall promptly notify the disclosing Party of such unauthorized use or disclosure.

6.5 Public Announcements. Except as set forth in press releases published by CollaGenex and for filing a copy of this Agreement by CollaGenex with the Securities and Exchange Commission, to the extent CollaGenex determines to make such a filing, neither Party shall make any public announcement regarding this Agreement. The Parties agree that CollaGenex may issue press releases announcing the execution of this Agreement or the activities and results hereunder in CollaGenex's standard form, provided that such press releases shall not contain the financial terms of Confidential Information of Skold, unless otherwise required by applicable law.

6.6 Injunctive Relief. Each Receiving Party acknowledges that the Disclosing Party or any other owner of the Confidential Information (which may include Affiliates of CollaGenex) would suffer irreparable harm if the Receiving Party were to violate the confidentiality provisions of this Agreement and therefore the Receiving Party agrees that, in addition to any other remedies available to it, the Disclosing Party shall be entitled (without the requirement of posting any bond) to obtain from a court of competent jurisdiction an injunction restraining the violation of this Agreement.

ARTICLE 7
INDEMNIFICATION

7.1 CollaGenex. CollaGenex shall defend Skold and its Affiliates at CollaGenex's cost and expense, and will indemnify and hold Skold and its Affiliates and their respective directors, officers, employees and agents harmless from and against any and all Losses incurred in connection with or arising out of any Third Party claim (a "Third Party Claim") relating to (i) any material breach by CollaGenex of any of its representations, warranties, covenants or obligations pursuant to this Agreement, or (ii) any gross negligence or willful misconduct of CollaGenex; provided, however, that in all cases referred to in this Section 7.1, CollaGenex shall have no liability to Skold for any Losses to the extent that such Losses were caused by any item for which Skold is required to indemnify CollaGenex pursuant to Section 7.2.

7.2 Skold. Skold agrees to defend CollaGenex and its Affiliates at Skold's cost and expense, and will indemnify and hold CollaGenex and its Affiliates and their respective directors, officers, employees and agents harmless from and against any and all Losses incurred in connection with or arising out of any Third Party Claim relating to (i) any material breach by Skold of any of its representations, warranties, covenants or obligations pursuant to this Agreement, or (ii) any gross negligence or willful misconduct of Skold, provided, however, that in all cases referred to in this Section 7.2, Skold shall have no liability to CollaGenex for any Losses to the extent that such Losses were caused by any item for which CollaGenex is required to indemnify Skold pursuant to Section 7.1.

7.3 Indemnification Procedures.

(a) In the case of a Third Party Claim made by any Person who is not a Party to this Agreement (or an Affiliate thereof) as to which a Party (the "Indemnitor") may be obligated to provide indemnification pursuant to this Agreement, such Party seeking indemnification hereunder ("Indemnitee") will notify the Indemnitor in writing of the Third Party Claim (and specifying in reasonable detail the factual basis for the Third Party Claim and to the extent known, the amount of the Third Party Claim) reasonably promptly after becoming aware of such Third Party Claim; provided, however, that failure to give such notification will not affect the indemnification provided hereunder except to the extent the Indemnitor shall have been actually prejudiced as a result of such failure.

(b) If a Third Party Claim is made against an Indemnitee and the Indemnitor acknowledges in writing its obligation to indemnify the Indemnitee therefor, the Indemnitor will be entitled, within one hundred twenty (120) days after receipt of written notice from the Indemnitee of the commencement or assertion of any such Third Party Claim, to assume the defense thereof (at the expense of the Indemnitor) with counsel selected by the Indemnitor and reasonably satisfactory to the Indemnitee, for so long as the Indemnitor is conducting a good faith and diligent defense. Should the Indemnitor so elect to assume the defense of a Third Party Claim, the Indemnitor will not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, that if under applicable standards of professional conduct a conflict of interest exists between the Indemnitor and the Indemnitee in respect of such claim, such Indemnitee shall have the right to employ separate counsel (which shall be reasonably satisfactory to the Indemnitor) to represent

such Indemnitee with respect to the matters as to which a conflict of interest exists and in that event the reasonable fees and expenses of such separate counsel shall be paid by such Indemnitor; provided, further, that the Indemnitor shall only be responsible for the reasonable fees and expenses of one separate counsel for such Indemnitee. If the Indemnitor assumes the defense of any Third Party Claim, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor. If the Indemnitor assumes the defense of any Third Party Claim, the Indemnitor will promptly supply to the Indemnitee copies of all correspondence and documents relating to or in connection with such Third Party Claim and keep the Indemnitee informed of developments relating to or in connection with such Third Party Claim, as may be reasonably requested by the Indemnitee (including, without limitation, providing to the Indemnitee on reasonable request updates and summaries as to the status thereof). If the Indemnitor chooses to defend a Third Party Claim, all Indemnitees shall reasonably cooperate with the Indemnitor in the defense thereof (such cooperation to be at the expense, including reasonable legal fees and expenses, of the Indemnitor). If the Indemnitor does not elect to assume control of the defense of any Third Party Claim within the one hundred twenty (120) day period set forth above, or if such good faith and diligent defense is not being or ceases to be conducted by the Indemnitor, the Indemnitee shall have the right, at the expense of the Indemnitor, after three (3) Business Days notice to the Indemnitor of its intent to do so, to undertake the defense of the Third Party Claim for the account of the Indemnitor (with counsel selected by the Indemnitee), and to compromise or settle such Third Party Claim, exercising reasonable business judgment.

(c) If the Indemnitor acknowledges in writing its obligation to indemnify the Indemnitee for a Third Party Claim, the Indemnitee will agree to any settlement, compromise or discharge of such Third Party Claim that the Indemnitor may recommend that by its terms obligates the Indemnitor to pay the full amount of Losses (whether through settlement or otherwise) in connection with such Third Party Claim and unconditionally and irrevocably releases the Indemnitee completely from all liability in connection with such Third Party Claim; provided, however, that, without the Indemnitee's prior written consent, the Indemnitor shall not consent to any settlement, compromise or discharge (including the consent to entry of any judgment), and the Indemnitee may refuse in good faith to agree to any such settlement, compromise or discharge, that provides for injunctive or other nonmonetary relief affecting the Indemnitee. If the Indemnitor acknowledges in writing its obligation to indemnify the Indemnitee for a Third Party Claim, the Indemnitee shall not (unless required by law) admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnitor's prior written consent (which consent shall not be unreasonably withheld).

7.4 Insurance. Immediately upon the first administration of a Product to a human by CollaGenex, its Affiliates or its licensees, and for a period of five (5) years after the expiration of this Agreement or the earlier termination thereof, CollaGenex shall obtain and/or maintain at its sole cost and expense, product liability insurance. Such product liability insurance shall insure both Parties against all liability, including personal injury, physical injury, or property damage arising out of the manufacture, sale, distribution, or marketing of any Product. Upon the reasonable written request of Skold, CollaGenex shall provide written proof of the existence of such insurance.

7.5 Limitation of Liabilities. IN NO EVENT WILL EITHER PARTY BE LIABLE TO ANY OF THE OTHER PARTY FOR PUNITIVE, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS, BUSINESS OR GOODWILL) ATTRIBUTABLE TO ANY BREACH OR DEFAULT BY SUCH PARTY UNDER THIS AGREEMENT. EXCEPT FOR A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THIS ARTICLE 7 WITH RESPECT TO THIRD PARTY CLAIMS, IN NO EVENT WILL EITHER PARTY'S LIABILITY EXCEED THE AMOUNTS PAID UNDER THIS AGREEMENT. THE LIMITATIONS OF LIABILITY CONTAINED SHALL SURVIVE ANY FAILURE OF THE ESSENTIAL PURPOSE OF A LIMITED OR EXCLUSIVE REMEDY SET FORTH HEREIN.

ARTICLE 8
TERM AND TERMINATION

8.1 Term. Unless earlier terminated by mutual agreement of the Parties in writing or pursuant to the provisions of this Article 8, this Agreement will continue in full force and effect on a country-by-country and Product-by-Product basis until the obligation to pay royalties and Sublicense Income payments with respect to the sale of a Product in such country expires (the "Term").

8.2 Voluntary Termination by CollaGenex. Notwithstanding any other provision herein, CollaGenex may terminate this Agreement at any time after March 31, 2007.

8.3 Material Breach. Upon a material breach of this Agreement by CollaGenex on the one hand, or Skold on the other hand (in such capacity, the "Breaching Party"), the other Party (in such capacity, the "Non-Breaching Party") may provide written notice (a "Breach Notice") to the Breaching Party specifying the material breach. If the Breaching Party fails to cure such material breach during the ninety (90) day period following the date on which the Breach Notice is provided (or, if applicable, such longer period, but not to exceed one hundred and eighty (180) days, as would be reasonably necessary for a diligent party to cure such material breach, provided the Breaching Party has commenced and continues its diligent efforts to cure during the initial ninety (90) day period), then the Non-Breaching Party may terminate this Agreement on a Product-by-Product and country-by-country basis with respect to the Product and country to which the breach relates.

8.4 Continuing Rights of Sublicensees. Upon any termination of this Agreement, each sublicense previously granted by CollaGenex, or any of its Affiliates, to any Person that is not an Affiliate of CollaGenex (each, an "Independent Sublicensee") shall remain in effect and shall become a direct license or sublicense, as the case may be, of such rights by Skold to such Independent Sublicensee, subject to the Independent Sublicensee agreeing in writing to assume CollaGenex's terms, conditions and obligations to Skold under this Agreement as they pertain to the sublicensed rights. To the extent any Independent Sublicensee was obligated to pay any royalties or milestones to CollaGenex under the terms of the sublicense agreement with such Independent Sublicensee, CollaGenex shall be entitled to receive fifty percent (50%) of such royalty or milestone payments that are paid to Skold.

8.5 Effect of Termination.

(a) Termination by Skold for CollaGenex's Breach. In the event this Agreement is terminated by Skold for a material breach of CollaGenex pursuant to Section 8.3, on a Product-by-Product and/or country-by-country basis, as applicable, the following provisions shall apply:

(i) CollaGenex shall promptly return and/or provide to Skold all Confidential Information of Skold (or if such termination is only with respect to a Product and/or country, shall return and/or provide all Confidential Information with respect to such Product and/or country), provided that CollaGenex shall be entitled to retain a copy for archival purposes or as otherwise required by law;

(ii) all amounts due and payable hereunder by CollaGenex to Skold shall be immediately paid (or if such termination is only with respect to a Product, all amounts due and payable with respect to such terminated Product shall be immediately paid);

(iii) CollaGenex shall transfer to Skold without any payment the Purchased Assets and Additional Records relating to such terminated Product and/or country. Such transfer shall be accompanied by documentation, data and information related to the Purchased Assets that can be transferred by CollaGenex; provided that if the Purchased Asset relates to a Product or a country that is not being terminated, CollaGenex shall not transfer such Purchased Asset but shall grant to Skold an exclusive license with respect to such Purchased Asset in connection with such terminated Product and/or country; and

(iv) In the event that CollaGenex, pursuant to this Section 8.5, transfers its rights to the Purchased Assets to Skold, then CollaGenex's indemnification obligations pursuant to Section 7.1 shall survive for any Losses that arise from the development or commercialization of the Products before the date of transfer.

(b) Voluntary Termination by CollaGenex. If CollaGenex terminates this Agreement in whole, pursuant to Section 8.2, the following provisions shall be applicable:

(i) CollaGenex shall promptly return and/or provide to Skold all Confidential Information of Skold hereunder, provided that CollaGenex shall be entitled to retain a copy for archival purposes or as otherwise required by law;

(ii) CollaGenex shall, within six (6) months, discontinue sales of any then-existing terminated Product inventory, if not terminated by Skold for a material breach of CollaGenex pursuant to Section 8.3;

(iii) CollaGenex shall transfer to Skold the Purchased Assets and Additional Records relating to such terminated Products. Such transfer shall be accompanied by documentation, data and information related to the Purchased Assets that can be transferred by CollaGenex;

(iv) In the event that CollaGenex, pursuant to this Section 8.5, transfers its rights to the Purchased Assets to Skold, then CollaGenex's indemnification obligations pursuant to Section 7.1 shall survive for any Losses that arise from the development or commercialization of the Products before the date of transfer; and

(v) all amounts due and payable by CollaGenex to Skold shall be immediately paid.

(c) Termination by CollaGenex for Skold's Breach. In the event this Agreement is terminated by CollaGenex for a material breach of Skold pursuant to Section 8.3, on a Product-by-Product and/or country-by-country basis, as applicable, the following provisions shall apply:

(i) Skold shall promptly return and/or provide to CollaGenex all Confidential Information of CollaGenex hereunder (or if such termination is only with respect to a Product and/or country, shall return and/or provide all Confidential Information with respect to such Product and/or country), provided that Skold shall be entitled to retain a copy for archival purposes or as otherwise required by law;

CollaGenex shall no longer be required to pay any royalties or Sublicense Income payments to Skold.

(d) Accrued Rights; Surviving Obligations. Unless explicitly provided otherwise in this Agreement, termination, relinquishment or expiration of this Agreement for any reason shall be without prejudice to any rights, which shall have accrued to the benefit to any Party prior to such termination, relinquishment or expiration, including damages arising from any breach hereunder. Such termination, relinquishment or expiration shall not relieve any Party from obligations which are expressly indicated to survive termination or expiration of the Agreement, including, without limitation, those obligations set forth in Sections 4.8, 6.1, 6.2, 6.3, 6.6, 8.4, and 8.5 and Articles 7 and 9.

ARTICLE 9
MISCELLANEOUS

9.1 Dispute Resolution; Mediation. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination, or invalidity thereof (each, a "Dispute") shall first be referred by the Parties to their respective senior-level executives, or their designees, for attempted resolution through good faith negotiations. In the event that such persons cannot resolve the Dispute within thirty (30) days following either Party's written request to initiate such negotiations, either Party may, by written notice to the other, require that the Dispute be referred to non-binding mediation administered by the American Arbitration Association (the "AAA") in accordance with its then-current Commercial Mediation Rules. The presiding mediator shall have experience with disputes involving the technology that is the subject matter of this Agreement. The mediation shall be conducted in the English language and all mediation sessions shall be held in Philadelphia, Pennsylvania. The Parties shall each be responsible for one-half of any fees or other amounts payable to the AAA or the mediator, and each Party shall bear its own attorneys' fees and other expenses in connection with the mediation. If efforts at mediation are unsuccessful in resolving the Dispute within thirty (30) days after the first mediation session, either Party may pursue any and all legal or equitable remedies available to it, subject to the remaining provisions of this Agreement. The Parties agree that the procedures set forth in this paragraph shall be the sole and exclusive means of resolving any and all Disputes. Notwithstanding the foregoing and subject to the remaining provisions of this Agreement, either

Party may seek injunctive or other equitable relief in a court of competent jurisdiction pending the outcome of any negotiations or mediation conducted hereunder.

9.2 Assignment. This Agreement may not be assigned or otherwise transferred (in whole or in part, whether voluntarily, by operation of law or otherwise) by either Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld); provided, however, that either Party may assign this Agreement, in whole or in part, to any of its Affiliates provided that the assigning Party guarantees the performance of this Agreement by such Affiliate; and provided further, that either Party may assign this Agreement to a successor to all or substantially all of the assets or line of business to which this Agreement relates whether by merger, sale of stock, sale of assets or other similar transaction. This Agreement shall be binding upon, and subject to the terms of the foregoing sentence, inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns.

9.3 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

9.4 Force Majeure. Neither Party shall be liable to the other Party for loss or damages, or shall have any right to terminate this Agreement for any default or delay attributable to any Force Majeure, provided that the Party affected gives prompt notice of any such cause to the other Party. The Party giving such notice shall thereupon be excused from such of its obligations hereunder for so long as it is thereby disabled from performing such obligations; provided, however, that such affected Party promptly commences and continues to use its Commercially Reasonable Efforts to cure such disablement as soon as practicable.

9.5 Notices. Notices to Skold shall be addressed to:

Thomas Skold
Bjorno Gard
S-761 41 Norrtalje
Sweden
Facsimile No.: (0046) 176 22 4420

Notices to CollaGenex shall be addressed to:

CollaGenex Pharmaceuticals, Inc.
41 University Drive, Suite 200
Newtown, Pennsylvania 18940
United States of America
Attention: Chief Executive Officer
Facsimile No.: (001) 215 579 8577

Either Party may change the address to which notices shall be sent by giving notice to the other Party in the manner herein provided. Any notice required or provided for by the terms of this Agreement shall be in writing and shall be (i) sent by registered or certified mail, return receipt requested, postage prepaid, (ii) sent via a reputable overnight courier service, or (iii) sent by facsimile transmission, in each case properly addressed in accordance with the paragraphs above.

The effective date of any notice shall be the actual date of receipt by the Party receiving the same.

9.6 Amendment. No amendment, modification or supplement of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party.

9.7 Waiver. No provision of this Agreement shall be waived by any act, omission or knowledge of a Party or its agents or employees except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party.

9.8 Counterparts; Facsimile Signatures. This Agreement may be executed in counterparts and such counterparts taken together shall constitute one and the same agreement. This Agreement may be executed by facsimile signatures, which signatures shall have the same force and effect as original signatures.

9.9 Descriptive Headings. The descriptive headings of this Agreement are for convenience only, and shall be of no force or effect in construing or interpreting any of the provisions of this Agreement.

9.10 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to any choice of law provisions thereof. Each Party hereby submits itself for the purpose of this Agreement and any controversy arising hereunder to the exclusive jurisdiction of the state and federal courts located in the Commonwealth of Pennsylvania, and any courts of appeal therefrom, and waives any objection on the grounds of lack of jurisdiction (including, without limitation, venue) to the exercise of such jurisdiction over it by any such courts.

9.11 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any respect in any jurisdiction, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid, illegal or unenforceable provisions which valid provisions in their economic effect are sufficiently similar to the invalid, illegal or unenforceable provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such valid provisions. In case such valid provisions cannot be agreed upon, the invalid, illegal or unenforceable provisions of this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid, illegal or unenforceable provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid, illegal or unenforceable provisions.

9.12 Entire Agreement of the Parties. This Agreement hereby, together with the Schedules and Exhibits, constitute and contain the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements (including the Original Agreement) whether oral or written, between the Parties respecting the subject matter hereof and thereof; provided that nothing in this Agreement shall replace, supercede, cancel or modify any prior agreements or assignments between the Parties that have been filed with the United States Patent and Trademark Office.

9.13 Independent Contractors. The relationship between the Parties created by this Agreement is one of independent contractors and neither Party shall have the power or authority to bind or obligate the other except as expressly set forth in this Agreement.

9.14 Expenses. Unless otherwise provided herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party which shall have incurred the same and the other Party shall have no liability relating thereto.

9.15 No Third Party Beneficiaries. No person or entity other than the Parties hereto and their respective Affiliates, successors and permitted assigns shall be deemed an intended beneficiary hereunder or have any right to enforce any obligation of this Agreement.

9.16 No Strict Construction. This Agreement has been prepared jointly and shall not be strictly construed against either Party.

[Signature Page Immediately Follows]

IN WITNESS WHEREOF, duly authorized representatives of the Parties have duly executed this Agreement as of the Effective Date.

THOMAS SKOLD

By: _____
Name: Thomas Skold

COLLAGENEX PHARMACEUTICALS INC.

By: _____
Name: Colin Stewart
Title: Chief Executive Officer and President

SCHEDULE 1.22

Patent Rights

The following Patent Rights have been previously assigned by Skold to CollaGenex. Skold's representations, warranties, covenants and obligations set forth herein shall also apply to such previously assigned Patent Rights, including those obligations set forth in Sections 2.5 and 5.2 of the Agreement.

- Provisional application filed on March 13, 2002 (Application Serial No. 60/365,059)
- U.S. Application Serial No. 10/388,371 filed on March 13, 2003
- International application Serial No. PCT/US03/07752 filed on March 13, 2003

IN THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

DOCKET NO. 17-3148

DOCKET NO. 17-3231 (CROSS-APPEAL)

THOMAS SKÖLD,
Appellant

v.

GALDERMA LABORATORIES, L.P.; GALDERMA LABORATORIES, INC.; GALDERMA, S.A.; AND NESTLE SKIN HEALTH CARE, S.A.,
Appellees

APPEAL FROM THE ORDER AND FINAL JUDGMENT ENTERED ON AUGUST 29, 2017 BY THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, IN CIVIL ACTION NO. 14-CV-5280 (BEETLESTONE, J.)

BRIEF OF APPELLANT

Michael D. LiPuma, Esq.
LAW OFFICE OF MICHAEL LIPUMA
Attorney I.D. No. 74790
325 Chestnut Street
Suite 1109
Philadelphia, PA 19106
(215) 922-2126
Attorney for Appellant

Dated: February 26, 2018

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JURISDICTIONAL STATEMENT

The District Court had subject matter jurisdiction over this action pursuant to 28 U.S.C.A. § 1331 and 28 U.S.C.A. §§ 1338(a) and (b), because the action arises under the Lanham Trademark Act, 15 U.S.C.A. §§ 1051, *et seq.*

Pursuant to 28 U.S.C.A. § 1291, this Court has jurisdiction to consider an appeal following the final judgment of the District Court, which was entered on August 29, 2017, and which disposed of all claims among all parties to this action. Appellant Sköld's Notice of Appeal was filed on September 28, 2017. The appeal is timely under F.R.A.P. 4(a)(1)(A).

STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Because Appellees have infringed Sköld's identical trademark, on the same type of product in precisely the same channel of commerce, did the trial court err in failing to direct a verdict that Sköld had established a likelihood of confusion of consumers?

This issue was raised in Sköld's Proposed Jury Instructions (JA01949, 1988-1989 (Proposed Point No. 23)).[1] The trial court rejected this proposed Jury Instruction at the charging conference (JA860--"Your point number 23 is deleted"). Sköld raised this issue again in his Post-Trial Motion (JA2089, 2094). The Court ruled against him. (JA4-7; JA13; JA34-37).

2. Whether the trial judge erred in failing to order a new trial because the jury's finding, that Sköld had not shown a likelihood of confusion, was against the weight of the evidence?

Sköld raised this issue in his Post-Trial Motion (JA2089, 2091-2094). The trial court ruled against him. (JA4-7; JA13, 34-39).

3. Whether the trial court erred in not ordering a new trial on Sköld's false advertising claim, where the jury's finding, that Sköld had not established that Appellees' use of the trademark had the capacity to deceive consumers, was

[1] Sköld had also raised this issue before trial, in the earlier set of Proposed Jury Instructions he submitted. (JA1860, 1893).

against the weight of the evidence, and cannot be reconciled with the jury's finding that Appellees' use of the trademark was false and misleading?

Sköld raised this issue in his Post-Trial Motion. (JA2089, 2095-2096). The trial court ruled against him. (JA4-7; JA13, 37-41).

4. Whether the trial court erred in denying Sköld's request for an injunction barring the Appellees' continued infringement and unjust enrichment?

Sköld raised this issue in his Request to Enter Judgment (JA2051-2055), and again in his Post-Trial Motion. (JA2089, 2098-2100). The trial court ruled against him. (JA1437-1432; *see also* JA4-7; JA13 and JA45-46).

5. Whether the trial court erred in denying Sköld's request for a declaration of his exclusive rights to his trademark?

Sköld raised this issue in his Request to Enter Judgment (JA2051-2055), and again in his Post-Trial Motion. (JA2089, 2097-2098). The trial court granted only limited declaratory relief, and denied the remainder of Sköld's request for declaratory relief. (JA4-7; JA13, 46-47; JA1437-1432).

6. Whether the trial court erred in not ordering a new trial on the issue of damages, where the trial court erroneously found that only Galderma's sales within the United States, and not its foreign sales, could be used to prove the amount of money damages that Galderma should have to pay?

This issue was first raised by Appellees in their Motion In Limine "to preclude plaintiff from relying on or referencing foreign use of the mark at trial." (JA01830-1852). Sköld opposed this Motion in Limine (JA1853, 1855-1858). Appellees raised the issue again in their Pretrial Brief (JA1919, 1922-1926), and Sköld again opposed this request (JA1945-1948). By Order dated June 24, 2016, the trial court ruled in Appellees' favor (JA3). The trial court further confirmed its preclusion of evidence of foreign sales, by clarifying, on the record, that Exhibits 104 and 119, which originally referenced Appellees' worldwide sales of products, had been redacted (to exclude any reference to foreign sales). (JA542:12-25; *see also* JA2105-2106 (redacted and unredacted versions of Trial Exhibit 104)).

STATEMENT OF RELATED CASES AND PROCEEDINGS

To the best of Sköld's knowledge, there are no other court proceedings relating to this case. This case has not been previously presented to the Court of Appeals on any issue. There is a trademark cancellation action between Appellant Sköld and Appellee Galderma Laboratories, Inc., related to the trademark at issue, pending before the United States Trademark Trial and Appeal Board, at Case No. 92052897. That trademark cancellation action is currently suspended pending final determination of the instant action.

STATEMENT OF THE CASE

A. Sköld's Restoraderm Technology and Trademark.

Plaintiff Thomas Sköld is an inventor and entrepreneur, who has worked in the pharmaceutical industry since 1994. The focus of Sköld's work has been on skin care technologies. (JA118:17-JA121:5). In the summer of 2001, Sköld coined and established the name "Restoraderm" for his technology and, beginning in August 2001, Sköld consistently used that mark to identify, market, and promote his technology and products. (JA121:9-12; JA123:10-18; JA125:15-126:10; JA193).

In 2001, Sköld authored papers identifying and explaining his Restoraderm technology. (JA1472; JA1473; JA1826; JA194:3-JA210:25) (Sköld testimony explaining papers). In 2001 and 2002, Sköld distributed those papers within the dermatology community, including in Sweden and in the United States. (*Id.*). Sköld also distributed the papers in 2001 to companies who were potential commercial development partners for his Restoraderm technology. (JA204:10-JA205:16). Sköld presented one of the papers at the January 2002 Caribbean Dermatology Symposium, which was attended by doctors, academics, and pharmaceutical industry personnel. (JA207:25-JA210:25; JA1744, 1753 (Sköld Interrogatory Answers)). At the 2002 Dermatology Symposium, Sköld also distributed samples of his product, in a can labeled "Restoraderm." (JA210:8-25).

In Sköld's conversations with other conference attendees about his product, Sköld referred to his technology and products as "Restoraderm." (JA211:1-7).

In 2001, Sköld met with several potential business partners to discuss the possibility of working together to commercially develop Restoraderm products. The companies with whom Sköld met to discuss Restoraderm were Johnson & Johnson, together with its affiliates Ortho and Neutrogena. (JA368:11-JA370:24). Sköld also communicated with Medicis Pharmaceutical Corp., Allergan, and others, and discussed the potential commercial development of Restoraderm. (*Id.* *See also* JA1744, 1752-1753).

B. Sköld's Agreements With CollaGenex/Galderma.

1. Sköld's dealings with CollaGenex Before Its Sale To Galderma.

One of the potential business partners with whom Sköld met in 2001 was CollaGenex. (JA0309). CollaGenex was a specialty pharmaceutical company focused on dermatology. (JA1696, 1697). In late 2001 or early 2002, Sköld presented CollaGenex with samples of Restoraderm, which were in white aerosol containers labeled "Restoraderm," and from which actual product could be applied to the skin. (JA371:24-JA373:18) (testimony of Jeffrey Day, a former executive of CollaGenex). Sköld thus presented "an actual product that [CollaGenex] felt and smelled and touched and everything else." (JA387:21-23).

On February 12, 2002, Sköld and CollaGenex signed a Co-Operation, Development and Licensing Agreement (the "2002 Agreement"). (JA01457-1471). Under the 2002 Agreement, the parties agreed to work together to commercialize products using Restoraderm. (*Id. See also* JA1455-1456 (letter of intent) and JA375:20-JA376:7). When Sköld and CollaGenex entered into the 2002 Agreement, CollaGenex understood that the Restoraderm trademark and technology belonged to Sköld, and that CollaGenex was acquiring those assets. (JA374:11-375:13). When they entered into the 2002 Agreement, both CollaGenex and Sköld understood that the Restoraderm name and Restoraderm technology were linked, and CollaGenex never considered developing products that used the Restoraderm name without using the Restoraderm technology, or vice versa. (JA376:8-JA377:7; JA136:5-16). When Sköld and CollaGenex entered into the 2002 Agreement, CollaGenex further understood that it was required to return the Restoraderm name and technology to Sköld if CollaGenex could not fulfill its obligations to commercially develop Restoraderm products. (JA375:20-JA376:7; JA132:23-JA133:4).

The scope of the 2002 Agreement was worldwide, and Sköld would receive a royalty for Restoraderm products sold anywhere in the world. (JA277:17-22; *see also* 2002 Agreement, JA1457, 1458-1459, at ¶¶1.8 and 1.12). With Sköld's cooperation, CollaGenex later applied for and received a U.S. trademark

registration for "Restoraderm" for use in this joint project. (JA130:25-JA131; JA134-136). CollaGenex also obtained a patent application for the Restoraderm product, using Sköld's original outline. (JA1709).

CollaGenex and Sköld took steps to establish the efficacy of the Restoraderm technology. Together, they entered into an agreement with a third-party drug manufacturer to conduct a feasibility study involving Restoraderm (JA1499; JA01500, 1503 (referring to Restoraderm)), and CollaGenex announced in a press release that the parties would develop a topical formulation for a new product, based on the "Restoraderm topical drug delivery technology." (JA1696-1698). CollaGenex and Sköld also commissioned a study that demonstrated a Restoraderm product was a more effective treatment than competing products. (JA1587-1605).

In 2004, at CollaGenex's request, Sköld and CollaGenex replaced the 2002 Agreement with an Asset Purchase and Product Development Agreement dated August 19, 2004 (the "2004 Agreement"). (JA132; JA137:12-21; JA1474-1498 (2004 Agreement)). The 2004 Agreement was drafted by CollaGenex. (JA141:20-25). The 2004 Agreement terminated the 2002 Agreement. (JA1474 (2002 Agreement at 2d "Whereas" clause); JA1495 at ¶9.12; *see also* JA188:22-JA189:2). When the 2002 Agreement was terminated, Sköld's assets, including the Restoraderm trademark and technology, reverted back to him; then, as part of

the 2004 Agreement, Sköld transferred the Restoraderm trademark and technology back to CollaGenex. (*Id.*). Thereafter, all rights and obligations between Sköld and CollaGenex were defined solely by the 2004 Agreement. (JA188:22-JA190:13).

Under the 2004 Agreement, Sköld transferred to CollaGenex enumerated "Purchased Assets," including: "(a) the Restoraderm Intellectual Property; (b) the Books and Records relating to Restoraderm Intellectual Property; (c) all rights and claims of Sköld and its Affiliates against Third Parties relating to the Purchased Assets, choate or inchoate, known or unknown, contingent or otherwise; and (d) all goodwill, if any, relating to the foregoing." (JA1479 at ¶2.1). The definition of "Restoraderm Intellectual Property" included all patents, know-how, and rights to sue and recover damages or injunctions for infringement, misappropriation, or breach of patents or know-how." (JA1478 at ¶1.20). The definition of "Restoraderm Intellectual Property" did *not* include trademarks. Instead, trademarks were transferred to CollaGenex under the "goodwill" provision of Section 2.1(d) of the 2004 Agreement. (JA145:9-152:21; JA1819, 1820).

Before Sköld signed the 2004 Agreement, CollaGenex's lawyer explicitly confirmed to him that the Restoraderm trademark was included among the "Purchased Assets" to be transferred to CollaGenex under the 2004 Agreement, as part of "goodwill." (*Id.*). In 2008, CollaGenex's then-counsel again confirmed

that the Restoraderm trademark was one of the assets that Sköld had transferred to CollaGenex as part of the 2004 Agreement. (JA155:16-JA159:1; *see also* JA1688, 1691 (implying that the trademark was among the transferred assets)). No one from CollaGenex ever suggested that trademarks were not part of the 2004 Agreement. (JA155:16-JA159:1). If CollaGenex voluntarily terminated the 2004 Agreement, then CollaGenex was required to return the previously-transferred assets back to Sköld. (JA1474, 1491-1493 at ¶8.5; JA159:17-JA161:9). The duty to return to Sköld the previously-transferred assets included the duty to return the Restoraderm trademark. (*Id. See also* JA158:12-JA160:13).

Under the 2004 Agreement, CollaGenex agreed to use its reasonable efforts to develop at least five commercial products using the Restoraderm technology (JA01482 at ¶3.4; JA01477 at ¶1.17 (definition of "Product" as "a product incorporating the Restoraderm Technology")). Sköld also entered into a Consulting Agreement with CollaGenex "regarding the Restoraderm Technology." (JA01480 at ¶2.5). CollaGenex was to pay to Sköld certain amounts based on development milestones. (JA01483 at ¶4.1). Once the products were ready for commercial sale, CollaGenex further agreed to pay Sköld "a five percent (5%) royalty on Net Sales of Products" using Restoraderm technology. (JA01483 at ¶4.2). The scope of the 2004 Agreement was worldwide. (JA277:8-22).

Sköld and CollaGenex worked together for several years toward the commercialization of both prescription and over-the-counter products using the Restoraderm technology. By 2007, CollaGenex had developed and demonstrated the stability of more than five over-the-counter Restoraderm-based products. (JA1688, 1690, 1693). However, before the products had gone through clinical trials, CollaGenex was purchased by Galderma.

2. Galderma Steps Into The Shoes Of CollaGenex.

Galderma is a large, Swiss multinational pharmaceutical conglomerate specializing in products to treat various skin conditions. (*See* www.galderma.com). Galderma is one of the largest skin care product companies in the world (JA463:23-JA464:6). Galderma has approximately 5,000 employees worldwide, and its global reveneus are around $2.5 billion annually. (*Id.*). Galderma acquired CollaGenex in March 2008, thereby stepping into the shoes of CollaGenex under the 2004 Agreement. (JA223:11-18; JA640:8-13; JA1494 at ¶9.2 (clause providing that 2004 Agreement is binding on successors)). Among other products, Galderma sells a line of moisturizers called Cetaphil. (JA601:24-JA602:6).

C. Galderma Actively Concealed From Sköld Its Intent To Misappropriate His Trademark.

In September 2008 and September 2009, after acquiring CollaGenex, Galderma conducted analyses of Sköld's Restoraderm trademark and technology.

(JA1787; JA1632). In its September 2008 analysis, Galderma proposed using the Restoraderm name as a brand name for products using technology other than Sköld's technology. (JA1798). The 2008 analysis further identified Restoraderm as a "good marketing brand name." (JA1792). In its September 2009 analysis, Galderma specifically noted that the Restoraderm name "fits well with the concept of barrier repair/restoration," and that the name "implies barrier repairing/restoring and is appreciated by the HCP [health care professional] community." (JA1649). The September 2009 analysis went on to recommend that the Restoraderm name could be used in communications with "HCP" (i.e., health care professionals) "to support the concept of skin integrity in the two moisturizers thanks to specific technologies used." (*Id.*).

In January or February of 2009, Galderma's Chief Executive Officer, Humberto Antunes, made the decision to use Sköld's Restoraderm trademark on Galderma's own over-the-counter products. (JA465:18-JA466:25; JA641:19-JA643:15). Galderma senior management informed Galderma employees, including Cindy Wright (nee Kee), who was Galderma's senior brand manager (JA433:14-20), that Galderma intended to start using the Restoraderm name on Galderma's own products, because of the decision made by the CEO. (JA436:13-23; JA439:9-16). Ms. (Kee) Wright admits that the Restoraderm trademark is an "important" part of the advertising and promotion for Galderma's Cetaphil

Restoraderm products (JA620:10-13), and that the Restoraderm mark "medicalize[s]" the products. (JA439:1-8). Galderma also admits that the Restoraderm trademark is "effective in helping to market" Galderma's Cetaphil products (JA413:13-22), and that Galderma's Cetaphil Restoraderm has been a commercial success (JA616:10-13).

No one from Galderma ever informed Sköld that Galderma had made the decision to use the Restoraderm trademark on Galderma's own products, without using Sköld's Restoraderm technology. (JA413:1-5; JA355:13-19; JA246:3-15). Nor was Sköld aware of the analyses that Galderma had conducted as to the strength of his Restoraderm trademark. (JA246:3-15). In fact, in June 2009, after Sköld heard a rumor that Galderma intended to use Sköld's Restoraderm trademark without using his technology, Sköld confronted Quentin Cassidy, Galderma's General Counsel. (JA239:13-JA242:19; *see also* JA1628-1629). Cassidy denied the rumor and told Sköld that he "shouldn't take any notice of" it. (JA241:21-JA242:19). But in January or February of 2009, Galderma had already decided to do just what the rumor suggested: use Sköld's Restoraderm trademark on Galderma's own products, rather than on products using Sköld's technology. (JA465:18-JA466:25).

During the period from 2008 through 2010, Sköld met or communicated multiple times with Galderma management about the status of the parties'

relationship; in all of these interactions, Galderma never once disclosed to Sköld that Galderma intended to use the Restoraderm trademark on Galderma's own products. (JA231:6-JA232:11; JA251:24-JA253:12; JA258:11-JA260:6; JA163:6-JA164:3; JA1616, 1618, 1659). On November 27, 2009, at a meeting in Stockholm, Sweden, Galderma's licensing director, Chris DeBruyne, informed Sköld that Galderma was terminating the 2004 Agreement. (JA161:10-12). Galderma confirmed its intent to terminate the 2004 Agreement in a letter that DeBruyne handed to Sköld at their in-person meeting. (*Id.*; *see also* JA1661). Sköld understood that the Restoraderm trademark was one of the purchased assets that Galderma was required to return to him upon termination. (JA171:9-17).

On or about December 1, 2009, a few days after receiving Galderma's notice of termination, Sköld sent to Galderma a list of the assets that Galderma was required to return to Sköld under the terms of the 2004 Agreement. (JA164:12-21; JA169:6-JA173:7; *see also* JA1662, 1664). Sköld's list of items to be returned expressly identified "[a]ny trademark." (JA1664). Galderma never disputed Sköld's written request for the return of the trademark. (JA169:6-JA173:7; JA251:1-7; JA358:3-25).

Even after Galderma made a self-described "little comment" to Sköld in February 2010, asking him to refrain from using the trade name, Galderma continued to negotiate with Sköld about the possibility of continuing to do business

together, and Galderma still never informed Sköld that Galderma did not intend to return the trademark to him. (JA248:24-JA251:7; JA251:24-JA253:12; JA671:23-JA672:1; JA1670). In fact, just a few months after Galderma sent Sköld its "little comment," Galderma met with Sköld in Paris to continue discussing the possibility of doing business together; at this May 2010 meeting, Galderma continued to conceal from Sköld that Galderma was not going to return his trademark, and that Galderma had already made the decision to launch its own products using the Restoraderm trademark. (JA251:24-JA253:12).

On September 14, 2010, Galderma issued a press release announcing that the company was launching products bearing the Restoraderm mark. (JA1674-1675). This was the first time Sköld realized that Galderma had misled him about Galderma's intentions with respect to the Restoraderm trademark. (JA260:13-JA261:23). Prior to Sköld seeing the September 14, 2010 press release, no one from Galderma had ever said that Galderma was launching a product line called Cetaphil Restoraderm. (*Id.*).

D. Galderma's Ongoing Infringement of Sköld's Mark.

Since 2010, Galderma has made and sold products displaying the Restoraderm trademark. (JA1674). The two products that Galderma has sold are its "Cetaphil Restoraderm Skin Restoring Body Wash" and "Cetaphil Restoraderm Skin Restoring Moisturizer." (*Id. See also* JA1769-1772 (product descriptions)).

Galderma has sold, and continues to sell, its Restoraderm products worldwide. (JA468:4-23). Galderma admits that through trial, it had sold $56 million in Restoraderm products just in the United States (JA735:16-21; *see also* JA1701 (redacted summary of U.S. sales figures)).[2] Galderma did so at a profit margin of 21%. (JA419:14-24). The trademark that Galderma has used on its products, "Restoraderm," is exactly the same as Sköld's trademark, "Restoraderm." (JA1695 and JA1769-1772) (visual depiction of Cetaphil Restoraderm products)). Galderma has sold its Restoraderm products in precisely the same channel of commerce where Sköld has used and intends to continue using his Restoraderm trademark: as an over-the-counter skin care product. (JA1674; JA1769-1772. *See also* JA1179 and JA1221 (Defendants' admission, in response to paragraph 47 of the Amended Complaint, that both Galderma's Restoraderm product and Sköld's Restoraderm product are aimed at the treatment of dermatitis)).

At the 2011 international dermatalogical conference held annually in the Caribbean, approximately 20 people associated with the dermatology industry approached Sköld to congratulate him on the launch of Restoraderm products, mistakenly believing that Sköld was the source of the Restoraderm products, rather than Galderma. (JA272:20-274:7). In addition, researchers who intended to analyze Sköld's Restoraderm product ordered samples of Galderma's Restoraderm

[2] As noted below, Sköld has appealed the decision of the trial court to exclude evidence of foreign sales. That proffered evidence would show over $110 million in worldwide sales through 2015 (inclusive of the $56 million in U.S. sales) (*compare* JA2105 and JA2106 (redacted and unredacted versions of sales summaries)).

product by mistake (JA274:8-22; *see also* JA1756) (reference to Konrad Engelhardt)), and Sköld had to frequently clarify the confusion of people in the dermatological industry who were confused over the ownership of the Restoraderm trademark. (JA276:15-277:2; *see also* JA1756).

Since Sköld learned that Galderma would not return the Restoraderm trademark to him, he has wanted to use the Restoraderm trademark himself, but cannot do so because of the confusion over the ownership and source of the Restoraderm trademark. (JA276:15-277:2 (Sköld: because of the questions over ownership, potential industry allies "didn't want to touch me with the situation I had with Galderma..."); *see also* JA1756 ("Various companies did not feel comfortable discussing business with Sköld about RESTORADERM and RESTORADERM technology given Galderma's use of the trademark.")). Galderma has opposed Sköld's trademark application for the mark "Restoraderm Lipogrid" (JA286:5-287:2; JA455:10-13), and Galderma has further contested Sköld's petition for cancellation of Galderma's registration of the Restoraderm trademark, which action is currently pending before the Trademark Trial Appeal Board, at Cancellation Proceeding No. 92052897. (JA1034) (Galderma's Motion to Dismiss the instant action, describing its challenge to Sköld's TTAB action).

Sköld is currently working with a company called Ferndale, and with another company previously known as Intraderm Oculus, to develop products

using Sköld's Restoraderm technology. (JA289:2-292:2). The product developed with Intraderm Oculus, which treats eczema, is based on Sköld's Restoraderm technology and was launched into the marketplace in April 2016. (*Id.*). However, because of Galderma's actions, Sköld cannot use his Restoraderm trademark to identify those type of products---though Sköld would do so if he could. (*Id.*).

On November 17, 2014, just after Sköld filed this lawsuit, Galderma altered the packaging on its Cetaphil Restoraderm products in an attempt to make the reference to "Restoraderm" less prominent. (JA1685-1687 (Nov. 17, 2014 Press Release); *see also* JA1764 (showing change between old and new bottle designs)). Galderma hid this change from its own expert in this lawsuit. (JA758:3-759:16). Notwithstanding this change, the infringing mark Restoraderm still appears prominently on Galderma's packaging and marketing. (JA1764).

E. Procedural History Of This Action And Identification Of Rulings To Be Reviewed.

This action was commenced by the filing of a Complaint on September 15, 2014. (JA974). A motion to dismiss was granted in part and denied in part on April 17, 2015. (JA1137-1169). An Amended Complaint was filed, with permission of the Court, on October 15, 2015, and was answered by the Appellees on October 30, 2015. (JA1172 and JA01217). On January 4, 2016, the trial court denied Appellees' Motion for Summary Judgment. (JA1318; JA1338 (Opinion)).

On June 24, 2016, the trial court granted Appellees' Motion in Limine, and precluded Sköld from relying on or referencing foreign use of the mark at trial. (JA3). The jury trial began on June 27, 2016 (JA48).

Both prior to trial and then again at the close of evidence, Sköld asked the trial court to instruct the jury that, under the circumstances of this case, they were required to find that there is a likelihood of confusion. (JA1860, 1893; JA1949, 1988-1989 (Proposed Point No. 23)). The trial court refused to give this instruction, instead instructing the jury to consider the various factors set forth in *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3d Cir. 1983). (JA942-943).

The jury returned a verdict on July 5, 2016. (JA8-12). The jury found that Sköld had proved that he is the rightful owner of the Restoraderm trademark, but found no likelihood of confusion and, hence, no liability on the claims for trademark infringement and unfair competition. (*Id.*). The jury found that Galderma's use of the Restoraderm name on its Cetaphil products was false or misleading, but that Galderma's use of the name did not deceive, or have the capacity to deceive, a substantial segment of customers in the marketplace and, hence, found no liability for false advertising. (*Id.*). The jury found that the Appellees were required, under the 2004 Agreement, to transfer the Restoraderm trademark to Sköld following the termination of that agreement, but also found that Sköld knew, or reasonably should have known before September 14, 2010,

that the Appellees did not intend to return the trademark to him. (*Id.*). Finally, the jury found that the Appellees were unjustly enriched by the use of Sköld's Restoraderm trademark, establishing liability on that claim. (*Id.*).

The jury found that a reasonable royalty for the use of the trademark was $560,000; and that Appellees had earned profits in the amount of $58,800 attributable to their illegal use of the trademark. (*Id.*). Finally, the jury found that the Appellees' conduct in connection with the Restoraderm trademark was outrageous, and awarded punitive damages in the amount of $550,000. (*Id.*).

On July 11, 2016, Sköld filed his Request for Entry of Judgment, which requested that the trial court enter his proposed form of Judgment. Sköld's proposed Judgment included declaratory and injunctive relief. (JA2051). Appellees objected to Sköld's request, and submitted their own proposed form of Judgment. (JA1410). The trial court initially entered judgment on March 1, 2017 (JA1437). On March 29, 2017, Sköld filed a Post-Trial Motion seeking Judgment as a Matter of Law and/or a New Trial (JA2089). By Order dated August 29, 2017, this was denied in relevant part by the trial court.[3] (JA004-05). The trial court also denied in relevant part Appellees' Motion for Judgment As A Matter of Law and/or For New Trial (JA0004). The trial court entered a final judgment on August 29, 2017 (JA0006-12 and JA00013-47). This timely appeal followed.

[3] The trial court did grant Sköld's motion for declaratory relief on his unjust enrichment claim (JA0004), but only to a limited extent (JA0007).

(JA00001). Appellees have cross-appealed the denial of their Motion for Judgment as a Matter of Law and/or for New Trial. (JA2107).

SUMMARY OF THE ARGUMENT

The threshold issue on this appeal is simple. The jury found that Appellant Sköld is the rightful owner of the Restoraderm trademark. Galderma has been using the identical mark, on the same type of products developed by Sköld, in precisely the same channel of distribution. The jury found that this conduct by Galderma was false, misleading, and outrageous. Yet the jury did not find that this conduct by Galderma created a likelihood of confusion in this "reverse confusion" case.

Because the mark used by Sköld and the mark used by Galderma are one and the same, then once the jury found that Sköld was the rightful owner of that mark, the trial court should have directed the jury to find a likelihood of confusion. Under *Interpace Corp. v. Lapp Inc.*, 721 F.2d 460 (3d Cir. 1983), the trial court's failure to do so was clear error, and this Court should direct the trial court to enter judgment in favor of Sköld on his trademark claims (or, at the very least, to avoid a miscarriage of justice by setting aside the verdict and ordering a new trial on this issue, because each *Lapp* factor either clearly favors Sköld or is neutral).

Because the jury should have been instructed to find a likelihood of confusion, thus establishing Sköld's claims for infringement, the trial court also erred by not granting Sköld's request for injunctive and declaratory relief. Sköld,

however, was entitled to such equitable relief even solely on the basis of the unjust enrichment claim upon which he has already prevailed.

Besides failing to grant such equitable relief, the trial court applied an incorrect legal standard by holding that the only source of Galderma's unjust enrichment was its U.S. sales of the infringing products, and that Skold could not present evidence of Galderma's foreign sales to prove the amount by which Galderma was unjustly enriched. Therefore, as to both the merits and remedies, this Court should reverse the trial court.

ARGUMENT

I. Sköld Demonstrated A Likelihood of Confusion, And Is Entitled To Judgment In His Favor On His Trademark Infringement Claim and Unfair Competition Claim Or, At The Least, A New Trial On This Issue.

A. Standard or Scope of Review.

1. Denial Of Motion For Judgment As A Matter Of Law.

The Court of Appeals exercises plenary review of an order denying a motion for judgment as a matter of law and applies the same standard as the trial court. *Norman v. Elkin*, 860 F.3d 111, 122, n.13 (3d Cir. 2017); *Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1166 (3d Cir. 1993). Such a motion should be granted if, viewing the evidence in the light most favorable to the nonmovant and giving it the advantage of every fair and reasonable inference, there is insufficient evidence to support the jury's verdict. *Lightning Lube,* 4 F.3d at 1166.

2. Failure To Order New Trial On The Ground That The Verdict On Likelihood of Confusion Was Against The Weight Of The Evidence.

The trial court has the discretion to grant a new trial where "the great weight of the evidence cuts against the verdict and . . . []a miscarriage of justice would result if the verdict were to stand." *Leonard v. Stemtech Int'l Inc.*, 834 F.3d 376, 386 (3d Cir. 2016), quoting *Springer v. Henry*, 435 F.3d 268, 274 (3d Cir. 2006) (internal quotation marks omitted).

The Court of Appeals reviews the decision for abuse of discretion. *Greenleaf v. Garlock, Inc.*, 174 F.3d 352, 365-66 (3d Cir. 1999). Where there is no rational explanation for the jury's failure to find the appellees liable, the verdict should not be allowed to stand. *Id.* at 367.

B. The Likelihood Of Confusion Has Been Clearly Established.

Sköld's claim for trademark infringement required him to prove that (1) the mark is valid and legally protectable; (2) Sköld owned the mark; and (3) the Appellees were using the mark, without Sköld's consent, in a manner that was likely to create confusion concerning the source, sponsorship, affiliation, or approval of the goods or services. *E.T. Browne Drug Co. v. Cococare Products, Inc.*, 538 F.3d 185, 191 (3d Cir. 2008); *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 470 (3d Cir. 2005).

As for the first two points, the existence of a valid and legally protectable mark was undisputed,[4] and the jury found that Sköld was the legal owner of the Restoraderm mark. (JA0008). There was also no dispute that Appellees were using the mark in commerce without Sköld's consent. Thus, the only remaining question was whether Appellees' use of the identical mark, on the same type of product, was likely to create confusion among the consuming public.

[4] Indeed, Galderma could not contend otherwise because both Galderma and Galderma's predecessor, CollaGenex, have taken that position in their applications in the U.S. Patent and Trademark Office to register the trademark. *See, e.g., MNI Mgmt., Inc. v. Wine King, LLC*, 542 F.Supp. 2d 389, 409 (D.N.J. 2008).

On this point, proof of actual confusion was not required; the law requires instead a plaintiff show a likelihood of confusion. *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 (3d Cir. 1994). Such a likelihood exists "when consumers viewing the mark would *probably* assume that the product or service it represents is associated with the source of a different product or service identified by a *similar* mark." *Pappan Enterprises, Inc. v. Hardee's Food Sys., Inc.*, 143 F.3d 800, 804 (3d Cir. 1998) (emphasis added), quoting *First Keystone Fed. Sav. Bank v. First Keystone Mortgage, Inc.*, 923 F. Supp. 693, 703-04 (E.D. Pa. 1996); *Sabinsa Corp. v. Creative Compounds, LLC*, 609 F.3d 175, 182 (3d Cir. 2010). Likelihood of confusion is evaluated from the perspective of ordinary consumers, not from the more sophisticated perspective of people in the trade. *PB Brands, LLC v. Patel Shah Indian Grocery PB Brands, LLC*, 331 Fed. Appx. 975, 979 (3d Cir. 2009).

This action presents a "reverse confusion" case. As this Court has explained:

> "Reverse confusion occurs when a larger, more powerful company uses the trademark of a smaller, less powerful senior owner and thereby causes likely confusion as to the source of the senior user's goods or services. Thus, the "junior" user is junior in time but senior in market dominance or size. 'In reverse confusion, the junior user saturates the market with a similar trademark and overwhelms the senior user. The public comes to assume the senior user's products are really the junior user's or that the former has become somehow connected to the

> latter. The result is that the senior user loses the value of the trademark – its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.
>
> Without the recognition of reverse confusion, smaller senior users would have little protection against larger, more powerful companies who want to use identical or confusingly similar trademarks. The logical consequence of failing to recognize reverse confusion would be the immunization from unfair competition liability of a company with a well-established trade name and with the economic power to advertise extensively for a product name taken from a competitor. If the law is to limit recovery to passing of, anyone with adequate size and resources can adopt any trademark and develop a new meaning for the trade mark as identification of the second user's products.' (citing *Fison's Horticulture* at 474-475) (citations and internal brackets omitted)).
>
> Thus, the doctrine of reverse confusion is designed to prevent...a larger, more powerful company usurping the business identity of a smaller senior user."

Freedom Card, 432 F.3d at 471-72 (citations omitted). That is precisely what happened in this case.

Lapp set forth ten factors which have been accepted by this Court as generally relevant to the determination of likelihood of confusion. *Lapp*, 721 F.2d at 462-63. More recently, this Court adapted those factors as appropriate to a case involving reverse confusion. *Freedom Card, Inc.*, 432 F.3d at 472-474. Not all of the *Lapp* factors are relevant in a given case, and they will be given different weight depending on the factual setting. *A&H Sportswear, Inc. v. Victoria's Secret*

Stores, Inc., 237 F.3d 198, 215 (3d Cir. 2000); *Fisons Horticulture*, 30 F.3d at 476, n.11; *PB Brands, LLC v. Patel Shah Indian Grocery*, C.A. No. 07-4394, 2008 WL 2622846 at *3, n.8 (D.N.J. June 27, 2008), *aff'd*, 331 Fed. Appx. 975 (3d Cir. 2009) (in circumstances of case, the first two *Lapp* factors are entitled to the greatest weight). When the "similarity" of the marks is clear, "both precedent and commonsense counsel that" this factor takes on great prominence. *A&H Sportswear, Inc.*, 237 F.3d at 214. Indeed, the similarity of the mark is the one factor which is given greater weight than all of the others. *Fisons Horticulture*, 30 F.3d at 476, n.11. Applying the *Lapp* factors to the facts of this case can lead to only one possible conclusion: there is a clear likelihood of confusion.

1. The Degree Of Similarity Between The Owner's Mark And The Infringing Mark (*Lapp* Factor 1).

The single factor of "degree of similarity" is considered more important than any of the other *Lapp* factors. *Sabinsa Corp. v. Creative Compounds, LLC*, 609 F.3d 175, 183 (3d Cir. 2010); *Fisons Horticulture*, 30 F.3d at 476, n.11; *A&H Sportswear*, 237 F.3d at 216; *Ford Motor Co. v. Summit Products, Inc.*, 930 F.2d 277, 293 (3rd Cir. 1991); *PB Brands*, 331 Fed. Appx. at 979. The trial court recognized that the marks in this case are identical, but gave no special weight to this factor in the absence of concurrent use. (JA0036-37). This was clear error.

It makes little sense, in the circumstances of this case, to talk about "similarity" of marks, and even less to talk about a "degree" of similarity.

Appellees have not simply used a mark which is evocative of Sköld's mark. They haven't simply happened to use the same English word, as in *Fisons Horticulture.* They did not both happen to use the same family name, as in *Lapp*. Appellees claimed, wrongly, that they were the owners of *this* mark, which had been created by Sköld to be used in association with his drug delivery technology; Appellees have made no attempt to disguise their usurpation and use of *this* mark. The marks are not "similar;" and they are not even "substantially" similar. They are *one and the same* mark.

The *Lapp* court recognized that where the marks are not merely similar, but *identical*, "the names in themselves are evidence of likelihood of confusion." *Lapp*, 721 F.2d at 463, quoting *American Plan Corp. v. State Loan & Finance Corp.*, 365 F.2d 635, 639 (3d Cir. 1966):

> The reasons for this conclusion are simple. [Prior precedents] state that little regard should be had for mistaken similarity in the minds of ignorant or careless people. A *necessary* corollary to this rule is that where a person must be unusually intelligent or cautious in seeking out the identity of a corporation which cannot be ascertained from its name, there is indeed likelihood of confusion.

American Plan, 365 F.2d at 639 (emphasis added).[5] This factor overwhelmingly demands a finding of likelihood of confusion, and the injunctive relief that should follow.

2. The Strength Of The Mark (*Lapp* Factor 2).

The second factor involves evaluating the strength of the mark; *i.e.*, the mark's distinctiveness or conceptual strength (the inherent features of the mark) and its commercial strength (marketplace recognition). *Freedom Card*, 432 F.3d at 472; *Sabinsa*, 609 F.3d at 184-85; *Fisons Horticulture*, 30 F.3d at 479. The stronger the mark, the more likely it is that an infringing use of the mark will cause confusion. *A&H Sportswear*, 237 F.3d at 222.

A mark that is "inherently distinctive" is entitled to protection. *Lapp*, 721 F.2d at 462. In determining whether a trademark is inherently distinctive, trademarks are classified, from least to most distinctive, as (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful. *Fisons Horticulture*, 30 F.3d at 478; *A&H Sportswear*, 237 F.3d at 221. Arbitrary or fanciful marks use terms that neither describe nor suggest anything about the product, such as KODAK. *A&H Sportswear*, 237 F.3d at 221-222. Suggestive marks require the consumer to use imagination, thought or perception to determine what the product

[5] It makes no difference that *American Plan* was decided under Delaware law. In that case, this Court held that there was no divergence between Delaware and federal trademark law on the question of likelihood of confusion. 365 F.2d at 637. And this Court has subsequently adopted the rationale of *American Plan* as the basis for its conclusion that when names are identical, the names in themselves evidence a likelihood of confusion. *Lapp*, 721 F.2d at 463.

is. *Id.* at 222. Marks in either of these categories are inherently distinctive, and are entitled to protection. *Fisons Horticulture*, 30 F.3d at 478.

The "Restoraderm" mark clearly qualifies as a suggestive trademark. It is not a word drawn from the English (or any other) language. It was created, by Sköld, to evoke the concept of skincare. (JA00121:14-21). It has no meaning, aside from its use in the skin care market, and it is clearly entitled to protection.

In reverse confusion cases, such as this one, evidence of money spent on establishing marketplace recognition is irrelevant to the analysis of marketplace recognition. *Fisons Horticulture*, 30 F.3d at 479. In such cases, the Court should analyze commercial strength in terms of the commercial impact of the stronger, junior user's mark on the weaker mark of the senior, but less dominant, user. *Freedom Card*, 432 F.3d at 472-73. Thus, in the case of the Restoraderm mark, the focus is on the impact of Galderma's use of the name. It is not important that Sköld has not established commercial strength: it is the strength of Galderma's mark which is relevant to the likelihood of confusion in this reverse confusion case. *Freedom Card*, 432 F.3d at 477.

At trial, Galderma's senior brand manager, Cindy Wright (nee Kee), admitted that "Restoraderm" is an "important" part of the packaging for Cetaphil Restoraderm, because "Restoraderm" distinguishes the Cetaphil Restoraderm products from the rest of Galderma's Cetaphil line, and the use of the

"Restoraderm" trademark "medicalize[s]" the product brand name. (JA440:10-15; JA439:1-8). In 2009, Galderma had performed market research, which concluded that Restoraderm is a "very attractive brand name with good [sic] marketing story behind the technology." (JA1787, 1796). Galderma admits that the Restoraderm trade name is "effective in helping to market the product." (JA413:13-22). After the product was launched, and consistent with that conclusion, Galderma considered that Cetaphil Restoraderm was a "commercial success." (JA616:10-13). These admissions by Galderma, as to the commercial strength of the Restoraderm mark, weigh strongly in favor of a likelihood of confusion.

3. The Price Of Goods And Other Factors Indicative Of The Care And Attention Expected Of Consumers When Making A Purchase (*Lapp* Factor 3).

The greater the care and attention that a consumer can be expected to exercise before making a purchase decision, the less the likelihood that she will be confused by in infringing mark. *PB Brands*, 331 Fed. Appx. at 982; *Fisons Horticulture*, 30 F.3d at 476, n.12. Where the group of buyers is a combination of professionals and ordinary consumers, the class as a whole is not to be held to the higher standard of care of the professional; rather, the relevant standard of care is that of the *least* sophisticated consumer in the class. *Sabinsa*, 609 F.3d at 186. The trial court ignored this principle and, instead, looked to the sophistication of only the professionals in the industry, and appears to have weighed this factor in

favor of the Appellees. (JA00038). In this case, the lack of evidence on the issue means that this factor may not be weighed in favor of either party. *PB Brands*, 331 Fed. Appx. at 982.

4. The Length Of Time The Defendant Has Used The Mark Without Evidence Of Actual Confusion Arising And Evidence Of Actual Confusion (*Lapp* Factors 4 and 6).

Because it is frequently difficult to find proof of actual confusion, a plaintiff is *never required* to demonstrate this element in order to establish a likelihood of confusion. *Sabinsa*, 609 F.3d at 187; *Fisons Horticulture*, 30 F.3d at 472. However, where evidence of actual confusion does exist, it is considered to be "highly probative" of the likelihood of confusion that establishes liability for trademark infringement. *Sabinsa*, 609 F.3d at 187. In a case of reverse confusion, the issue is typically whether the public thinks that the *junior* user (Galderma) was the source of the products marketed by the *senior* user (Sköld), although there is no prohibition against the court's consideration of evidence of the opposite type of confusion. *Freedom Card*, 432 F.3d at 473.

In this case, there was evidence presented of actual confusion. Sköld testified that, after Galderma misappropriated the Restoraderm name for use on its Cetaphil products, a researcher who intended to analyze Sköld's technology ordered samples of Galderma's product instead. (JA274:8-12; *see also* JA1756 (reference to Konrad Engelhardt)). Sköld also testified that he was frequently

confronted by different individuals in the dermatological industry who were confused over the source of the products and the Restoraderm mark. (JA272:20-274:6; 276:15-277:2). The trial court recognized that this evidence supported Sköld's position, but treated it as just one factor among many. (JA36). Moreover, the trial court -- ignoring the holding of *Sabinsa* and citing only *A&H Sportswear* (which was decided ten years earlier and cited only cases from other Circuits) -- held that proof of isolated instances of confusion was insufficient to favor Sköld. Based on its erroneous treatment of the target market as sophisticated pharmaceutical companies and opinion leaders, the trial court further found that the factor actually favored the Appellees. (JA0037-39). This was clear error.

5. The Intent Of The Appellees In Adopting The Mark (*Lapp* Factor 5).

In this reverse confusion case, the focus is not on a defendant's intent to ride on the goodwill of the senior user's mark, but rather is whether the junior user is seeking to exploit confusion in order to push the senior user out of the market. *Freedom Card*, 432 F.3d at 473. Stated differently, was there an intent to "overwhelm" the senior user? *Fisons Horticulture*, 30 F.3d at 480. Once again, evidence of a defendant's intent is not a prerequisite to finding a likelihood of confusion, but where evidence of intent does exist, it weighs *heavily* in favor of finding that a likelihood of confusion has been established. *Sabinsa*, 609 F.3d at 187.

This factor has been abundantly established in this case. Clearly, the intent of Galderma in this case was to usurp the mark to which Galderma had no legal claim. Galderma led Sköld to believe it intended to work with him to develop products using Sköld's Restoraderm technology and trademark, but in secret, Galderma was hatching its plan to misappropriate Sköld's Restoraderm trademark for use on Galderma's own products. (*See* pp. 12-16 above). Galderma intimidated Sköld out of using the Restoraderm trademark on the same types of products he had developed with his new commercial partners. (JA286:5-287:2; JA455:10-13) (trial testimony describing Galderma's efforts to oppose Sköld's trademark application for "Restoraderm Lipogrid")). Indeed, the jury specifically found that the Appellees had engaged in conduct that was malicious, wanton, willful, or oppressive, or showed reckless indifference to Sköld's rights. (JA11--Ans to Question No. 9). Where, as here, a reasonable fact finder must conclude that the junior user intended to push the senior user out of the market, this factor must weigh heavily in favor of a finding of likelihood of confusion. *Sabinsa*, 609 F.3d at 187.

6. Whether The Goods Are Marketed Through The Same Channels Of Trade And Advertised Through The Same Media, And The Extent To Which The Targets Of The Parties' Efforts Are The Same (*Lapp* Factors 7 and 8).

This Court has recognized that there will rarely be perfect parallelism in competing marketers' channels of trade, but that similarity may be found where,

for example, plaintiff and defendant sell products through competing department stores or catalogues. *A&H Sportswear*, 237 F.3d at 225. Where the parties use the same method of sales, and take space in their industry's major reference source, this factor will weigh heavily in favor of a finding of confusion. *Lapp*, 721 F.2d at 463, 465 (approving the trial court's analysis). Similarly, when the parties target their sales efforts to the same group of consumers, there is a greater likelihood of confusion. *Sabinsa*, 609 F.3d at 188; *PB Brands*, 331 Fed. Appx. at 983. The question of whether the parties are targeting the same consumers of their competing products is not limited to whether the parties' sales efforts are *currently* directed to the same targets. It is enough that "they will likely be in the future." *Lapp*, 721 F.2d at 463.

In this case, there are two relevant markets. The first is the market of large dermatology and pharmaceutical companies to which Sköld sought to market his Restoraderm technology. As noted above, Sköld was actually marketing his technology to this audience, and encountered repeated instances of confusion. The second market, which Sköld has sought to enter, is the public consumer market: specifically, those consumers needing skin medications.

It is here that the jury's deliberations went awry. Having found that Sköld was the rightful owner of the Restoraderm trademark; that Galderma was required to return the trademark to Sköld when it terminated the 2004 Agreement; that

Galderma breached the 2004 Agreement when it failed to do so; and that Galerma's use of the Restoraderm trademark was false and misleading, the jury also found that there was no likelihood of confusion. Absent some other explanation, Sköld can only assume that the jury reached this conclusion because Sköld did not have a finished product in the retail consumer market that also used the Restoraderm mark at the same time as Galderma. This would also explain the jury's finding that Galderma's use of the trademark was false and misleading, but that its use of the mark did not have the capacity to deceive a substantial segment of customers in the marketplace.

But showing the presence of a finished product in the consumer marketplace was not a requirement, for two reasons. First, such a requirement ignored Sköld's independent theory that the relevant marketplace was the community of pharmaceutical and dermatological companies. Second, even with respect to the consumer marketplace, Sköld only needed to show that it was likely that he would extend into the retail consumer marketplace in the future. As the *Lapp* court explained:

> The likelihood-of-expansion factor is pivotal in non-competing products cases such as this. One of the chief reasons for granting a trademark owner-protection in a market not his own is to protect his right someday to enter that market. 2 J.T. McCarthy, Trademarks and Unfair Competition §24:5 (1973). When it appears extremely likely, as it does here, that the trademark

> owner will soon enter the defendant's field, this final factor weighs heavily in favor of injunctive relief.

Id. at 464. Sköld testified that he had a finished product which he sought to market in the *exact* same channel of commerce used by Galderma. (JA290:2-292:2). Sköld testified he has wanted to use his Restoraderm trademark on that product. (*Id.*). But Sköld was prevented from using his own trademark by threats from Galderma, which had improperly registered the trademark and taken affirmative steps to stop him from using the name. (*Id. See also* JA286:5-287:2; JA455:10-13; JA1034 (referring to Galderma's opposition to Sköld's TTAB cancellation action)). This factor weighs in favor of likelihood of confusion as well.

7. The Relationship Of The Goods In The Minds Of Consumers Because Of The Similarity Of Function (*Lapp* Factor 9).

This factor asks the court to consider whether, in cases in which the mark is attached to different products, consumers might reasonably conclude that one company would offer both products, as is the case in which the competing products are peat moss and fertilizer, both lawn care products, *Fisons Horticulture*, 30 F.3d at 481, or where the parties both offer bathing suits with attributes of improving the body's shapeliness, *A&H Sportswear*, 237 F.3d at 224-25. The Court should look at how similar, or closely related, the products are. *Sabinsa*, 609 F.3d at 189.

Clearly, this is the case here. Every aspect of Sköld's efforts to produce skin care products overlap with Galderma's use of the mark on their own skin care products. The consuming public would certainly be reasonable in concluding that a company which offers one curative skin care product might choose to begin offering a second.

8. Other Facts Suggesting That The Consuming Public Might Expect The Prior Owner To Manufacture A Product In The Appellees' Market, Or That He Is Likely To Do So (*Lapp* Factor 10).

"One of the chief reasons for granting a trademark owner protection in a market not his own is to protect his right someday to enter that market. When it appears extremely likely . . . that the trademark owner will soon enter the defendant's field, this . . . factor weighs heavily in favor of injunctive relief." *Lapp*, 721 F.2d at 464 (citation omitted). In a reverse confusion case, such as this, it is appropriate to consider whether the products are closely related, so that the consuming public might find it natural for one company to sell both products. *Fisons Horticulture*, 30 F.3d at 480. Where it is extremely likely that the Sköld plans to expand into the same market as is currently occupied by the Appellees, this factor will weigh heavily in favor of finding a likelihood of confusion. *Id.* That is clearly the case here, based on Sköld's testimony of his intent to market skin care products in the exact same channel of commerce. (JA289:2-292:2). This factor thus weighs in favor of Sköld as well.

9. Summary And Conclusion.

This Court, many years ago, spoke to the objectives of the Lanham Act, which are "to protect an owner's interest in its trademark by keeping the public free from confusion as to the source of goods and ensuring fair competition" and warned against a situation in which "a larger company could with impunity infringe the senior mark of a smaller one." *Fisons Horticulture*, 30 F.3d at 475, quoting *Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486 (2d Cir. 1988). "One of the chief reasons for granting a trademark owner protection in a market not his own is to protect his right someday to enter that market." *Lapp*, 721 F.2d at 464.

Here, consideration of the *Lapp* factors can lead only to one conclusion: there is an extremely high likelihood of confusion. The trial court recognized the identity of the mark, but gave no special weight to the first factor. And while acknowledging the evidence of actual confusion presented by Sköld, the trial court dismissed the evidence as isolated and idiosyncratic and actually appears to have treated this factor as favoring the Appellees, wrongfully looking towards only the most sophisticated of the potential consumers.

In fact, every single one of the *Lapp* factors either clearly favored Sköld or was, at most, neutral. On the most important first factor, there is not just similarity but an absolute identity of the mark. The mark is inherently distinctive and entitled

to protection, clearly establishing the second factor. The third *Lapp* factor is either neutral (and to be disregarded), or slightly favors Sköld. Although the incidences of actual confusion (*Lapp* factors four and six) are not numerous, they do exist and are *highly* probative of a likelihood of confusion. Appellees clearly intended to usurp Sköld's mark and to drive him out of the market; thus the fifth *Lapp* factor weighs heavily in Sköld's favor. The seventh and eighth factors also heavily favor Sköld, since he either has already, or intends to, market products through the same channels, and to the same ultimate consumers. The ninth *Lapp* factor has also been shown, since a consumer would reasonably expect a single company to offer multiple skin care products. So has the tenth *Lapp* factor, since Sköld clearly intends to enter precisely the same market that Galderma currently occupies.

The jury should have been directed to find in Sköld's favor on this point. The failure to do so was error, and requires a reversal by this Court, and the entry of judgment in favor of Sköld on his federal trademark infringement claim and on his Pennsylvania and unfair competition claim (the elements of which parallel those of the federal infringement claim). Failing that, it is clear that the jury reached an unreasonable result, against the great weight of the evidence, and resulting in a miscarriage of justice. Accordingly, at the very least, this Court should remand this issue to the trial court with instructions that the verdict be set aside, and a new trial be held on this issue.

II. The Jury's Finding That Galderma's Use Of The Trademark Did Not Have The Capacity To Deceive Consumers Was Against The Clear Weight Of The Evidence, And Sköld Is Entitled To A New Trial On His False Advertising Claim.

A. Standard or Scope of Review.

As set forth more fully above, it is within the trial court's discretion to grant a new trial where "the great weight of the evidence cuts against the verdict and . . . []a miscarriage of justice would result if the verdict were to stand." *Leonard*, 834 F.3d at 386.

The Court of Appeals reviews for abuse of discretion the trial court's decision whether to grant a new trial on the basis that the verdict is against the weight of the evidence. *Greenleaf*, 174 F.3d at 365-66.

B. The Great Weight Of The Evidence Requires A Finding That The Wrongful Use Of Sköld's Trademark Had A Capacity To Deceive Consumers.

Having found that Sköld was the rightful owner of the Restoraderm trademark; that Galderma was required to return the trademark to Sköld when it terminated the 2004 Agreement; and that Galderma's use of the Restoraderm trademark was false and misleading, the jury also found that there was no likelihood that consumers were likely to be deceived by Galderma's use of the identical mark to sell its products. That conclusion was contrary to the weight of the evidence.

"The function of a trademark is to identify the origin or ownership of the article." *See Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc.*, 395 F.2d 457, 461 (3d Cir. 1968). Galderma's use of the mark told the world that it was the owner of the term "Restoraderm." That suggestion was literally false. The jury found, as a matter of fact, that Sköld is the owner of the trademark, and that Galderma's use of the mark was false and misleading. In cases involving literal falsehood, a plaintiff need not provide additional evidence (for example, in the form of consumer surveys) to demonstrate that the public was actually misled. *See, e.g., Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 129 (3d Cir. 1994) ("if a plaintiff proves a challenged claim is literally false, a court may grant relief without considering whether the buying public was misled") (citation omitted). As a matter of law, Galderma's use of the trademark had the capacity to deceive consumers. The jury's contrary finding was against the great weight of the evidence. To avoid a miscarriage of justice, Sköld is entitled to a new trial on this issue.

III. Sköld Is Entitled To Injunctive Relief.

A. Standard or Scope of Review.

A plaintiff seeking injunctive relief must demonstrate: "(1) that he has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the

balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). This Court reviews the trial court's denial of an injunction for abuse of discretion, but exercises plenary review over trial court's underlying legal conclusions. *Stolt-Nielsen, S.A. v. United States*, 442 F.3d 177, 182 (3d Cir. 2006) (citations omitted). A clear error standard applies to findings of fact. *Id.*

B. Scope of Injunctive Relief

Similar to the issue of declaratory relief, discussed below, there are two aspects of Sköld's appeal from the denial of injunctive relief.

1. Lanham Act

First, if this Court finds that the trial court should have directed the jury to find a likelihood of confusion, then Sköld is entitled to injunctive relief under the Lanham Act. While courts in this Circuit no longer apply a cast-iron presumption that infringement or false advertising results in irreparable injury, *see Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 210 (3d Cir. 2014), the logic that previously caused the Court to adopt the presumption "can, and does, inform" how the court exercises its equitable discretion. *Groupe SEB USA, Inc. v. Euro-Pro Operating LLC*, 774 F.3d 192, 205 n.8 (3d Cir. 2014). Thus, grounds for irreparable injury include "loss of control of reputation, loss of trade, and loss of

goodwill." *Id.* at 204 (quotations omitted). A party's loss of control over its mark "is irreparable harm regardless of whether resulting confusion might lead to further injuries." *Kos Pharm., Inc. v. Adnrx Corp.*, 369 F.2d 700, 726 n.21 (3d Cir. 2004).

In this case, the evidence proved that, for years, the Restoraderm name was used both by Sköld and by Collagenex in connection with Sköld's technology, which resulted in significant goodwill. Then, in 2010, Galderma misappropriated the name, using it to boost sales of Galderma's own line of Cetaphil products. Galderma then thwarted Sköld's efforts to register the name for use in connection with the products he was developing. So, for the last eight years, Sköld, who testified that he wants to use the Restoraderm trademark, has been deprived of the opportunity to control and use the Restoraderm trademark as he sees fit – in connection with *his* technology and *his* products. However, Galderma still seeks to prevent Sköld from even registering the name as a trademark, despite the fact that, as the rightful owner, Sköld is the only person who is legally entitled to do so. In the meantime, Galderma's continued use of the Restoraderm name further damages the goodwill that Sköld established, and deprives him of control over the mark. These facts were more than sufficient to prove irreparable injury in this case.

As far as the balance of hardships is concerned, the Third Circuit was confronted with similar facts in *Kos*, and held that this factor favored injunctive relief:

> Andrx knew before its drug was first sold that Kos viewed ALTOCOR and ADVICOR as confusingly similar when used to identify competing prescription drugs for patients with high cholesterol. Andrx took a deliberate risk by proceeding despite being warned that its mark was dangerously close to that of a competing product, and is thus "not in position to urge its original blamelessness as a consideration which should be persuasive to a court of equity."

Kos, 369 F.3d at 729 (quotation omitted); *see also Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 596 (3d Cir. 2002) ("the injury a defendant might suffer if an injunction were imposed may be discounted by the fact that the defendant brought that injury upon itself"). Similarly here, Galderma knew from the outset that Sköld considered the Restoraderm trademark his, but made a calculated gamble that he would not pursue a multinational corporation like Galderma through the courts.

Finally, the court in *Kos* noted that the defendant pharmaceutical company failed to provide evidence of future harm – such as how long it would take to replace labels, repackage existing products, etc. *Kos*, 369 F.3d at 731-32. This fact further favored the granting of injunctive relief. *Id.* at 732. The same is true here, as Galderma presented no such evidence here.

2. Unjust Enrichment

The second (independent) basis for injunctive relief is Sköld's unjust enrichment claim. Courts in this state have routinely held that injunctive relief is permissible on a claim for unjust enrichment, provided that the traditional injunction standard is satisfied. *See, e.g., Allstate Ins. Co. v. Davidson Med. Grp.*, No. Civ.A. 01-5938, 2004 WL 2357797, at *2 (E.D. Pa. Oct. 18, 2004) (injunctive relief on unjust enrichment claim is permissible); *F.T. Int'l, Ltd. v. Mason*, No. Civ.A. 00-5004, 2000 WL 1514881 at *2 (E.D. Pa. Oct. 11, 2000) (granting injunction freezing assets based on claim for unjust enrichment). *See also, JRNA, Inc. v. Snow*, C.A. No. 07-1995, 2007 WL 2253493 (E.D. Pa. Aug. 3, 2007.

This Court's decision in *Marshak v. Treadwell*, 595 F.3d 478 (3d Cir. 2009), demonstrates why injunctive relief is both permissible and appropriate in this case. The district court in that case had ordered both widespread injunctive relief and an accounting of profits for trademark infringement. *Id.* at 482, 483. However, over the ensuing years the defendants continued to infringe the plaintiff's trademark, resulting in a motion for contempt. *Id.* at 483-84. The district court sanctioned the defendants for violating the injunction but declined to order a further accounting of profits. *Id.* at 495. This Court reversed, with reasoning that demonstrates why injunctive relief *is* appropriate here.

> We have held that an accounting of an infringer's profits is available "if the defendant is unjustly enriched, if the plaintiff has sustained

> damages, *or* if an accounting is necessary to deter infringement." *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 177–78 (3d Cir. 2005) (emphasis added). In so holding, we have emphasized the "or" in this construction – noting that because "[t]hese rationales are stated disjunctively; *any one will do*." *Id.* at 178. Accordingly, [the plaintiff] did not need to establish actual damages to justify the imposition of an accounting of profits – she needed only to show that an accounting was necessary to deter infringement or that [the defendant] and his associates were unjustly enriched.

Id. (footnote omitted).

In this case, the injunctive relief sought by Sköld is necessary to prevent the continued, future usurpation of his rights of ownership in the trademark, and Galderma's continued enrichment at his expense. Galderma's position at the trial level – disputing Sköld's right to even register the trademark that the jury found he owns, together with its ongoing sales of products throughout the United States bearing his trademark without his permission – is evidence enough that his rights will continue to be violated, and Galderma will continue to be enriched, absent the requested injunctive relief.

As multiple courts have held, "the prevention of unjust enrichment by means of fraud or misappropriation, even that affecting only private entities, is in the general public interest." *7-Eleven, Inc. v. Upadhyaya*, 926 F.Supp. 2d 614, 631 (E.D. Pa. 2013); *Berger v. Weinstein*, C.A. No. 07-994, 2008 WL 191172, at *11 (E.D. Pa. Jan. 23, 2008); *Allstate Ins. Co. v. Davidson Medical Group*, No. Civ. A. 01-5938, 2004 WL 2357797 at *4; *F.T. Int'l*, 2000 WL 1514881, at *2 (citations

omitted). That is *exactly* the situation here. Thus, even apart from his trademark infringement claim, Sköld proved at trial all of the elements necessary to obtain an injunction on his unjust enrichment claim.

IV. Sköld Is Entitled To Declaratory Relief.

A. Standard or Scope of Review.

Title 28 U.S.C. § 2201 provides that "[i]n a case of actual controversy within its jurisdiction ... any court of the United States ... may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." The Third Circuit has repeatedly "emphasized that the Act should have a liberal interpretation, bearing in mind its remedial character and the legislative purpose." *Interdynamics, Inc. v. Firma Wolf*, 698 F.2d 157, 164–65 (3d Cir. 1982) (quotation omitted). One "principal purpose" of declaratory relief is "clarifying and settling the legal relations in issue." *Gross v. Fox*, 496 F.2d 1153, 1155 (3d Cir. 1974). While this Court will review the trial court's denial of declaratory relief under an abuse of discretion standard, this Court will consider *de novo* the legal conclusions essential to that determination. *Frank v. Enrietto*, 597 Fed. Appx. 696, 699 (3d Cir. 2015).

B. The Scope of Declaratory Relief

There are two aspects to Skold's appeal as to this issue.

First, if the Court agrees with Sköld that the jury should have been instructed to find in his favor on the likelihood of confusion issue, then Sköld's request for declaratory relief pronouncing Lanham Act liability and infringement should be granted.

Second, even as to the unjust enrichment claim on which Sköld has already prevailed, the trial court erred by granting insufficient declaratory relief. The trial court limited this relief to the declaration that "Defendants were unjustly enriched by their use of the RESTORADERM trademark." The trial court reasoned that Skold was only entitled to declaratory relief to the extent he prevailed on a particular claim. In applying that principle, however, the trial court erred by not considering the scope of the unjust enrichment claim upon which Skold prevailed.

Declaratory relief is available on an unjust enrichment claim. *See, e.g.*, *Pappas v. Unum Life Ins. Co.*, Civ. A. 97-7162, 2000 WL 1137730 at *3 (E.D. Pa. Aug. 10, 2000), *aff'd sub nom.*, *Pappas v. Unum Life Ins. Co. of Am.*, 261 F.3d 492 (3d Cir. 2001). In his request to enter judgment, Skold asked the trial court to declare that, consistent with the jury's findings, he is the rightful owner of the trademark; that based on this ownership, he is entitled to register the trademark with the U.S. Patent & Trademark Office; and that he is entitled to use the trademark without interference by Appellees. This proposed relief is necessary to

"clarif[y] and settl[e] the legal relations in issue." *Gross v. Fox*, 496 F.2d 1153, 1155 (3d Cir. 1974).

The other component of Skold's request for declaratory relief—a declaration that Galderma's use of the Restoraderm trademark on its Cetaphil products is false and misleading—not only reflects the jury's express finding on that precise issue, but also expresses the legal effect of the jury's finding that Skold is the rightful owner and that Galderma has been unjustly enriched by its wrongful use of the trademark. The jury's findings mean that every trademark registration and other filing made by Galderma, in which Galderma represented that it was the legal owner of the Restoraderm trademark, was false. A "court declaration is a message not only to the parties but also to the public and has significant educational and lasting importance." *Bilbrey by Bilbrey v. Brown*, 738 F.2d 1462, 1471 (9th Cir. 1984). Simply reciting that Skold prevailed on his unjust enrichment claim, without more, was a legal error and an abuse of discretion.

V. Sköld Is Entitled To A New Trial As To Damages, Since The Trial Court Erroneously Limited Damages Evidence To Sales Within The United States.

A. Standard Or Scope Of Review.

The Court of Appeals reviews the evidentiary rulings of the District Court for an abuse of discretion. *McKenna v. City of Philadelphia*, 582 F.3d 447, 460 (3d Cir. 2009); *Acumed LLC v. Advanced Surgical Servs., Inc.*, 561 F.3d 199, 211

(3d Cir. 2009). However, this Court's review of whether the trial court applied the correct legal standard is plenary. *Lippay v. Christos*, 996 F.2d 1490, 1496 (3d Cir. 1993); *Complaint of Consolidation Coal Co.*, 123 F.3d 126, 131 (3d Cir. 1997).

B. Sköld Was Entitled To Have His Damages Based On Galderma's Global Sales Of Products Using His Restoraderm Trademark.

Galderma's decision to use Restoraderm was not limited to the United States and was not implemented only in the United States. Galderma sold Cetpahil products displaying the Restoraderm trademark worldwide. (JA468:4-23). There was no legal basis to limit trial evidence to sales of Cetaphil Restoraderm products in the United States.

The trial court reasoned that because the applicable jury interrogatory linked the unjust enrichment claim to Galderma's use of the Restoraderm trademark (JA0044), Skold cannot recover damages based on Galderma's worldwide revenue since Skold does not own the trademark rights outside of the United States. This ruling, however, applied an incorrect legal standard.

While claims of federal trademark infringement may implicate geographic limitations, Pennsylvania's unjust enrichment law does not draw any distinction between state, national or international sources of the unjust enrichment. The question is whether "the party against whom recovery is sought either wrongfully secured or passively received a benefit that it would be unconscionable for her to retain." *Com. ex. rel. Pappert v. TAP Pharm. Prods., Inc.*, 885 A.2d 1127, 1137

(Pa. Commw. 2005); *Torchia ex rel. Torchia v. Torchia*, 346 Pa. Super. 229, 233 (Pa. Super. 1985). "The polestar of the unjust enrichment inquiry is whether the defendant has been unjustly enriched; the intent of the parties is irrelevant." *Reese v. Pook & Pook, LLC.*, 158 F. Supp.3d 271, 301 (E.D. Pa. 2016) (citations omitted).

It does not matter, then, from where in the world Galderma derived an unjust benefit from its use of Sköld's Restoraderm trademark. Sköld was entitled to damages based on *all* sources of Galderma's revenues. Because the trial court committed a legal error by precluding Sköld from introducing evidence of Galderma's foreign revenues from the sale of Cetaphil Restoraderm products, Sköld is entitled to a new trial on damages.

CONCLUSION

For the foregoing reasons, Appellant Sköld respectfully requests that this Court:

(1) reverse the trial court and enter judgment in favor of Sköld on his federal trademark infringement claim and Pennsylvania unfair competition claim, because the trial court should have directed the jury to find a likelihood of confusion;

(2) remand to the trial court to fashion appropriate injunctive and declaratory relief;

(3) remand to the trial court for a new trial on Sköld's false advertising claim, and for a new trial on monetary damages, where the evidence on Sköld's Pennsylvania common law claims may include reference to Galderma's foreign sales.

Dated: February 26, 2018

Respectfully submitted,

/s Michael LiPuma

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CERTIFICATION OF BAR MEMBERSHIP

Pursuant to Third Circuit Local Appellate Rule 36.1(c), I hereby certify that I am a member of the Bar of the Court.

Dated: February 26, 2018

/s Michael LiPuma

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CERTIFICATION OF COMPLIANCE WITH RULE 32(A) AND REQUIREMENTS FOR ELECTRONIC FILING

1. This Brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) because this Brief contains 11,611 words, excluding the parts of the Brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This Brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this Brief has been prepared in the proportionally spaced typeface using Microsoft Word in 14-point Times New Roman.

3. Pursuant to Third Circuit Local Appellate Rule 31.1(c), I hereby certify that the text of this electronic brief is identical to the text in the hard, paper copies of the Brief.

4. Pursuant to Third Circuit Local Appellate Rule 31.1(c), I hereby certify that a virus detection program was performed on this electronic brief/file using Windows Defender, and that no virus was detected.

Dated: February 26, 2018

/s Michael LiPuma

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IN THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

DOCKET NO. 17-3148

DOCKET NO. 17-3231 (CROSS-APPEAL)

THOMAS SKÖLD,
Appellant

v.

GALDERMA LABORATORIES, L.P.; GALDERMA LABORATORIES, INC.; GALDERMA, S.A.; AND NESTLE SKIN HEALTH CARE, S.A.,
Appellees

APPEAL FROM THE ORDER AND FINAL JUDGMENT ENTERED ON AUGUST 29, 2017 BY THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, IN CIVIL ACTION NO. 14-CV-5280 (BEETLESTONE, J.)

JOINT APPENDIX – VOLUME I (JA0001-47)

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Dated: February 26, 2018

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKÖLD,	
Plaintiff,	Civil Action No. 14-5280
vs.	
GALDERMA LABORATORIES, L.P., et al.,	**NOTICE OF APPEAL**
Defendants.	

Notice is hereby given that Thomas Sköld, plaintiff in the above-named action, hereby appeals to the United States Court of Appeals for the Third Circuit from the final judgment entered in this action on the 30th day of August, 2017.

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Dated: September 28, 2017

CERTIFICATE OF SERVICE

I certify that on September 28, 2017, I caused a copy of the foregoing document, together with all supporting papers, to be served via ECF upon the following:

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Benjamin Mesches, Esq.
Haynes Boone
30 Rockefeller Plaza
26th Floor
New York, NY 10112

Michael LiPuma, Esq.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKÖLD, **Plaintiff,** **v.** **GALDERMA LABORATORIES, L.P.; GALDERMA LABORATORIES, INC.; GALDERMA S.A.,** **Defendants.**	**CIVIL ACTION** **NO. 14-5280**

ORDER

AND NOW, this 24th day of June, 2016, upon consideration of Defendants' Pretrial Brief and Renewed Motion in Limine (ECF No. 136), and Plaintiff's Trial Memorandum (ECF No. 139), **IT IS HEREBY ORDERED**:

1. Foreign use of the "Restoraderm" mark is beyond the scope of the Lanham Act and Plaintiff is **PRECLUDED** from relying on or referencing foreign use of the mark at trial;
2. Plaintiff's common law claims are **NOT** limited to use of the mark within the State of Pennsylvania.

BY THE COURT:

WENDY BEETLESTONE, J.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKOLD, **Plaintiff,** **v.** **GALDERMA LABORATORIES, L.P., et al.,** **Defendants.**	**CIVIL ACTION** **NO. 14-5280**

ORDER

AND NOW, this 29th day of August, 2017, upon consideration of Defendants' Motion for Judgment as a Matter of Law (ECF No. 187); Plaintiff's Response in Opposition thereto (ECF No. 190); Defendant's Reply (ECF No. 191); Plaintiff's Motion for Judgment as a Matter of Law and/or For New Trial (ECF No. 188); Defendants' Response in Opposition thereto (ECF No. 189); and Plaintiff's Reply (ECF No. 192), for the reasons set forth in the accompanying Opinion, **IT IS ORDERED** that:

(1) Defendants' Motion for Judgment as a Matter of Law (ECF No. 187) is **GRANTED** in part and **DENIED** in part as follows:

   a. Defendants' Motion is **GRANTED** insofar as the judgment should reflect a costs award only against Defendants Galderma Laboratories, L.P., Galderma S.A., and Nestlé Skin Health S.A.; and

   b. Defendants' Motion is **DENIED** in all other respects.

(2) Plaintiff's Motion for Judgment as a Matter of Law (ECF No. 188) is **GRANTED** in part and **DENIED** in part as follows:

   a. Plaintiff's Motion is **GRANTED** insofar as he moves for declaratory relief on his unjust enrichment claim.

b. Plaintiff's Motion is **DENIED** in all other respects.

(3) Plaintiff's Motion for New Trial (ECF No. 188) is **DENIED**.

(4) The Judgment entered by the Court on March 1, 2017 (ECF No. 185) is hereby **VACATED**.

BY THE COURT:

/s/Wendy Beetlestone, J.

WENDY BEETLESTONE, J.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKOLD, **Plaintiff,** **v.** **GALDERMA LABORATORIES, L.P., et al.,** **Defendants.**	**CIVIL ACTION** **NO. 14-5280**

JUDGMENT

AND NOW, this 29th day of August, 2017, following a jury trial in the above-captioned matter, in accordance with the verdict form, attached hereto, and upon consideration of the parties' cross-motions for judgment as a matter of law and the papers filed in response thereto, **JUDGMENT SHALL BE ENTERED** as follows:

1. Count One for trademark infringement under the Lanham Act is hereby **DISMISSED WITH PREJUDICE.**
2. Count Two for false advertising under the Lanham Act is hereby **DISMISSED WITH PREJUDICE.**
3. Count Three for unfair competition under the Lanham Act is hereby **DISMISSED WITH PREJUDICE.**
4. Count Four for unfair competition under Pennsylvania law is hereby **DISMISSED WITH PREJUDICE.**
5. Count Five for breach of contract under Pennsylvania law is hereby **DISMISSED WITH PREJUDICE.**

6. Judgment is hereby **GRANTED** and **ENTERED IN FAVOR** of Plaintiff Thomas Sköld on his claim for unjust enrichment (Count Six) in the amount of $58,800 against Defendants Galderma Laboratories, L.P., Galderma S.A., and Nestlé Skin Health S.A.
7. Plaintiff Thomas Sköld's request for declaratory relief on his unjust enrichment claim is **GRANTED**. It is hereby **ORDERED AND DECREED** that Defendants were unjustly enriched by the use of the RESTORADERM® trademark.
8. Plaintiff Thomas Sköld's request for injunctive relief is hereby **DENIED WITH PREJUDICE.**
9. Plaintiff Thomas Sköld shall be entitled to recover costs against Defendants Galderma Laboratories, L.P., Galderma S.A., and Nestlé Skin Health S.A.
10. Plaintiff shall submit a petition for costs to the Court no later than September 29, 2017.

BY THE COURT:

/s/Wendy Beetlestone, J.

WENDY BEETLESTONE, J.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKÖLD, Plaintiff, v. GALDERMA LABORATORIES, L.P., GALDERMA LABORATORIES, INC. GALDERMA S.A., and NESTLÉ SKIN HEALTH S.A., Defendants.	:	CIVIL ACTION NO. 14-CV-05280-WB

VERDICT FORM

Ownership of the RESTORADERM® Trademark

Question No. 1

Did Plaintiff establish that he is the rightful owner of the RESTORADERM® trademark?

Answer Yes or No: Yes

If your answer is "No," this concludes your deliberations and you should sign and date this form. If your answer is "Yes," then proceed to the next question.

Likelihood of Confusion

Question No. 2

Is it likely that the relevant market for purchasers of the products offered by either Mr. Sköld or Galderma will be confused as to their source?

Answer Yes or No: NO

Proceed to the next question.

False Advertising

Question No. 3a

Is use of the term RESTORADERM on Galderma's Cetaphil products false or misleading?

Answer Yes or No: Yes

If your answer is "Yes," then go to Question No. 3b. If your answer is "No," then proceed Question No. 4.

Question No. 3b

Does use of the term RESTORADERM on Galderma's Cetaphil products deceive, or have the capacity to deceive a substantial segment of customers in the marketplace for these products?

Answer Yes or No: NO

If your answer is "Yes," then go to Question No. 3c. If your answer is "No," then proceed to Question No. 4.

Question No. 3c

Does use of the term RESTORADERM on Galderma's Cetaphil products have a material effect on customer purchasing decisions?

Answer Yes or No:_____

If your answer is "Yes," then go to Question No. 3d. If your answer is "No," then proceed to Question No. 4.

Question No. 3d

Is Plaintiff injured or likely to be injured in terms of declining sales, loss of goodwill, or otherwise as a result of the use of the term RESTORADERM on Galderma's Cetaphil products?

Answer Yes or No:_____

Proceed to Question No. 4.

Contract Claim

Question No. 4

Did Plaintiff establish that, under the 2004 Agreement, the Defendants were required to transfer the RESTORADERM® trademark to Mr. Sköld following the termination of the 2004 Agreement?

Answer Yes or No: Yes

If your answer to Question No. 4 is "Yes," then answer Question No. 5. If your answer to Question No. 4 is "No," then proceed to Question No. 6.

Question No. 5

Did Plaintiff know or should he have reasonably known before September 14, 2010 that Defendants did not intend to transfer the RESTORADERM® trademark to Plaintiff?

Answer Yes or No: Yes

Proceed to Question No. 6.

Unjust Enrichment

Question No. 6

Were Defendants unjustly enriched by the use of the RESTORADERM® trademark?

Answer Yes or No: Yes

Proceed to the instructions to Question No. 7.

Remedies

Question No. 7

If you answered:

*(i) Question No. 1 and 2 "yes;" **or***
*(ii) Question Nos. 3a-d "yes;" **or***
*(iii) Questions No. 4 "yes" and Question 5 "no;" **or***
(iv) Question No. 6 "yes,"

then answer the following Question.

What amount, if any, represents a reasonable royalty for Galderma's use of the RESTORADERM® trademark?

Answer in dollars and cents: $ 560,000

Question No. 8

If you answered:

*(i) Question 1 **and** 2 "yes;" **or***
*(ii) Question 3a-d "yes;" **or***
(iii) *Question 6 "yes,"*

then answer the following question:

What is the amount of any profits earned by Defendants attributable to the use of the RESTORADERM® trademark?

Answer in dollars and cents: $ 58,800

Question No. 9

Do you find that the defendants' conduct in connection with the RESTORADERM® trademark was outrageous (i.e., conduct that was malicious, wanton, willful, or oppressive, or showed reckless indifference to the interests of others)?

Answer Yes or No: YES

If your answer is "No," this concludes your deliberations and you should sign and date this form. If your answer is "Yes," then proceed to the next question.

Question No. 10

What is an appropriate amount of punitive damages for any conduct found by you in Question No. 9?

Answer in dollars and cents: $ 550,000

This concludes your deliberations. Please sign and date this form.

Date: July 5, 2016

Mustafa Dewberry
Presiding Juror

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

THOMAS SKOLD, **Plaintiff,** **v.** **GALDERMA LABORATORIES, L.P., et al.,** **Defendants.**	**CIVIL ACTION** **NO. 14-5280**

OPINION

This case arises from a dispute over a skincare technology and trademark known as "Restoraderm." Plaintiff entered into two successive agreements with CollaGenex Pharmaceuticals, Inc. ("CollaGenex") to commercialize a product line using his Restoraderm technology. CollaGenex was subsequently acquired by Galderma Inc.,[1] which decided not to pursue the development agreement with Plaintiff. Galderma did, however, utilize the Restoraderm trade name on its own line of eczema relief products – a skincare line named "Cetaphil Restoraderm" that did not contain the technology developed by Plaintiff. Plaintiff sued Defendants for trademark infringement, false advertising, and unfair competition under the Lanham Act, and for breach of contract and unjust enrichment under Pennsylvania state law.

[1] Defendant Galderma S.A. ("S.A." or "Galderma S.A.") is a skincare company headquartered in Switzerland. Defendant Galderma Laboratories, Inc. ("Inc." or "Galderma Inc.") is a United States-based subsidiary of Galderma S.A. Defendant Galderma Laboratories, L.P. ("L.P." or "Galderma L.P.") is a Texas-based limited partnership owned by Inc. that markets and sells Cetaphil Restoraderm products in the United States. L.P., Inc., and S.A. (collectively, "Galderma" or "the Galderma Defendants") are all involved in the research, development, marketing, and sales of pharmaceutical and therapeutic skincare products. Prior to 2014, Galderma S.A. was owned partially by L'Oreal and partially by Nestlé. In 2014, Nestlé bought L'Oreal's share in Galderma S.A. and created a new Galderma parent company: Defendant Nestlé Skin Health S.A. ("Nestlé S.A.").

I. PROCEDURAL POSTURE

After a seven-day jury trial in June and July 2016, the jury entered a verdict as follows:

Ownership of the Restoraderm Trademark

1. Did Plaintiff establish that he is the rightful owner of the Restoraderm trademark? Yes.

Likelihood of Confusion

2. Is it likely that the relevant market for purchasers of the products offered by either Plaintiff or Galderma will be confused as to their source? No.

False Advertising

3(a). Is use of the term "Restoraderm" on Galderma's Cetaphil products false or misleading? Yes.

3(b). Does use of the term "Restoraderm" on Galderma's Cetaphil products deceive, or have the capacity to deceive a substantial segment of customers in the marketplace for these products? No.[2]

Contract Claim

4. Did Plaintiff establish that, under the 2004 Agreement, the Defendants were required to transfer the Restoraderm trademark to Mr. Sköld following the termination of the 2004 Agreement? Yes.

5. Did Plaintiff know or should he have reasonably known before September 14, 2010 that Defendants did not intend to transfer the Restoraderm trademark to Plaintiff? Yes.

Unjust Enrichment

6. Were Defendants unjustly enriched by the use of the Restoraderm trademark? Yes.

The jury awarded $560,000 as a reasonable royalty for Galderma's use of the Restoraderm trademark, $58,800 as the amount of profits earned by Defendants attributable to the use of the Restoraderm trademark, and $550,000 in punitive damages.

[2] The verdict form directed the jury to proceed to Question 4 if the answer to Question 3(b) was "yes." Accordingly, the jury did not answer Questions 3(c) ("Does use of the term "Restoraderm" on Galderma's Cetaphil products have a material effect on customer purchasing decisions?") or 3(d) ("Is Plaintiff injured or likely to be injured in terms of declining sales, loss of goodwill, or otherwise as a result of the use of the term "Restoraderm" on Galderma's Cetaphil products?").

Following the jury verdict, Plaintiff moved the Court to enter a proposed judgment awarding him restitutionary damages ($58,800), injunctive relief, and declaratory relief.[3] The Court denied Plaintiff's motion and entered judgment in accordance with the jury verdict (ECF No. 185). The judgment dismissed with prejudice Plaintiff's Lanham Act claims for trademark infringement, false advertising, and unfair competition, and also dismissed with prejudice his state law claims for unfair competition and breach of contract. The Court granted judgment for Plaintiff on his unjust enrichment claim in the amount of $58,800 against Defendants Galderma L.P., Galderma S.A., and Nestlé S.A.[4]

The Court denied with prejudice Plaintiff's request for permanent injunctive relief and declaratory relief on his Lanham Act claims because those claims were rejected by the jury. *See Ciba-Geigy Corp. v. Bolar Pharm. Co., Inc.*, 747 F.2d 844, 850 (3d Cir. 1984) (holding that permanent injunctive relief requires actual success on the merits); *Scott v. Horn*, No. 97-1448, 1998 WL 57671, at *10 (E.D. Pa. Feb. 9, 1998) (holding that declaratory relief requires success on the merits). Because the declaratory relief Plaintiff requested did not align with the elements of unjust enrichment, the Court also rejected that request. The Court attached the jury verdict sheet to the judgment.

The Court also ruled that Plaintiff was entitled to recover costs against Defendants. On March 29, 2017, both parties filed the instant post-trial motions.

---

[3] Plaintiff did not seek recovery of the jury's $560,000 award for reasonable royalties, acknowledging that this award represented compensatory damages, which are not the proper remedy for unjust enrichment. *See, e.g., De Lage Landen Operational Servs., LLC v. Third Pillar Sys., LLC*, No 9-2439, 2011 WL 1627899, at *3 (E.D. Pa. Apr. 28, 2011). Nor did Plaintiff seek to recover the jury's award of $550,000 in punitive damages, since Pennsylvania law bars such damages in unjust enrichment cases. *See, e.g., Williamsburg Commons Condo. Ass'n v. State Farm Fire & Cas. Co.*, 907 F.Supp.2d 673, 680 n.7 (E.D. Pa. 2012); *Alfamodess Logistics, LLC v. Catalent Pharma Solutions, LLC*, 2014 WL 4545763, at *29 n.244 (E.D. Pa. Sept. 12, 2014).

[4] The Court did not grant judgment for Plaintiff on unjust enrichment against Galderma Inc., having previously ruled that the existence of the 2004 Agreement precluded that claim against Inc. as CollaGenex's successor-in-interest. *Sköld v. Galderma Labs., L.P.*, 99 F.Supp.3d 585, 599 (E.D. Pa. 2015).

Presently before the Court are cross-motions for post-trial relief. Defendants move the Court to set aside the jury's verdict on unjust enrichment under Federal Rule of Civil Procedure 50(b). Plaintiff moves the Court to set aside the verdict under Rule 50(b) or, in the alternative, to order a new trial under Federal Rule of Civil Procedure 59. Because the Court finds no grounds to disturb the jury's verdict, both parties' motions are denied.

II. STANDARDS OF LAW

A. Motion for Judgment as a Matter of Law

The grant of a motion for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(b) after trial is warranted "only if, viewing the evidence in the light most favorable to the nonmovant and giving it the advantage of every fair and reasonable inference, there is insufficient evidence from which a jury reasonably could find liability." *Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1166 (3d Cir. 1993). In considering the evidence, "the court may not weigh the evidence, determine the credibility of witnesses, or substitute its version of the facts for the jury's version." *Id.* "Although judgment as a matter of law should be granted sparingly, a scintilla of evidence is not enough to sustain a verdict of liability." *Id.* At bottom, "[t]he question is not whether there is literally no evidence supporting the party against whom the motion is directed but whether there is evidence upon which the jury could properly find a verdict for that party." *Id.* (quotation omitted).

B. Motion for New Trial Pursuant to Rule 59

Concurrent with his motion for judgment as a matter of law, Plaintiff moves, in the alternative, for a new trial. "[E]ven when judgment as a matter of law is inappropriate," a new trial may be granted pursuant to Federal Rule of Civil Procedure 59. *Wagner by Wagner v. Fair Acres Geriatric Ctr.*, 49 F.3d 1002, 1017 (3d Cir. 1995). Rule 59(a)(1)(A) provides a court with

the discretion to grant a new trial after a jury verdict "for any reason for which a new trial has heretofore been granted in an action at law in federal court." Fed. R. Civ. P. 59(a)(1)(A). A motion for new trial may be based, *inter alia*, on grounds that a verdict is against the weight of the evidence, that an award of damages is excessive or inadequate, or because, for other reasons, the trial was not fair to the moving party. *See Montgomery Ward & Co. v. Duncan*, 311 U.S. 243, 251 (1940).

A district court generally has wide discretion in the application of Rule 59, but when the proffered basis for a new trial is that "the verdict is contrary to the great weight of the evidence," the court's discretion is narrowed to cases "where a miscarriage of justice would result if the verdict were to stand." *Pryer v. C.O. 3 Slavic*, 251 F.3d 448, 453 (3d Cir. 2001) (internal quotation omitted). "[N]ew trials because the verdict is against the weight of the evidence are proper only when the record shows that the jury's verdict resulted in a miscarriage of justice or where the verdict, on the record, cries out to be overturned or shocks [the] conscience." *Williamson v. Consol. Rail Corp.*, 926 F.2d 1344, 1353 (3d Cir. 1991).

III. FACTS

Plaintiff Thomas Sköld is a Swedish entrepreneur whose work focuses on skincare technology. In the mid-1990s, he worked at Ponsus Pharma, a small Swedish pharmaceuticals company. In the summer of 2001, he left Ponsus and began pursuing a skincare technology he had developed and which he termed "Restoraderm." Restoraderm was both a topical moisturizer and a dermal delivery technology, *i.e.* a vehicle that helps the skin absorb other active ingredients.

In 2001, Plaintiff set out to find a business partner interested in commercially developing products using Restoraderm technology. He met and had conference calls with several

pharmaceutical companies in the fall of 2001 – including Johnson & Johnson, Allergan, and Medicis Pharmaceutical Corp. – and discussed collaborating to develop his technology for mass consumption. In January 2002, he attended the American Association of Dermatology conference in the Caribbean, at which he presented and distributed literature on his Restoraderm technology to potential business partners.

One such potential business partner was CollaGenex. After Plaintiff presented CollaGenex with information about his Restoraderm technology, the parties agreed to jointly develop it into a product line. On February 11, 2002, Plaintiff and CollaGenex signed a Co-operation, Development, and Licensing Agreement (the "2002 Agreement"). The 2002 Agreement required CollaGenex to develop at least three products based on Restoraderm technology, while Plaintiff agreed to act as a consultant to CollaGenex throughout the development process. The Agreement also provided that all Restoraderm trademarks would be the exclusive property of CollaGenex and would be registered in CollaGenex's sole name.[5] The 2002 Agreement contained no provision governing either party's obligations in the event of its termination.

Following the 2002 Agreement, Plaintiff and CollaGenex worked together to develop and promote products based on Restoraderm technology. CollaGenex filed a trademark application for the Restoraderm mark with the United States Patent and Trademark Office ("P.T.O.") on February 28, 2002. The application was granted and the trademark registered in CollaGenex's name on August 16, 2005. Meanwhile, Plaintiff acted as CollaGenex's full-time consultant,

[5] Section 4.2.1 of the 2002 Agreement provides: "All trade marks applied for or registered (including 'Restoraderm') shall be in the sole name of CollaGenex and be the exclusive property of CollaGenex during the Term and thereafter . . . ." For further discussion, *see Sköld v. Galderma Labs., L.P.*, No. 14-5280 (E.D. Pa. Jan. 4, 2016).

traveling from Sweden to the United States to promote Restoraderm, buying ingredients for samples, and hiring laboratories to undertake product testing.

In late 2003, CollaGenex suggested to Plaintiff that they enter into a new agreement. After a few months of negotiations, on August 19, 2004 they entered into an Asset Purchase and Product Development Agreement (the "2004 Agreement"). The 2004 Agreement explicitly terminated the 2002 Agreement.[6] It provided that CollaGenex acquired various assets from Plaintiff – defined in § 2.1 ("Purchased Assets")[7] – which included the Restoraderm intellectual property and its related "goodwill." The "Purchased Assets" provision did not explicitly include the Restoraderm trademark, and the parties dispute whether the trademark was covered under "goodwill." The terms of the Agreement also provided that Plaintiff would receive a consulting fee, plus a five percent royalty on Restoraderm products that resulted from the Agreement. Unlike the 2002 Agreement, the 2004 Agreement contained a voluntary termination clause permitting CollaGenex to terminate the Agreement,[8] which would also trigger the return of all

[6] Section 9.12 of the 2004 Agreement provides: "This Agreement hereby, together with the Schedules and Exhibits, constitute and contain the complete, final and exclusive understanding and agreement of the Parties and cancels and supersedes any and all prior negotiations, correspondence, understandings and agreements (including the Original Agreement) whether oral or written, between the Parties respecting the subject matter hereof and thereof . . . ." *See Sköld v. Galderma Labs., L.P.*, No. 14-5280 (E.D. Pa. Jan. 4, 2016).

[7] Section 2.1 of the 2004 Agreement defines "Purchased Assets" as:

(a) The Restoraderm Intellectual Property;
(b) The Book and Records relating to the Restoraderm Intellectual Property;
(c) All rights and claims of Sköld and its Affiliates against Third Parties relating to the Purchased Assets, choate or inchoate, known or unknown, contingent or otherwise; and
(d) All goodwill, if any, relating to the foregoing.

[8] Section 8.2 of the 2004 Agreement permitted CollaGenex to terminate the Agreement "at any time after March 31, 2007."

"Purchased Assets" to Plaintiff.[9] The 2004 Agreement explicitly bound the original parties' successors and assigns.[10]

Subsequent to the 2004 Agreement, Plaintiff and CollaGenex continued their product development efforts. They created more product samples, which they sent to other pharmaceutical companies – including Galderma – that expressed an interest in using Restoraderm technology as a dermal delivery vehicle for their own skincare products. By 2006, five products based on Restoraderm technology were at an advanced stage of development.

Around this time, however, CollaGenex ran into financial difficulties, and in 2007, it ceased pursuing development of the Restoraderm technology. In April 2008, Galderma Inc. acquired CollaGenex. As a result of that acquisition, Galderma Inc. became CollaGenex's successor-in-interest under the 2004 Agreement with Plaintiff. Shortly after the acquisition, Plaintiff contacted Art Clapp, Vice President of Business Development at Galderma L.P., to inquire as to Galderma's plans for developing Restoraderm products. Clapp advised Plaintiff that Galderma needed a few months to evaluate the Restoraderm technology before deciding how to proceed.

Plaintiff continued to communicate with Galderma throughout 2008 in an effort to assist with the evaluation. In August 2008, he visited Galderma's research and development facility in France to provide more information about the Restoraderm technology; in December 2008, he visited Galderma's offices in Fort Worth, Texas. Neither visit produced a firm answer as to whether Galderma had decided to pursue developing the Restoraderm technology. When

[9] Section 8.5(b)(iii) of the 2004 Agreement provided that in the event of a voluntary termination by CollaGenex, "CollaGenex shall transfer to Sköld the Purchased Assets and Additional Records relating to such terminated Products."

[10] Section 9.2 of the 2004 Agreement provides: "This Agreement shall be binding upon, and subject to the terms of the foregoing sentence, inure to the benefit of the Parties hereto, their permitted successors, legal representatives and assigns."

Plaintiff followed up with Clapp in February 2009, Clapp assured him that Galderma would get back to him shortly.

In the summer of 2009, Plaintiff heard from a business associate that Galderma intended to use only the Restoraderm name – not the technology itself – and that it would be using the name on its own products. Plaintiff emailed Quintin Cassady, Vice President and General Counsel of Galderma L.P., seeking clarification. In a telephone call, Cassady and other Galderma representatives assured Plaintiff that the rumor was false. In June 2009, Cassady emailed Plaintiff to reaffirm that the 2004 Agreement continued to govern Galderma's relationship with Plaintiff, and Galderma saw no need to replace that Agreement. Cassady also stated that he intended to be more involved in the Restoraderm project going forward.

At some point in the first quarter of 2009, however, Galderma decided to use the Restoraderm name on a Galderma product. This decision was made during a meeting at the Fort Worth office between Humberto Antunes (Galderma's C.E.O.), Pierre Libman (Galderma's C.F.O.), and Cassady. According to Defendants, this decision was made because Galderma believed it owned the Restoraderm trademark, and because it wanted to derive value from its acquisition of CollaGenex. Defendants maintain that, when this decision was made, there was still a possibility that the Restoraderm trademark would be utilized on products containing Plaintiff's technology.

In the fall of 2009, Galderma's Product Portfolio Review Board ("PPRB") recommended that the company no longer pursue Plaintiff's Restoraderm technology. Defendants contend that this decision was made based on the technology's poor performance when subjected to testing in the summer of 2009.

In October 2009, Cassady contacted Plaintiff to let him know that Galderma had made a decision, and that Chris De Bruyne – Galderma's Licensing and Alliance Management Director – would arrange an in-person meeting to deliver the news. That meeting took place in Stockholm on November 29, 2009. De Bruyne provided Plaintiff with a letter formally notifying him of Galderma's decision to terminate the 2004 Agreement. When Plaintiff asked for an explanation, De Bruyne told him that Galderma did not have confidence in the patentability of the Restoraderm technology. De Bruyne did not mention that Galderma intended to utilize the Restoraderm name on other products.

As mentioned, the 2004 Agreement permitted voluntary termination, but also provided that, in the event of such termination, all "Purchased Assets" would be returned to Plaintiff. The termination letter De Bruyne provided Plaintiff in November 2009 confirmed that Galderma would return his assets in accordance with the 2004 Agreement. There was no deadline in the 2004 Agreement for returning those assets to Plaintiff.

On December 1, 2009, Plaintiff emailed De Bruyne, attaching a list of the assets he believed Galderma was required to return pursuant to the 2004 Agreement, including trademarks. De Bruyne replied, confirming that he would forward the list to his team members. Plaintiff did not receive any indication from Galderma that they disagreed with his list or that any trademark would not be returned. From late 2009 to March 2010, Galderma returned to Plaintiff the patents, patent applications, and development materials associated with the 2004 Agreement but Galderma did not return the Restoraderm trademark.

Plaintiff and De Bruyne continued their communications through December 2009 and early 2010, during which time they discussed the possibility of continuing Plaintiff's contractual relationship with Galderma. Plaintiff remained confident in his ability to patent the Restoraderm

technology and – believing that Galderma would consider reprising the contractual relationship if the technology was patented – he pursued patent applications during 2010.[11]

In February 2010, Cassady learned that Plaintiff was still using the Restoraderm name, and directed De Bruyne to ask Plaintiff to desist. De Bruyne duly emailed Plaintiff, explaining: "As you know we are the owner of this trade name and I would like to ask you not to use this name anymore in your communication on the technology . . . . I count on you for the future use." Plaintiff interpreted De Bruyne's email as cautioning him against using the Restoraderm name in case a patent was granted, in which case Galderma would consider entering into a new agreement to develop the technology.

Plaintiff responded to De Bruyne in March 2010, expressing his view that he had used the Restoraderm trade name prior to assigning it to CollaGenex in the 2002 Agreement, that the Restoraderm trademark and technology were part of the "Purchased Assets" covered by the 2004 Agreement, and that he is the rightful owner of Restoraderm. Plaintiff acknowledged that, in light of Galderma's trademark registration and given that Galderma had not yet assigned the trademark to him, Galderma was the rightful owner "for now," and he agreed not use the mark.

In May 2010, Plaintiff was invited to meet with De Bruyne in Paris, where they continued to discuss Plaintiff's progress with the Restoraderm patent applications. Once again, De Bruyne did not tell Plaintiff that Galderma intended to use the Restoraderm name on other products. A few days after the meeting, Plaintiff followed up with De Bruyne by email, outlining his proposal for a new development agreement with Galderma.

In July 2010, De Bruyne notified Plaintiff of Galderma's decision that "moving forward with a new agreement with you is not a strategic fit for the company at this time." De Bruyne

[11] Plaintiff obtained a patent for Restoraderm a year later, in 2011.

also indicated that Galderma would be opposing Plaintiff's Restoraderm patent applications. De Bruyne did not mention Galderma's intent to use the Restoraderm name on its products.

In August 2010, Plaintiff's attorney forwarded him the link to an article on a rosacea support website, dated May 26, 2010, which stated that Galderma was planning to launch a new line of skincare products called "Cetaphil RestoraDERM" in August of that year. Plaintiff emailed De Bruyne on August 12, 2010, including the link and asking for clarification. De Bruyne replied, advising Plaintiff to contact Quintin Cassady, but did not confirm or deny that Galderma intended to launch the products.

On August 16, 2010, Plaintiff filed a petition before the P.T.O.'s Trademark Trial and Appeal Board ("T.T.A.B."), seeking to cancel Galderma's registration of the Restoraderm trademark.[12] *See Thomas Sköld v. Galderma Labs., Inc.*, 2012 WL 5902083 (T.T.A.B. Nov. 8, 2012). Plaintiff's cancellation petition asserted that Defendants intended to market Cetaphil Restoraderm in the United States, and attached as an exhibit the rosacea website article.

On September 14, 2010, Galderma L.P. issued a press release announcing the launch of "Cetaphil® Restoraderm®," "a new line of products to help soothe the symptoms of eczema and atopic dermatitis." The Restoraderm line would be a sub-brand of Galderma's Cetaphil line – made up of around 30 skincare products – and would consist of two products sold in the United States: a body wash and a skin moisturizer, both formulated for eczema and atopic dermatitis. The next day, Plaintiff saw the press release. Galderma has since sold its Cetaphil Restoraderm products in the United States and overseas.

[12] The T.T.A.B. proceeding was stayed pending the outcome of this litigation.

IV. DEFENDANTS' MOTION FOR JUDGMENT AS A MATTER OF LAW

Turning now to Defendant's motion for judgment as a matter of law. At the close of Plaintiff's case, Defendants made – and the Court denied – a motion for judgment as a matter of law pursuant to Rule 50(a) (ECF No. 146). Defendants now renew their motion on Plaintiff's unjust enrichment claim and ask the Court to vacate the jury's disgorgement award of $58,800. In support of the motion, Defendants argue that: (1) Plaintiff's unjust enrichment claim is predicated on his purported ownership of the Restoraderm trademark, but he failed to adduce legally sufficient evidence of ownership at trial; (2) the unjust enrichment claim fails as a matter of law because the 2004 Agreement governs the subject-matter of the parties' dispute and precludes any unjust enrichment claim; (3) the unjust enrichment claim is barred by Pennsylvania's four-year statute of limitations; and (4) there is no legally sufficient evidence of any of the elements of unjust enrichment.

1. Plaintiff's evidence of ownership of the mark

Defendants argue that in order to "confer" the benefit of the Restoraderm trademark as required for unjust enrichment liability, *Northeast Fence & Iron Works, Inc. v. Murphy Quigley Co., Inc.*, 933 A.2d 664, 669 (Pa. Super. Ct. 2007), Plaintiff must first have owned the mark. Defendants assert that Plaintiff did not present sufficient evidence of ownership at trial, and that, to the contrary, Galderma Inc. owned the mark pursuant to the application for registration that CollaGenex filed on February 28, 2002, which was ultimately granted.[13] Federal registration of a trademark is *prima facie* evidence of the mark's validity, the registrant's ownership thereof, and the exclusive right to use the mark in commerce. *See* 15 U.S.C. § 1115(a); 15 U.S.C. § 1057(c). To rebut this *prima facie* evidence of ownership, Plaintiff must have established

[13] Defendant Nestlé S.A. currently holds the United States and worldwide registrations for the Restoraderm trademark, having been assigned Inc.'s United States-based intellectual property in May 2015.

"priority" through his use of the mark in commerce prior to the date of CollaGenex's registration application. *See Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc.*, 186 F.3d 311, 315 (3d Cir. 1999) (holding that, under the Lanham Act, filing an application for federal registration of a trademark confers priority in the mark except against a person who has used the mark prior to such filing). The issue before the Court is thus whether, viewing the evidence in the light most favorable to Plaintiff, Plaintiff adduced sufficient evidence from which the jury reasonably could find that he established priority in the mark prior to February 28, 2002.

The Court previously considered – and rejected – this argument on Defendants' motions for summary judgment and judgment as a matter of law under Rule 50(a). Defendants have identified no reason compelling a different result at this juncture. At trial, Plaintiff presented the following evidence of prior use:

- Plaintiff coined the name "Restoraderm" in the summer of 2001. He first used the word "Restoraderm" in writing in late August or early September 2001.

- Plaintiff made "batch records" – *i.e.* laboratory samples – of the Restoraderm product in the summer of 2001.

- In September 2001, Plaintiff traveled to the United States and conducted meetings and telephone calls with pharmaceutical companies that he considered prospective business partners for commercializing his technology. Plaintiff presented information on the technology, which he called "Restoraderm," during these meetings and phone calls. The prospective business partners included Allergan, Medicis, and two Johnson & Johnson companies: Ortho and Neutrogena.

- At some point before the summer of 2001, Plaintiff drafted a paper titled "A Theory of the Mode of Action," which provides a scientific hypothesis for how his skincare technology works. This paper was among the package of materials Plaintiff sent to pharmaceutical companies prior to meeting with them in September 2001. A draft of this paper prepared for CollaGenex, dated November 5, 2001, refers to the technology as "Restoraderm." Plaintiff also provided CollaGenex with hard copies of the paper. Additionally, it was distributed in Swedish universities and to a number of dermatologists around the world.

- In the summer of 2001, Plaintiff drafted a second paper, entitled "Lipoderm Restoraderm, a vehicle technology for topical use," which offers a simplified explanation of how the Restoraderm technology works. The draft of this paper prepared for CollaGenex referred to "Lipoderm," but earlier drafts did not. Plaintiff included this paper in the package of materials he sent pharmaceutical companies prior to meeting with them in September 2001.

- In late 2001 or early 2002, Plaintiff delivered a presentation to CollaGenex about his Restoraderm technology, accompanied by written materials. In addition, Plaintiff provided CollaGenex with multiple physical samples of the product, labeled "Restoraderm."

- In January 2002, Plaintiff attended the American Association of Dermatology conference in the Caribbean. He brought with him copies of a third paper, entitled "Restoraderm: a product and a dermal delivery technology," which he prepared specifically for the conference and distributed to attendees. Approximately 70 people attended the conference. Plaintiff took part in a focus group of around 10 conference attendees, at which he gave a presentation on Restoraderm and distributed labeled samples of the product. Additionally, Plaintiff informally discussed his Restoraderm technology with other conference attendees.

- Following the January 2002 conference, CollaGenex followed up with Plaintiff about developing his Restoraderm technology. On February 12, 2002, Plaintiff and CollaGenex signed the 2002 Agreement, in which "Restoraderm" was referenced by name under the "Trade Marks" heading.

Viewed in the light most favorable to Plaintiff, this represents sufficient evidence for the jury to find that Plaintiff established priority in the Restoraderm mark prior to February 28, 2002. The evidence that Plaintiff pitched his technology to at least four large pharmaceutical companies using the name "Restoraderm," distributed samples labeled "Restoraderm" to prospective business partners, and discussed his technology with dermatologists at the January 2002 conference does not merely indicate that Plaintiff was *preparing* to do business, as Defendants contend, but that he actually used the mark in commerce.

Defendants lean heavily on the fact that Plaintiff did not sell Restoraderm products to the public, arguing that he is unable to demonstrate "market penetration" among target purchasers sufficient to establish use in commerce. *See Natural Footwear Ltd. v. Hart, Schaffner & Marx,*

760 F.2d 1383, 1400 (3d Cir. 1985). But, while the *Natural Footwear* case is "applicable to the commonly recurring fact pattern of concurrent use . . . in different regions," it is distinguishable from the case at bar. *See Lucent Info.*, 186 F.3d at 316. Here, the nature of Plaintiff's product indicates that it was never intended to be directed to the public at large; rather, the target market was pharmaceutical companies and opinion leaders in the field of dermatology. Moreover, the Third Circuit has recognized that while sales may be "the typical and clearest evidence, they are not the *sine qua non* of use in commerce." *See ITT Indus., Inc. v. Wastecorp, Inc.*, 87 Fed. App'x 287, 296 n.12 (3d Cir. 2004). Similarly, the Federal Circuit has held that "one should look at the evidence as a whole, as if each piece of evidence were part of a puzzle which, when fitted together, establishes prior use." *West Florida Seafood, Inc. v. Jet Restaurants, Inc.*, 31 F.3d 1122, 1125-26 (Fed. Cir. 1994). Thus, the fact that Plaintiff did not sell products directly to consumers does not preclude a finding that he used the mark in commerce, and there was sufficient evidence for the jury to make that determination.

2. The 2004 Agreement

Second, Defendants argue that the existence of the 2004 Agreement precludes Plaintiff's unjust enrichment claim, pointing out that, under Pennsylvania law, the doctrine of unjust enrichment is "inapplicable when the relationship between the parties is founded on a written agreement or express contract." *Benefit Tr. Life Ins. Co. v. Union Nat'l Bank*, 776 F.2d 1174, 1177 (3d Cir.1985) (quoting *Schott v. Westinghouse Elec. Corp.*, 259 A.2d 443, 448 (Pa. 1969)).

This Court recognized this doctrinal limit to Plaintiff's unjust enrichment claim at the motion to dismiss stage and duly dismissed that claim against Galderma Inc., the successor-in-interest under the 2004 Agreement. Defendants now reassert their argument that the 2004 Agreement also precludes Plaintiff's unjust enrichment claim against the non-signatory

Defendants. Defendants acknowledge that no reported Pennsylvania decisions support their position, but urge the Court to follow other jurisdictions that have held that the existence of an express contract precludes an unjust enrichment claim against non-signatories where the claim arises from the same subject-matter governed by the contract. *See, e.g.*, *Beth Israel Med. Ctr. v. Horizon Blue Cross and Blue Shield of N.J., Inc.*, 448 F.3d 573, 587 (2d Cir. 2006) (observing that New York law does not permit recovery in unjust enrichment where a valid contract governs the same subject-matter as the unjust enrichment claim); *Snyder v. Freeman*, 266 S.E.2d 593, 602-03 (N.C. 1980); *but see In re Wolf*, 556 B.R. 676, 689 n.15 (Bankr. E.D. Pa. 2016) (observing that no reported Pennsylvania decisions discuss this specific issue and declining "to opine on this question of Pennsylvania law.").

Although no reported Pennsylvania decisions resolve this specific issue, federal courts in this District have held that non-signatories to a contract may be subject to unjust enrichment claims arising out of the contract's subject-matter. *See Montanez v. HSBC Mortg. Corp. (USA)*, 876 F.Supp.2d 504, 513 (E.D. Pa. 2012) (holding that the existence of a contract precluded plaintiff's unjust enrichment claim against signatory defendant, but not against non-signatory defendant); *Furniture Solutions v. Resources & Symmetry Office, LLC*, No. 15-4774, 2015 WL 9302915, at *4 (E.D. Pa. Dec. 22, 2015) (same). This Court declines to follow the jurisprudence of other jurisdictions and instead finds that, as non-signatories to the 2004 Agreement, Galderma L.P., Galderma S.A., and Nestlé S.A. cannot rely on the existence of that contract to shield themselves from Plaintiff's unjust enrichment claim.

3. Statute of limitations

Third, Defendants argue that judgment as a matter of law should be granted on Plaintiff's unjust enrichment claim because it is barred by Pennsylvania's four-year statute of limitations.

See 42 Pa. Cons. Stat. § 5525(a)(4); *Sevast v. Kakouras*, 915 A.2d 1147, 1153 (Pa. 2007). Defendants point out that the jury found Plaintiff's breach of contract claim time-barred. They contend that because unjust enrichment is subject to the four-year same limitations period as a breach of contract claim, and because the two claims are founded on the same underlying facts, Plaintiff's unjust enrichment claim is also time-barred. Specifically, Defendants argue that Plaintiff's unjust enrichment claim accrued when Defendants failed to revert the Restoraderm trademark to him, and that any subsequent use of the mark on Cetaphil products simply represents the continued ill-effects of that initial harm.

Plaintiff responds, first, that Defendants did not seek a jury instruction on this issue or otherwise raise it at trial. Although Plaintiff is correct on this point (*see* ECF No. 132), Defendants preserved this argument by raising it when they moved for judgment as a matter of law at the close of Plaintiff's case (*see* ECF No. 146 at 22-23).

As to the merits of Defendants' argument, Plaintiff does not dispute that his unjust enrichment claim is governed by the same four-year statute of limitations period as his breach of contract claim. He responds, rather, that the two claims accrue at different times, pointing out that the elements of unjust enrichment differ from those of breach of contract. Plaintiff argues that under Pennsylvania law, an unjust enrichment claim accrues when the defendant accepts and retains the benefits in question – which is not necessarily the same date as breach of the contract. *See Konidaris v. Portnoff Law Assoc., Ltd.*, 884 A.2d 348, 355 (Pa. Cmwlth. 2005) (holding that a cause of action for unjust enrichment "accrues . . . when the defendant receives and retains benefits."), *aff'd in part and rev'd in part on other grounds*, 953 A.2d 1231 (Pa. 2008)); *see also Harry Miller Corp. v. Mancuso Chems. Ltd.*, 469 F.Supp.2d 303, 319 (E.D. Pa. 2007) (same). According to Plaintiff, because each sale of a Cetaphil product bearing the Restoraderm

trademark is a distinct benefit accepted and retained by Defendants, Defendants continue to be unjustly enriched by the ongoing sales of Cetaphil Restoraderm.

Plaintiff's unjust enrichment claim was based primarily on the argument that it was inequitable for Defendants to profit from the Restoraderm trade name without compensating him. That claim did not accrue when Defendants failed to revert the trademark to Plaintiff, but when Defendants received and retained the benefits of the mark. Since Plaintiff filed his Complaint on September 15, 2014, his unjust enrichment claim would be time-barred only as to profits received and retained by Defendants more than four years previously. *See Harry Miller*, 469 F.Supp.2d at 319 (holding that plaintiff's claim for unjust enrichment accrued when defendant began profiting from sales). Defendants did not identify any sales of Cetaphil Restoraderm products prior to issuance of the press release on September 14, 2010. Indeed, both parties' damages experts calculated disgorgement of profits – the proper measure of money damages for unjust enrichment[14] – based on sales of Cetaphil Restoraderm from 2010 until 2016. Consequently, Defendants have not carried their burden of showing that any part of Plaintiff's unjust enrichment award was time-barred.

4. Evidence to support unjust enrichment

Finally, Defendants move for judgment as a matter of law on the theory that there is insufficient evidence in the record to support Plaintiff's unjust enrichment claim. Defendants reiterate their position that they own the Restoraderm trademark by virtue of CollaGenex's federal registration of the mark – not as a result of any benefit conferred by Plaintiff. Additionally, they argue that Plaintiff presented no evidence from which a reasonable fact-finder

[14] *See, e.g., Marshak v. Treadwell*, 595 F.3d 478, 495 (3d Cir. 2009) ("We have held that an accounting of the infringer's profits is available if the defendant is unjustly enriched . . . .") (internal quotation omitted); *Curley v. Allstate Ins. Co.*, 289 F.Supp.2d 614, 619 (E.D. Pa. 2003) ("Where there has been unjust enrichment, the courts will imply a quasi-contract . . . and require the defendant to pay the plaintiff the value of the benefit conferred.") (citing *Crawford's Auto Center v. State Police*, 655 A.2d 1064, 1070) (Pa. Commw. Ct. 1995).

could determine that it would be inequitable for Defendants to retain the benefit of the mark. According to Defendants, the jury's findings on trademark infringement and false advertising make clear that they were not inequitably enriched.

This argument is unavailing, particularly in light of the Court's duty to read a jury verdict in a manner that resolves inconsistencies. *See Graboff v. Colleran Firm*, 744 F.3d 128, 138 (3d Cir. 2014). As discussed *supra*, Plaintiff adduced sufficient evidence from which the jury reasonably could find that he had ownership rights in the Restoraderm mark through use in commerce prior to February 28, 2002, and thus that Plaintiff conferred a benefit upon Defendants. As to the remaining elements of unjust enrichment, Defendants' argument questions the credibility of several days' worth of testimony relating to inequitable enrichment. Cassady testified, for example, that the name is valuable because it is "catchy" and because it "medicalized" the sub-brand of Cetaphil eczema products. Cindy Wright, a Galderma employee responsible for the Cetaphil brand, also testified that the name medicalized the product and helped consumers differentiate the Restoraderm sub-brand from the core Cetaphil line. Additionally, Plaintiff adduced evidence that Galderma failed to advise him that it did not intend to return the trademark to him, even after he specifically asked for it back in December 2009, and that Galderma employees demonstrated a willingness to revive the contractual relationship with him in 2010. Furthermore, he adduced evidence that Galderma decided to utilize the trademark on its own products without making any efforts to determine the meaning of the 2002 and 2004 Agreements.

Evaluating the credibility of this testimony was the role of the jury. *See Lightning Lube*, 4 F.3d at 1166. If credited, this evidence provided ample support for the jury reasonably to conclude that Plaintiff conferred benefits upon Defendants, who appreciated, accepted, and

retained such benefits under such circumstances that it would be inequitable for defendant to retain the benefit without payment of value. *See Northeast Fence*, 933 A.2d at 669. Notably, the jury found that Defendants' conduct in connection with their use of the mark was outrageous and awarded $550,000 in punitive damages. This undercuts Defendants' suggestion that the jury's findings make clear that Defendants were not inequitably enriched. Accordingly, there was plainly evidence upon which the jury could properly find a verdict for Plaintiff on unjust enrichment, and Defendants' motion is denied.[15]

V. PLAINTIFF'S MOTION FOR JUDGMENT AS A MATTER OF LAW

1. Rule 50(a)

Plaintiff's motion for judgment as a matter of law presents a procedural wrinkle, namely whether he properly preserved his right to file it. In order to preserve an issue for a post-trial motion under Rule 50(b), the moving party must seek judgment as a matter of law at the close of the nonmovant's case pursuant to Rule 50(a). *See Lightning Lube*, 4 F.3d at 1172-73; Fed. R.

[15] Defendants argue, in the alternative, that even if their Motion is denied, the final judgment improperly assesses costs against Defendants and should be altered or amended pursuant to Federal Rule of Civil Procedure 59(e). First, Defendants assert that Plaintiff is not entitled to costs under Rule 54(d)(1) because he was only partially successful at trial. Defendants point out that the jury rejected all but one of Plaintiff's six claims under federal and state law, and awarded only "a small fraction" of the millions of dollars of damages sought. Defendants submit that they are the "prevailing party" for purposes of Rule 54(d)(1) or, alternatively, that neither party is entitled to costs. *See Compro-Frink Co. v. Valk Mfg. Co.*, 595 F.Supp. 302, 303-04 (E.D. Pa. 1982) (finding that there was no prevailing party where the litigation "resulted in a tie."). This argument is unpersuasive. The standard used for determining prevailing party status in this Circuit is "whether plaintiff achieved some of the benefit sought by the party bringing the suit." *Institutionalized Juveniles v. Sec'y of Pub. Welfare*, 758 F.2d 897, 910 (citations and internal quotation omitted). The focus of this inquiry is "on the relief actually obtained rather than on the success of the legal theories." *Id.* at 911. Because the jury found for Plaintiff on his unjust enrichment claim and awarded relief in the amount of $58,800, he is the prevailing party. Prevailing parties are presumptively entitled to costs under Rule 54(d)(1) in the absence of some "defection" justifying the denial of costs; limited success is not such a defection. *Id.* at 926. Consequently, Plaintiff is entitled to costs under Rule 54(d)(1). Second, Defendants point out that the judgment awards costs against *all* Defendants, but the $58,800 award for unjust enrichment is only against Galderma L.P., Galderma S.A., and Nestlé S.A. Because the Court previously dismissed Plaintiff's unjust enrichment claim as to Galderma Inc., *Sköld v. Galderma Labs., L.P.*, 99 F.Supp.3d 585, 599 (E.D. Pa. 2015), the judgment shall be modified pursuant to Federal Rule of Civil Procedure 59(e) to reflect a costs award only against the Defendants found liable for unjust enrichment.

Civ. P. 50(b) ("If the court does not grant a motion for judgment as a matter of law made under 50(a) . . . the movant may file a renewed motion for judgment as a matter of law . . . ."). Absent a Rule 50(a) motion, "judicial reexamination of the evidence abridges a party's right to a trial by jury." *Id.* Furthermore, a post-trial motion for judgment as a matter of law can be granted only on grounds advanced in the pre-verdict motion. Fed. R. Civ. P. 50, 1991 Advisory Committee's Note; *see also Lightning Lube*, 4 F.3d at 1173.

Although Plaintiff did not make a request for judgment as a matter of law that he labeled as a Rule 50(a) motion, he submitted proposed jury instructions (ECF No. 153),[16] one of which was entitled "Directed Verdict as to Confusion," wherein he sought an instruction directing the jury to find likelihood of confusion on Plaintiff's trademark infringement and unfair competition claims. The Court will treat this jury instruction as a motion for directed verdict. *See Bonjorno v. Kaiser Aluminum & Chem. Corp.*, 752 F.2d 802, 814-15 (3d Cir. 1984); *Intermilo, Inc. v. I.P. Enterprises, Inc.*, 19 F.3d 890, 892-93 (3d Cir. 1994). However, because Plaintiff's proposed jury instructions sought judgment as a matter of law only as to likelihood of confusion, only that ground for relief will be considered under the standard articulated in Rule 50(b).

2. Likelihood of confusion

Plaintiff argues that the jury's trademark infringement and unfair competition findings were erroneous as a matter of law. To establish trademark infringement and unfair competition, Plaintiff was required to show that he owned a valid and legally protectable trademark, and that Defendants' use of that mark caused a likelihood of confusion. *See A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 210 (3d Cir. 2000). Although the jury found that

[16] Prior to trial, on June 20, 2016, Plaintiff filed a first set of proposed jury instructions (ECF No. 134), one of which he labeled "Directed Verdict as to Confusion." Because a party must move for judgment as a matter of law under Rule 50(a) at the close of the nomovant's case, *see Lightning Lube*, 4 F.3d at 1172, this set of jury instructions does not meet the procedural requirements of Rule 50(a).

Plaintiff established rightful ownership of the Restoraderm mark, it also found that it was not likely that the relevant market for purchasers of the products offered by either Plaintiff or Galderma would be confused as to their source.

Plaintiff argues that the jury's no-confusion finding is erroneous as a matter of law. He suggests that because his trademark is identical to the allegedly infringing trademark, a likelihood of confusion is inevitable. *See id.* at 211 (holding that courts need not look beyond the marks when goods are directly competing and the marks are virtually identical); *Pappan Enter., Inc. v. Hardee's Food Sys., Inc.*, 143 F.3d 800, 804 (3d Cir. 1998). According to Plaintiff, the only possible explanation for the jury's finding on confusion is that it mistakenly concluded that, in order to find a likelihood of confusion, Plaintiff must have had a competing product on the market at the same time as Galderma's Cetaphil Restoraderm products that also bore the Restoraderm trade name. Plaintiff, citing *Interpace v. Lapp*, 721 F.2d 460 (3d Cir. 1983) – finding plaintiff entitled to injunctive relief for trademark infringement notwithstanding that plaintiff had never actually entered defendant's market – argues that such a conclusion would be incorrect. Additionally, Plaintiff explains that the reason he did not have a competing product on the market was because Galderma warned him not to use the Restoraderm trademark. He contends that Defendants should not be permitted to profit from their own misconduct.

The question before the Court is thus whether, viewing the evidence in the light most favorable to Defendants, there was insufficient evidence from which a jury reasonably could find likelihood of confusion. *See Lightning Lube*, 4 F.3d at 1166. A review of the trial record indicates that Plaintiff has not made out this showing. Plaintiff points to his testimony that, at the American Association of Dermatology conference in January 2011, around twenty conference attendees congratulated him on getting Restoraderm to market or asked him to clarify

whether Cetaphil Restoraderm was based on his technology; and that internet researchers associated with an Australian company ordered Galderma's Cetaphil Restoraderm products in an attempt to conduct studies on Plaintiff's Restoraderm technology, as establishing likelihood of confusion.

Although this evidence certainly supports Plaintiff's theory of likely confusion, it does not dictate the conclusion that the jury's finding was erroneous as a matter of law. Likelihood of confusion is determined by a number of factors, including, *inter alia*, the degree of similarity between the owner's mark and the alleged infringing mark; the strength of the mark; any factors indicative of the care and attention expected of relevant consumers; the length of time the defendant used the mark without evidence of actual confusion arising; the intent of the defendant in adopting the mark; evidence of actual confusion; whether the goods, though not competing, were marketed through the same channels of trade and advertised through the same media; the extent to which the targets of the parties' sales efforts were the same; the relationship of the goods in the minds of consumers because of the similarity of function; and other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or that he is likely to expand into that market. *See Lapp*, 721 F.2d at 463; *see also A&H*, 237 F.3d at 207 (holding that the *Lapp* factors apply to cases involving both competing and non-competing goods). None of these factors are determinative and each must be weighed and balanced against the others. *Checkpoint Systems, Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 280 (3d Cir. 2001).

Plaintiff argues that the jury needed to consider only the first *Lapp* factor – the degree of similarity between the owner's mark and the alleged infringing mark – to find likely confusion, pointing out that his mark is identical to the allegedly infringing mark. But in making this

argument, Plaintiff relies on cases in which identical marks were concurrently used by unrelated entities on directly competing products. *See Pappan*, 143 F.3d at 804; *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 195 (3d Cir. 1990); *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 137 (3d Cir. 1982). Plaintiff acknowledges that there was no concurrent use in this case. As such, "the similarity of the marks [was] only one of a number of factors . . . to determine likelihood of confusion." *Fisons Horitculture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 473 (3d Cir. 1994); *see also Richards v. Cable News Network, Inc.*, 15 F.Supp.2d 683 (E.D. Pa. 1998) (finding no likelihood of confusion despite use of an identical name).

Here, the jury was charged on the *Lapp* factors and instructed to consider all relevant evidence in determining likelihood of confusion, including the fact that the two marks were identical. Given that a jury is presumed to follow the Court's instructions when arriving at its verdict, *Graboff*, 744 F.3d at 135 n.5, Plaintiff has identified no reason to overturn its finding that confusion was not likely. Consequently, Plaintiff has not established that judgment as a matter of law is warranted on his trademark infringement and unfair competition claims.

VI. PLAINTIFF'S MOTION FOR NEW TRIAL

Concurrent with his motion for judgment as a matter of law, Plaintiff moves, in the alternative, for a new trial on all claims pursuant to Rule 59. In support of this motion, he argues that: (1) the jury's no-confusion finding is contrary to the weight of the evidence; (2) the jury's false advertising findings were inconsistent and contrary to the weight of the evidence; and, (3) the Court should not have permitted Defendants to assert a statute of limitations defense to his breach of contract claim.

1. Trademark infringement and unfair competition

Turning to Plaintiff's motion for a new trial on his trademark infringement and unfair competition claims, the question before the Court is whether the jury's finding on likely confusion is contrary to the great weight of the evidence such that the verdict resulted in a miscarriage of justice, cries out to be overturned, or shocks the conscience. *See Pryer*, 251 F.3d at 453; *Williamson*, 926 F.2d at 1353.

In support of his motion, Plaintiff leans heavily on the fact that he adduced evidence of actual confusion, pointing to his testimony that conference attendees and internet researchers exhibited confusion as to the source of Cetaphil Restoraderm products. While evidence of actual confusion is undoubtedly significant to the likelihood of confusion analysis, it is not determinative. *See Lapp*, 721 F.2d at 463. First, Plaintiff did not elicit trial testimony from any of the allegedly confused individuals, which deprived defense counsel of the opportunity to cross-examine those persons. *See A&H*, 237 F.3d at 227. Second, likelihood of confusion requires that an appreciable segment of the relevant audience would be confused by the marks. *See, e.g.*, *id.* (affirming district court's finding that evidence of actual confusion was isolated and idiosyncratic); *Checkpoint Sys.*, 269 F.3d at 298-99 (holding that twenty instances of confusion over five years was *de minimis*). Thus, even if Plaintiff's testimony as to the conference attendees and internet researchers is credited, it arguably evidences only isolated and idiosyncratic evidence of actual confusion. *See A&H*, 237 F.3d at 227 (cautioning against using "isolated instances of confusion to buttress a claim."). Furthermore, the sophistication of the target market in this case – namely, pharmaceutical companies and opinion leaders in the field of dermatology – weighs against a likelihood of confusion. *Id*; *see also Castle Oil Corp. v. Castle*

Energy Corp., 26 U.S.P.Q.2d 1481, 1489, 1992 WL 394932 (E.D. Pa. 1992) (finding no likelihood of confusion where buyers were knowledgeable professionals).

Thus, although Plaintiff adduced some evidence of actual confusion, that evidence was not of such great weight that permitting the jury verdict to stand would result in a miscarriage of justice. Consequently, Plaintiff's motion for a new trial is denied on this ground.

2. False advertising

Plaintiff argues that the jury's findings on his false advertising claim were inconsistent and against the weight of the evidence. In answering the verdict interrogatories, the jury found, as to Question 3(a), that Galderma's use of the term "Restoraderm" on its Cetaphil products was false or misleading. As to Question 3(b), the jury found that use of that term on Cetaphil products did not deceive, or have the capacity to deceive, a substantial segment of customers in the marketplace for those products. Defendants respond, first, that these findings are not irreconcilably inconsistent, and instead represent the jury's determinations on independent elements of the false advertising claim. Second, Defendants respond that the trial record contains no evidence that a substantial segment of the market was deceived by Galderma's use of "Restoraderm" on Cetaphil products.

a. Verdict interrogatories

When faced with a seemingly inconsistent verdict, a court is under a constitutional mandate to search for any view of the case that reconciles the jury's findings. *See Graboff*, 744 F.3d at 138-39; *Repola v. Morbark Indus., Inc.*, 934 F.2d 483, 494 (3d Cir. 1991) (characterizing duty to resolve inconsistencies in jury verdicts as a constitutional obligation); *see also Boyanowski v. Capital Area Intermediate Unit,* 215 F.3d 396, 407 (3d Cir. 2000)

("[I]nconsistent jury verdicts are an unfortunate fact of life in law, and should not, in and of themselves, be used to overturn otherwise valid verdicts.").

Here, the jury's findings can be harmonized. Consistent with the elements of false advertising under the Lanham Act, Question 3(a) asked whether use of the term "Restoraderm" on Cetaphil products was false or misleading. *See Groupe SEB*, 774 F.3d at 198. The jury answered in the affirmative. Question 3(b) asked whether use of the term deceived, or had the capacity to deceive, a substantial segment of customers in the marketplace for Cetaphil products. The jury answered in the negative. Thus, the jury may have found that Galderma's use of "Restoraderm" was false or misleading in that Cetaphil products do not contain Plaintiff's technology, but that a "substantial segment" of customers in the relevant marketplace was not misled. The fact that the jury found no likelihood of confusion on trademark infringement and unfair competition, as discussed *supra*, supports this reading of the verdict.

Bearing in mind that courts have "very limited discretion" in this area and must mold a verdict "consistently with a jury's answers to special interrogatories when there is *any view* of the case which reconciles the various answers," *McAdam v. Dean Witter Reynolds, Inc.*, 896 F.2d 750, 763 (3d Cir. 1990) (emphasis in original) (quotation and citation omitted), Plaintiff has not established that the jury's verdict is inconsistent such that a new trial is warranted.

b. Weight of the evidence

Plaintiff has not demonstrated that the jury's answer to Question 3(b) – *i.e.* that use of the term "Restoraderm" on Cetaphil products did not deceive, or have the capacity to deceive, a substantial segment of customers in the marketplace for those products – was against the weight of the evidence such that a new trial is warranted. *See Pryer*, 251 F.3d at 453; *Williamson*, 926

F.2d at 1353. Indeed, Plaintiff gives short shrift to this issue in his briefing and makes no reference to the evidence adduced at trial in support of his argument.

False advertising liability requires that the advertising in question tends to deceive or mislead a "substantial portion" of the intended audience. *See Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 134 n.14 (3d Cir. 1994) (finding survey evidence showing deception among 7.5% of consumers insufficiently substantial, but suggesting that 20% may suffice); *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 594 (3d Cir. 2002) (finding survey evidence demonstrating that 15% of respondents were misled sufficiently substantial).

As discussed *supra*, Plaintiff testified that around twenty conference attendees and an unspecified number of internet researchers exhibited confusion – and thus arguably deception – as to the source of the Restoraderm mark on Cetaphil products. He presented no market survey evidence to demonstrate confusion or deception. *See, e.g., McNulty v. Citadel Broad. Co.*, 58 Fed. App'x 556, 566 (3d Cir. 2003) (noting lack of consumer survey evidence that could "provide proof that a substantial portion of the intended audience, not just a few select individuals, had been misled."). Accordingly, the record does not support Plaintiff's argument that the false advertising finding was against the weight of the evidence.

3. Statute of limitations defense

Plaintiff argues that Defendants should not have been permitted to assert a statute of limitations defense at trial because Galderma fraudulently misled him into believing that they would not breach the 2004 Agreement. *See Fine v. Checcio*, 870 A.2d 850, 860 (Pa. 2005) (holding that under doctrine of fraudulent concealment, "the defendant may not invoke the

statute of limitations, if through fraud or concealment, he causes the plaintiff to relax his vigilance or deviate from his right of inquiry into the facts.").

The Court determined that the issue of whether fraud or concealment by Defendants caused Plaintiff to delay in bringing his breach of contract claim was a question for the fact-finder, and duly submitted that issue to the jury.[17] That determination was consistent with Pennsylvania law. *See id.* at 862 (holding that, where genuine issues of material fact exist as to whether the doctrine of fraudulent concealment tolls the statute of limitations, it is for the jury to determine whether the doctrine applies). The jury thus considered and rejected the proposition that Defendants were estopped from asserting a statute of limitations defense as a result of fraud or concealment.

The jury's determination was supported by sufficient trial evidence. Cassady offered an explanation for Galderma's failure to notify Plaintiff that it would be using the Restoraderm mark on Cetaphil products: namely that Galderma employees were constrained from such disclosure by confidentiality concerns, particularly in light of Plaintiff's connections to the pharmaceutical industry. As to Galderma's communications with Plaintiff after termination of the 2004 Agreement, Cassady testified that the purpose of these continued discussions was potential business development; in other words, to afford Plaintiff an opportunity to present a novel proposal that might lead Galderma to reconsider. De Bruyne's testimony was consistent with this account: he testified that his communications with Plaintiff in 2010 were part of a sincere effort to explore reviving the contractual relationship between Plaintiff and Galderma.

[17] The Court instructed the jury, in relevant part: "A defendant may be estopped from asserting a statute of limitations defense if through fraud, deception or concealment of facts a defendant lulls an injured person or his representatives into a sense of security so that such person's vigilance is relaxed. It is the plaintiff's duty to use reasonable diligence to properly inform himself of the facts and circumstances of the injury."

This evidence is sufficient to support the jury's finding that the doctrine of fraudulent concealment did not toll the statute of limitations.

The jury's punitive damages award does not compel a contrary conclusion. The jury was instructed, consistent with Pennsylvania law, that punitive damages may be awarded on the basis that Defendants' conduct exhibited reckless indifference to Plaintiff's rights.[18] Thus, the jury may have awarded such damages on finding that Defendants acted recklessly by utilizing the Restoraderm mark without determining whether they had the contractual rights to do so under the 2004 Agreement. The punitive damages award does not necessarily indicate that the jury found Plaintiff to be fraudulently misled into believing that Galderma Inc. would not breach the 2004 Agreement. Consequently, its decision not to apply the doctrine of fraudulent concealment is not contrary to the weight of the evidence, and Plaintiff's motion is denied on this ground.

4. New trial on damages

Plaintiff also moves for a new damages trial on his unjust enrichment claim, arguing that the Court erroneously limited the trial evidence to Galderma's sales of Cetaphil Restoraderm within the United States when it should have allowed evidence of global sales. Specifically, Plaintiff alleges error in the Court's order of June 24, 2016, in which the Court found foreign use of the Restoraderm mark beyond the scope of Plaintiff's Lanham Act claims, but ruled that Plaintiff's common law claims – including unjust enrichment – were not limited to use of the mark within the Commonwealth of Pennsylvania. *Sköld v. Galderma Labs., L.P.*, No. 14-5280 (E.D. Pa. June 24, 2016).

[18] The Court allowed the jury to consider punitive damages on Plaintiff's unfair competition claim under Pennsylvania tort law. Pennsylvania has adopted § 908 of the Restatement (Second) of Torts, which provides, in relevant part: "Punitive damages may be awarded for conduct that is outrageous, because of . . . his reckless indifference to the rights of others." RESTATEMENT (SECOND) OF TORTS § 908(2) (1979). The verdict interrogatory on punitive damages read as follows: "Do you find that the defendants' conduct in connection with the Restoraderm® trademark was outrageous (i.e., conduct that was malicious, wanton, willful, or oppressive, or showed reckless indifference to the interests of others)?"

Plaintiff contends that the Court's ruling on his common law claims did not permit introduction of any evidence that would have contradicted its ruling as to his Lanham Act claims, *i.e.* evidence of global sales. Thus, in accordance with the Court's order, Plaintiff restricted his trial presentation on damages to sales of Cetaphil Restoraderm within the United States.[19] Plaintiff contends that Pennsylvania unjust enrichment law does not draw any distinction between state, national, or international sources of the enrichment. He argues that, because the jury found him to be the owner of the Restoraderm mark, he is entitled to a new trial to establish damages on all sources of Galderma's unjust enrichment. Defendants respond that Plaintiff's unjust enrichment claim is premised on his ownership of the Restoraderm trademark, which is territorially limited to the United States. *See Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 714 (3d Cir. 2004). According to Defendants, because Plaintiff presented no evidence that he owned foreign rights in the mark, global sales of Cetaphil Restoraderm are irrelevant to his unjust enrichment claim.

The verdict interrogatory on unjust enrichment, agreed to by the parties, stated: "Were Defendants unjustly enriched by the use of the RESTORADERM® trademark?"[20] Thus, the jury found that Defendants were unjustly enriched by their use of the registered mark – not by deriving profits from a benefit conferred by Plaintiff. As Plaintiff acknowledged in his Amended Complaint, Defendant Nestlé S.A. holds worldwide registration of the Restoraderm trademark. At trial, Plaintiff did not argue that he had prior rights in the Restoraderm mark outside the

[19] In support of this argument, Plaintiff attaches to his motion Trial Exhibits 104 and 119, which were redacted to remove any references to global sales of Cetaphil Restoraderm. Additionally, Plaintiff notes that his damages expert, Dr. Schwartz, testified only as to United States sales figures.

[20] This language tracks the unjust enrichment interrogatory provided by Plaintiff pre-trial in a proposed verdict sheet, which read: "Do you find that the Defendants have been unjustly enriched by their actions with respect to the Restoraderm trademark?" *See* ECF No. 126.

United States,[21] and he points to no authority to support the proposition that Defendants were unjustly enriched by using the mark in jurisdictions in which he does not assert ownership rights. Accordingly, his motion for a new trial on damages based on global sales of Cetaphil Restoraderm is denied.

VII. PLAINTIFF'S REQUEST FOR INJUNCTIVE AND DECLARATORY RELIEF

Finally, Plaintiff reasserts his argument that he is entitled to injunctive and declaratory relief. The Court previously considered and rejected this argument when it ruled on Plaintiff's Request to Enter Proposed Judgment (ECF No. 159).

1. Injunctive relief

Injunctive relief is not available on Plaintiff's Lanham Act claims, since those claims were rejected by the jury. *See, e.g., Ciba-Geigy*, 747 F.2d at 850 ("In deciding whether a permanent injunction should be issued, the court must determine if the plaintiff has actually succeeded on the merits (i.e. met its burden of proof)."); *State Troopers Fraternal Ass'n of New Jersey, Inc. v. New Jersey*, 585 F. App'x 828, 830 (3d Cir. 2014) ("A permanent injunction requires actual success on the merits.").

Although Plaintiff succeeded on his unjust enrichment claim, Plaintiff is not entitled to permanent injunctive relief on that claim because, under Pennsylvania law, restitution in the form of disgorgement is the proper remedy for unjust enrichment. *See, e.g., Marshak v. Treadwell*, 595 F.3d 478, 495 (3d Cir. 2009); *Diesel v. Caputo*, 366 A.2d 1259, 1264 (Pa. Super. 1976) ("It is hornbook law that restitution as a form of relief in assumpsit is in the nature of disgorging the amount of unjust enrichment, if any, to the defendant."). The jury awarded

[21] Defendants note that Plaintiff's meetings with pharmaceutical companies in the fall of 2001 all occurred within the United States, and the Caribbean conference in January 2002 took place in Puerto Rico. Although Plaintiff testified as to his use of the mark in Sweden prior to February 28, 2002, he did not argue that this amounted to foreign rights in the mark.

$58,800 in disgorgement of profits, a figure supported by the trial record.[22] Plaintiff has pointed to no authority to support his argument that he is entitled to permanent injunctive relief to remedy unjust enrichment, particularly given the jury's no-confusion and no-deception findings on his Lanham Act claims.

2. Declaratory relief

Likewise, Plaintiff was required to prevail on the merits to obtain declaratory relief. *See, e.g., Scott*, 1998 WL 57671, at *10 (finding plaintiffs not entitled to declaratory or injunctive relief where they did not succeed on their claim, notwithstanding findings in their favor). In his Request to Enter Proposed Judgment, Plaintiff sought declarations that: (1) he is the sole and exclusive owner of the Restoraderm trademark and is entitled to use the mark "without interference"; and (2) Defendants' use of the mark is "false and misleading." The Court denied this request, reasoning that the declarations requested did not align with the elements of unjust enrichment – the only claim on which Plaintiff prevailed. *See USX Corp. v. Barnhart*, 395 F.3d 161, 166 (3d Cir. 2004) (holding that "the court cannot provide a remedy, even if one is demanded, when plaintiff has failed to set out a claim for relief.") (quotation omitted).

In the motion *sub judice*, Plaintiff argues that declaratory relief would be proper if the Court finds that the jury should have been instructed to find a likelihood of confusion with respect to his Lanham Act claims. Because the Court does not so find, that argument is

[22] Defendants' damages expert, Mr. Drews, testified that the proper method for calculating unjust enrichment damages is, first, to quantify the amount of sales attributable to use of the trademark. Drews testified that, based on his review of trademark agreements between Galderma and other parties, an appropriate figure for use of the Restoraderm mark was 0.5%. Applying this percentage to the $56 million sales generated by Cetaphil products equates to $280,000. Drews testified that the second step in calculating unjust enrichment damages is to apply the appropriate profit margin, *i.e.* revenues after deducting costs. Cassady testified during deposition, read into the trial record, that the profit margin on Cetaphil Restoraderm products was 21%. Applying this percentage to $280,000 equates to $58,800.

inapposite. However, to the extent that Plaintiff seeks declaratory relief purely on his unjust enrichment claim, such relief is available.[23]

VIII. CONCLUSION

Defendants have failed to demonstrate that the jury lacked sufficient evidence to render its verdict. Accordingly, their Rule 50(b) motion is denied. Defendants have established, however, that the judgment should reflect a costs award only against Defendants Galderma L.P., Galderma S.A., and Nestlé S.A., and the judgment shall be so modified pursuant to Rule 59(e).

Plaintiff has not established that entry of judgment as a matter of law is warranted under Rule 50(b), nor that the Court should order a new trial pursuant to Rule 59. To the extent that he moves for declaratory relief on his unjust enrichment claim, however, his motion is granted and the judgment shall be so modified.

Dated: August 29, 2017.

BY THE COURT:

/s/Wendy Beetlestone, J.

WENDY BEETLESTONE, J.

[23] Plaintiff submitted a Revised Judgment on Jury Verdict (ECF No. 188-3), which states, *inter alia*: "[T]hat Defendants are unjustly enriched by their use of the Restoraderm mark."

CERTIFICATE OF SERVICE

I certify that on February 26, 2018, I caused a copy of the Brief and Joint Appendix, together with all supporting papers, to be served via Federal Express upon the following:

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IN THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

DOCKET NO. 17-3148, 17-3231 (CROSS-APPEAL)

THOMAS SKÖLD,
Appellant and Cross-Appellee

v.

GALDERMA LABORATORIES, L.P.; GALDERMA LABORATORIES, INC.; GALDERMA, S.A.; AND NESTLE SKIN HEALTH CARE, S.A.,
Appellees and Cross-Appellants

APPEAL FROM THE ORDER AND FINAL JUDGMENT ENTERED ON AUGUST 29, 2017 BY THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA, IN CIVIL ACTION NO. 14-CV-5280 (BEETLESTONE, J.)

REPLY BRIEF OF APPELLANT IN SUPPORT OF PRINCIPAL APPEAL AND BRIEF IN OPPOSITION TO CROSS-APPEAL

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I. Sköld Demonstrated A Likelihood of Confusion And Is Entitled To Judgment In His Favor On His Trademark Infringement Claim and Unfair Competition Claim Or, At The Least, A New Trial On This Issue.

This is a case of reverse confusion. It is undisputed, for purposes of this appeal, that Appellant Thomas Sköld coined the name Restoraderm and that, throughout the nine-year term of the parties' Contract, the name Restoraderm was used *exclusively* to describe the technology and products he developed. When the Appellees decided to that they no longer wanted his technology, they terminated the Contract. What they were not entitled to do was what they did — hold onto his Restoraderm trademark and use the mark on other products that had nothing to do with Sköld. This was the jury's finding. It was correct.

Rather than return the trademark, or offer to buy it, or pay to license it, the Appellees attempted to steal it, plain and simple. They exploited their position as multinational companies with massive resources. They spent untold sums labeling their own products around the world with the Restoraderm name. They told Sköld that the trademark was theirs. They bullied him with threats and legal actions, all to deter him and tie up his right to use the Restoraderm name on his own products.

Now, in their brief, Appellees want to whipsaw Sköld by arguing that he should have used the trademark more extensively if he wanted to prove ownership and a likelihood of confusion from their improper use of the same mark for the

same type of product for use by the same consumers, the very same actions the Appellees did their utmost to prevent him from doing. They even argue that there is no basis to enjoin them from continuing the conduct that the jury found to be misleading, unjust, and outrageous. A more cynical and duplicitous use of trademark law is hard to imagine. This cannot be the law.

A. Sköld Clearly Established a Likelihood of Confusion.

Once the jury found that Sköld was the rightful owner of the Restoraderm trademark (JA0008), the trial court should have directed the jury to find a likelihood of confusion. That outcome was compelled in this unique case by the fact that Galderma had been using the identical mark on precisely the same kind of products as those developed by Sköld — topical skin moisturizers — intended for the same use, for the same market, and using the same channel of distribution. It is hard to imagine how using the same distinctive trademark for the same type of product, when the jury found that such use is "misleading," would not also be "likely to cause confusion."[1]

Sköld's claim for trademark infringement required him to prove that (1) the mark is valid and legally protectable; (2) Sköld owned the mark; and (3) the

[1] Indeed, major thesauri list the two words as synonyms of each other. *See*, *e.g.*, Oxford Online Thesaurus (https://en.oxforddictionaries.com/thesaurus/misleading) Collins Online Thesaurus (last visited July 11, 2018); https://www.collinsdictionary.com/us/dictionary/english-thesaurus/misleading) (last visited July 11, 2018).

Appellees were using the mark, without Sköld's consent, in a manner that was likely to create confusion concerning the source, sponsorship, affiliation, or approval of the goods or services. *E.T. Browne Drug Co. v. Cococare Prods., Inc.*, 538 F.3d 185, 191 (3d Cir. 2008); *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 470 (3d Cir. 2005). The key question now is whether Galderma's use of the exact same mark on the exact same type of product was *likely* to create confusion among the consuming public. *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 (3d Cir. 1994). Of course it was. Such a likelihood exists "when consumers viewing the mark would *probably* assume that the product or service it represents is associated with the source of a different product or service identified by a *similar* mark." *Pappan Enterprises, Inc. v. Hardee's Food Sys., Inc.*, 143 F.3d 800, 804 (3d Cir. 1998) (emphasis added). Based on the weight of the evidence and the jury's related findings, there was necessarily a likelihood of confusion between Galderma's use of the Restoraderm mark and Sköld's prior and planned use of the exact same mark.

Appellees main argument is that there could be no confusion because Sköld did not have a competing Restoraderm product on the market. That argument is contradicted by the evidence and unsupported by the law. First, according to Appellees, "Sköld had only a few sheets of paper" that used the word Restoraderm. (Appellees' Brief, at 26) They also suggest that it is mere "speculation" that Sköld

would have used the Restoraderm product in the consumer marketplace. (*Id*.) Sköld testified that he had produced many hundreds of sample containers of his moisturizer, each of which bore the name Restoraderm. Moreover, Sköld unambiguously stated his intent to use the Restoraderm name on consumer moisturizing products. Sköld testified that before Galderma even entered the picture, he had five skin moisturizing products ready for to be launched using his Restoraderm technology. (JA290:2-292:2). Sköld testified he wanted to use his Restoraderm trademark on those products. (*Id*.) That evidence is neither a "hypothetical" nor "speculation." (Appellees' Brief, at 24-25)

Second, Appellees ignore that Sköld was prevented from marketing finished products using the Restoraderm *by Galderma.* From 2001 through 2010, Sköld could not separately market a Restoraderm product because he had entered into an agreement with Collagenix (later Galderma) to cooperate with them in launching his products. Galderma, however, sat on the products. As the jury found, the agreement required Galderma to return the trademark to Sköld, but Galderma did nothing of the kind. Beginning in 2010, Galderma then threatened Sköld and started taking affirmative steps to stop him from using the name. (*Id*.; s*ee also* JA286:5-287:2; JA455:10-13; JA1034 (referring to Galderma's opposition to Sköld's TTAB cancellation action)). It is dramatically inequitable for a huge, multinational conglomerate to first successfully bully a party and its joint venturers

from using a trademark on a finished product and to then argue that the party cannot prove a claim because he did not use the trademark on a finished product. Appellees should be estopped from relying on the absence of competing products when they are responsible for that absence. *See Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1042 (2d Cir. 1980) (special circumstances may support an estoppel against claim of non-use).

Third, a likelihood of confusion encompasses future use as well as current use. *Interpace Corp. v. Lapp, Inc.,* 721 F.2d 460 (3d Cir. 1983), recognized that the use of the name is not limited to evidence of current sales in a market, it includes evidence that the party "is likely to expand into that market." *Id.* at 463. As the *Lapp* court emphasized:

> The likelihood-of-expansion factor is pivotal in non-competing products cases such as this. One of the chief reasons for granting a trademark owner-protection in a market not his own is to protect his right someday to enter that market. 2 J.T. McCarthy, Trademarks and Unfair Competition §24:5 (1973).

Id. at 464. Therefore, contrary to Appellees' basic argument, showing that a competing product is currently being sold to consumers is not required to prove a likelihood of confusion. Such a requirement ignores Sköld's independent theory that the relevant marketplace was the community of pharmaceutical and dermatological companies. Even relating to the consumer marketplace, Sköld only needed to show, as he did, that it was likely that he would extend into the retail

consumer marketplace in the future using the Restoraderm name. Thus, Appellees' argument that Sköld was not currently selling a competing Restoraderm product is irrelevant.

Finally, *Lapp* set forth ten factors that have been accepted by this Court as generally relevant to the determination of likelihood of confusion when marks are "similar." It is a sliding scale. "No single *Lapp* factor is determinative in a likelihood of confusion analysis, and each factor must be weighed and balanced against the others." *Sanofi-Aventis v. Advancis Pharm. Corp.*, 453 F. Supp. 2d 834, 848 (D. Del. 2006) Not all of the Lapp factors are relevant in a given case, and that the factors will be given different weight depending on the factual setting. *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 215 (3d Cir. 2000); *Fisons Horticulture*, 30 F.3d at 476, n.11; *PB Brands, LLC v. Patel Shah Indian Grocery*, C.A. No. 07-4394, 2008 WL 2622846 at *3, n.8 (D.N.J. June 27, 2008), *aff'd*, 331 Fed. App'x 975 (3d Cir. 2009) (in circumstances of case, the first two *Lapp* factors are entitled to the greatest weight). In fact, every single one of the *Lapp* factors either clearly favored Sköld or was, at most, neutral. On the most important first factor, there is not just similarity but an absolute identity of the mark. The Restoraderm mark is inherently distinctive and entitled to protection, clearly establishing the second factor. The third *Lapp* factor is either neutral (and to be disregarded), or slightly favors Sköld. Although the incidences of actual

confusion (*Lapp* factors four and six) are not numerous here, the trial evidence showed that they do exist and are *highly* probative of a likelihood of confusion. Appellees clearly intended to usurp Sköld's mark and to drive him out of the market; thus the fifth *Lapp* factor weighs heavily in Sköld's favor. The seventh and eighth factors also heavily favor Sköld, since he either has already, or intends to, market products through the same channels, and to the same ultimate consumers. The ninth *Lapp* factor has also been shown, since a consumer would reasonably expect a single company to offer multiple skin care products. So has the tenth *Lapp* factor, since Sköld clearly intends to enter precisely the same market that Galderma currently occupies.

Importantly, the *Lapp* court recognized that where the marks are not merely similar, but *identical*, "the names in themselves are evidence of likelihood of confusion." *Lapp*, 721 F.2d at 463, quoting *American Plan Corp. v. State Loan & Finance Corp.*, 365 F.2d 635, 639 (3d Cir. 1966), *cert. denied,* 385 U.S. 1011 (1967). This single factor overwhelmingly demands a finding of likelihood of confusion. The "degree of similarity" of the marks is considered more important than any of the other *Lapp* factors. *Sabinsa Corp. v. Creative Compounds, LLC,* 609 F.3d 175, 183 (3d Cir. 2010), *cert. denied*, 562 U.S. 1140 (2011); *Fisons Horticulture*, 30 F.3d at 476, n.11; *A&H Sportswear*, 237 F.3d at 216; *Ford Motor Co. v. Summit Prods., Inc.*, 930 F.2d 277, 293 (3rd Cir.), *cert. denied*, 502 U.S. 939

(1991); *PB Brands*, 331 Fed. App'x at 979. It makes no sense, in the circumstances of this case, to talk about "similarity" of marks, and even less to talk about a "degree" of similarity. The marks are not "similar;" and they are not even "substantially" similar. They are *one and the same* mark. Appellees carefully ignore this undisputable fact. Even more, Appellees fail to fully address the other *Lapp* factors, each of which weigh in favor of Sköld's claim and several of which the trial court applied improperly.

Appellees contend that Appellant waived all arguments regarding the application of the *Lapp* factors beyond his request for a directed verdict based on the identity of the trade names. (Appellees' Brief at 30, n.8). That contention is baseless. The rule regarding waiver for appeal concerns the failure to raise an issue, and serves the important interests of preventing unfair surprise, promoting the finality of judgments, conserving judicial resources, and preventing district courts from being reversed on grounds that were never urged or argued before it. *Lesende v. Borrero*, 752 F.3d 324, 333 (3rd Cir. 1990) (Appellees' Brief at 30, n.8).

Here, Appellant asked the trial court to direct a verdict on the issue of confusion based on the first *Lapp* factor. (JI #29). Appellant also asked for an instruction based on the Lapp factors as applied in a reverse confusion case, as is clearly the case here. (JI #30). The trial court charged the jury on all of the Lapp factors. (JI, at 46-47). The application of all of the *Lapp* factors was argued in

post-trial briefing and was considered by the trial court. ECF 196 at 24-25. No court has found waiver in such a case, and none of the interests supporting the rule regarding waiver is implicated in this case.

The jury found that Sköld was the rightful owner of the Restoraderm trademark; that Galderma was required to return the trademark to Sköld when it terminated the 2004 Agreement; and that Galderma's use of the Restoraderm trademark was false and misleading. The only conclusion that can be reached based on the *Lapp* factors and the jury's findings is that there is high likelihood of confusion. The jury should have been directed to find in Sköld's favor on this point. The failure to do so was error, and requires a reversal by this Court, and the entry of judgment in favor of Sköld on his federal trademark infringement claim and on his Pennsylvania unfair competition claim. Moreover, it is clear that the jury reached an unreasonable result, against the great weight of the evidence, and resulting in a miscarriage of justice. Accordingly, at the very least, this Court should remand this issue to the trial court with instructions that the verdict be set aside, and a new trial be held on this issue.

B. Sköld Is Entitled To Injunctive Relief.

The jury concluded that Sköld alone is the rightful owner of the Restoraderm mark, that Appellees' ongoing use constitutes unjust enrichment, and that such use is false, misleading and outrageous. Despite all these findings, Appellees argue that

there is no basis for injunctive or declaratory relief to stop them from continuing to misuse the trademark however and whenever they want. Appellees are wrong.

A party seeking injunctive relief must demonstrate: "(1) that he has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). There are two independent grounds for Sköld's appeal from the denial of injunctive relief:

1. <u>Lanham Act</u>

If this Court finds that the trial court should have directed the jury to find a likelihood of confusion, then Sköld is entitled to injunctive relief under the Lanham Act. A party's loss of control over its mark "is irreparable harm regardless of whether resulting confusion might lead to further injuries." *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.2d 700, 726 n.21 (3d Cir. 2004).

Appellees do not dispute that the balance of hardships and the public interest weigh in favor of injunctive relief against their continued use of the mark. In any event, that Appellees created this problem bars them from claiming that an injunction would cause them harm. *Novartis Consumer Health, Inc. v. Johnson &*

Johnson-Merck Consumer Pharm. Co., 290 F.3d 578, 596 (3d Cir. 2002) ("the injury a defendant might suffer if an injunction were imposed may be discounted by the fact that the defendant brought that injury upon itself").

2. Unjust Enrichment

The second and separate basis for injunctive relief is Sköld's unjust enrichment claim. Appellees' simplistic argument that the jury's monetary damages award fully compensated Sköld for their use of the Restoraderm mark (Appellee's Brief, at 40) is just wrong. The jury's unjust enrichment award addressed injuries from *past* misuse of the mark. Injunctive relief is designed to deal with the risk of *future* injury. Here, the injunctive relief sought by Sköld is necessary to prevent the continued, future usurpation of his rights of ownership in the trademark, and Galderma's continued enrichment at his expense.

Injunctive relief is permissible on a claim for unjust enrichment, provided that the traditional injunction standard is satisfied. *See*, *e.g.*, *Allstate Ins. Co. v. Davidson Med. Grp.*, C.A. No. 01-5938, 2004 WL 2357797, at *2 (E.D. Pa. Oct. 18, 2004) (injunctive relief on unjust enrichment claim is permissible); *F.T. Int'l, Ltd. v. Mason*, C.A. No. 00-5004, 2000 WL 1514881 at *2 (E.D. Pa. Oct. 11, 2000) (granting injunction freezing assets based on claim for unjust enrichment). *See also, JRNA, Inc. v. Snow*, C.A. No. 07-1995, 2007 WL 2253493 (E.D. Pa. Aug. 3, 2007). Appellees' argument that the sole reason for injunctive relief is "to prevent

prospective confusion in the marketplace" (Appellee's Brief, at 41) is inapplicable. Confusion is not an element of unjust enrichment and therefore plays no role in an injunction to prevent future unjust enrichment.

The jury found Appellees liable for unjust enrichment. Yet the trial court declined to grant injunctive relief barring Appellees from ongoing tortious use of the trademark owned by Appellant solely on the ground that disgorgement is the proper remedy for unjust enrichment. ECF 196 at 33. The effect of the district court's ruling is to require Sköld to keep returning to the Court with new actions for unjust enrichment, as additional profits are earned, thereby placing an unnecessary burden on the courts, as well as on the Appellants.

Appellees do not try to support the trial court's rationale; to the contrary, they expressly recognize that injunctive relief "serves an entirely different purpose — to prevent prospective [harm]." (Appellees' Brief, at 41). But Appellees pretend that the only harm in question is the potential for confusion. *Id*. at 41. To the contrary, even if this Court does not reverse the trial court on the issue of confusion, Sköld is clearly entitled to injunctive relief on his claim for unjust enrichment: to prevent further unjust enrichment based on the illegal use of his trademark, which will require ongoing, repetitive litigation as additional claims for damages accrue.

The federal court clearly has the equitable power to fashion injunctive relief to prevent further damage in any case, whether or not there is a monetary remedy for past wrongdoing. *See, e.g., SunAmerica Corp. v. Sun Life Assur. Co. of Canada*, 77 F.3d 1325, 1336, n.4 (11th Cir.), *cert. denied*, 519 U.S. 822 (1996) (recognizing, that in an appropriate case, district court will be able to fashion an injunctive remedy to prevent future unjust enrichment by use of a trademark). The purpose of the injunctive process is to deter future wrongdoing, not to redress past violations. *Rondeau v. Mosinee Paper Corp*., 422 U.S. 49, 61 (1975). "The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it." *Id*.

In *Primepoint, L.L.C. v. PrimePay, Inc*., 401 Fed. App'x 663 (3d Cir. 2010), this Court recognized that an injunction is appropriate when the wrongful conduct has not been terminated. That recognition was required by the Supreme Court's decision in *U.S. v. W.T. Grant Co*., 345 U.S. 629 (1953), which held that:

> Along with its power to hear the case, the court's power to grant injunctive relief survives discontinuance of the illegal conduct. The purpose of an injunction is to prevent future violations, and, of course, it can be utilized even without a showing of past wrongs. But the moving party must satisfy the court that relief is needed. The necessary determination is that there exists some cognizable danger of recurrent violation, something more than the mere possibility which serves to keep the case alive.

Id. at 633 (citations omitted).

C. Sköld Is Entitled To Declaratory Relief.

First, if the Court agrees with Sköld that the jury should have been instructed to find in his favor on the likelihood of confusion issue, then Sköld's request for declaratory relief pronouncing Lanham Act liability and infringement should be granted.

Second, as to the unjust enrichment claim the trial court erred by granting insufficient declaratory relief. The trial court limited this relief to the declaration that "Defendants were unjustly enriched by their use of the RESTORADERM trademark." The trial court reasoned that Sköld was only entitled to declaratory relief to the extent he prevailed on a particular claim. The federal Declaratory Judgment Act authorizes federal courts to "declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought." 28 U.S.C. § 2201. It is not limited to declaration concerning a complete claim. A key factor is whether declaratory relief "will serve a useful purpose in clarifying and settling the legal relations in issue. . . ." *Reifer v. Westport Ins. Corp.*, 751 F.3d 129, 146 (3d Cir. 2014). In applying these principles, the trial court erred by ignoring the balance of the jury's findings.

Sköld asked the trial court to declare that, consistent with the jury's findings, he is the rightful owner of the trademark; that Galderma's use of the Restoraderm trademark on its Cetaphil products is false and misleading; that based on Sköld's ownership, he is entitled to register the trademark with the U.S. Patent & Trademark Office; and that he is entitled to use the trademark without interference by Appellees. This proposed relief is necessary to "serve the useful purpose of clarifying and settling the legal relations in issue." *Gross v. Fox*, 496 F.2d 1153, 1155 (3d Cir. 1974). Merely reciting as the total declaratory relief that Sköld prevailed on his unjust enrichment claim, without more, was a legal error and an abuse of discretion.

II. Sköld Is Entitled To A New Trial As To Damages, Since The Trial Court Erroneously Limited Damages Evidence To Sales Within The United States.

Galderma's decision to use Restoraderm was not limited to the United States and was not implemented only in the United States. Galderma sold (and still sells) Cetpahil products displaying the Restoraderm trademark worldwide. (JA468:4-23). There was no legal basis to limit trial evidence to sales of Cetaphil Restoraderm products in the United States.

Pennsylvania's unjust enrichment law does not draw any distinction between state, national or international sources of the unjust enrichment. "The polestar of the unjust enrichment inquiry is whether the defendant has been unjustly enriched;

the intent of the parties is irrelevant." *Reese v. Pook & Pook, LLC.*, 158 F. Supp.3d 271, 301 (E.D. Pa. 2016) (citations omitted). Geographical limits have nothing to do with a claim for unjust enrichment or royalties.

Sköld was entitled to damages based on *all* sources of Galderma's revenues derived from its use of the Restoraderm mark. Because the trial court committed a legal error by precluding Sköld from introducing evidence of Galderma's foreign revenues from the sale of Cetaphil Restoraderm products, Sköld is entitled to a new trial on damages.

Response to Galderma's Cross-Appeal

A. The Trial Court Applied The Correct Standard Regarding The Issue Of Sköld's Ownership Of The Trademark.

1. Sköld showed ownership by prior use.

It is a well-established principle of trademark law that the exclusive right to a distinctive mark belongs to the party which first uses the mark in connection with its particular line of business. *Ford Motor Co. v. Summit Motor Prod., Inc.*, 930 F.2d 277, 292 (3d Cir. 1991). There can be no question in this case that Sköld used the Restoraderm mark first, long before the Appellees or their predecessor. The evidence proved that, for years, the Restoraderm name was used both publicly by Sköld and by CollaGenex (Galderma's predecessor) in connection with Sköld's technology and products, which resulted in meaningful goodwill:

- Sköld invented the name Restoraderm to identify his technology and products. (JA00121)

- Sköld consistently used the name Restoraderm to identify his technology and products with potential development partners, at dermatological conferences, and with academics and opinion leaders. (JA00126-28; JA1472; JA1473; JA1826; JA194:3-JA210:25) (Sköld testimony explaining papers). In 2001 and 2002, Sköld distributed those papers within the dermatology community, including in Sweden and in the United States. (*Id.*). Sköld also distributed the papers in 2001 to companies who were potential commercial development partners for his Restoraderm technology. (JA204:10-JA205:16).

- Sköld presented one of the papers at the January 2002 Caribbean Dermatology Symposium, which was attended by doctors, academics, and pharmaceutical industry personnel. (JA207:25-JA210:25; 1744, 1753)

Sköld also delivered samples of the product labeled "Restoraderm" to CollaGenex in late 2001 and early 2002. (JA210:8-25).

The thrust of Appellees' argument remains that, because Sköld did not sell products directly to consumers (*i.e.*, the public), he cannot show sufficient market activity and therefore has no claim. (Appellees' Brief, at 47-48) The fallacy of Appellees argument is that Most reported trademark cases do involve products, often competing products, directed at members of the buying public. However, neither the Lanham Act nor unjust enrichment are so narrowly limited. Courts have analyzed cases against the backdrop of non-consumer markets. *See*, *e.g.*, *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 467 (4th Cir.), *cert. denied*, 519 U.S. 976 (1996) (discussing likelihood of confusion "when the relevant market is not the

public at-large"); *Versa Prods. Co. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 204-05 (3d Cir.), *cert. denied*, 516 U.S. 808 (1995) ("the degree of caution used ... depends on the relevant buying class"); *see also Checkpoint Sys. v. Check Point Software Tech.,* 269 F.3d 270, 285 (3d Cir. 2001) (relevant market for electronic claims processing service were knowledgeable professionals – office managers or billing administrators). In this reverse confusion case, the "relevant market" for purposes of this analysis is *not* only the public. It is also the pharmaceutical/dermatological industry, and the relevant "consumers" include the companies in that industry.

In these circumstances, the four-factor test for consumer goods in *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1390 (3d Cir.), *cert. denied*, 474 U.S. 920 (1985), simply does not apply. For example, marketplace sales volumes or "growth trends" are irrelevant to Sköld's case because, once Sköld had found one "customer" — a company to further co-develop the Restoraderm technology or to market Restoraderm products — he had no reason to further sell or advertise to anyone else. *Id.*, 760 F.2d at 1398-99.

All the evidence — not just evidence relating to sales and advertising — was properly considered by the jury in determining whether Sköld established rights in the Restoraderm mark. *See*, e.g., *DSPT Int'l, Inc. v. Nahum*, 624 F.3d 1213, 1221 (9th Cir. 2010); *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1195 (11th Cir. 2001); *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427,

433 (7th Cir. 1999), *cert. denied*, 528 U.S. 1188 (2000); *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 417-18 (1st Cir. 1951) (all considering the totality of the circumstances in determining "prior use"). "Use" is defined as "the *bona fide* use of a mark in the ordinary course of trade." 15 U.S.C. § 1127.

The district court decision in *Lyden v. adidas Am., Inc.*, 2015 WL 566564 (D. Or. Feb. 10, 2015), is directly on point. There, the plaintiff had designed a sports shoe called the Springshoe, and offered to license the marks to various companies. *Id.* at *3. He had negotiations with two companies regarding potential licensing deals, both of which fell apart. He also entered into an agreement with Nike, under which Nike paid him $300,000 for four product prototypes. *Id*. The district court held that these allegations were sufficient to establish "use in commerce." As the court explained:

> The Lanham Act defines "use in commerce" as "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." *Id.* Mr. Lyden's briefing contains several examples that plausibly satisfy this requirement. Although never finalized, Mr. Lyden's negotiated deals with Fila, Inc. and DashAmerica, Inc. plausibly satisfy the use in commerce requirement … In addition, Mr. Lyden's 2002 Intellectual Property and Prototype Agreement with Nike, Inc. looks a lot like a sale of goods bearing the mark, and therefore may also plausibly satisfy the use in commerce requirement. Defendants make much of the fact that Mr. Lyden has never marketed or offered for sale his Springshoe design to the general public. It is not at all clear that this is required to establish rights in the mark. Many cases hold that the mark only needs to be used in an appropriate segment of the public … It is plausible to assert that the relevant segment of the public here is the footwear industry.

Id.

So too in this case, the "appropriate segment of the public mind" for purposes of this analysis is represented by the dermatological and pharmaceutical industry. These facts, allied with Sköld's delivery of actual samples of the Restoraderm product to CollaGenex and CollaGenex's payments to Sköld — at least part of which should be considered as consideration for those products — all demonstrate sufficient "use" of the trademark prior to February 28, 2002.

2. Appellees are estopped from challenging the validity of Sköld's trademark ownership.

Appellees are also estopped from challenging whether Sköld's commercial use of the Restoraderm trademark established his common law rights. CollaGenex (1) admitted that it considered Sköld's common law trademark as valid when it entered into the 2002 Agreement; (2) publicly announced in February 2002 that Restoraderm was already protected by a common law trademark, necessarily based on what Sköld had previously done; (3) entered into agreements that tacitly acknowledged the trademark as a valid asset belonging to Sköld; and (4) obtained Sköld's cooperation in the registration of the trademark for their mutual benefit in the US Patent and Trademark Office. In short, CollaGenex conceded the validity of Sköld's existing trademark rights in "Restoraderm" when it accepted the transfer of the mark in the 2002 Agreement and 2004 Agreement. CollaGenex (and now

Galderma) cannot now argue that Sköld never had any trademark rights to transfer in the first place. Appellees are estopped from challenging Sköld's prior rights.

The doctrine of licensee estoppel provides that a party who is contractually granted use of a trademark should be "estopped from claiming any rights against the licensor which are inconsistent with the terms of the license." *Invisible Fences, Inc. v. Fido's Fences, Inc*., 2014 WL 558672 (E.D. Tenn. Feb. 11, 2014); *Westco Group, Inc. v. K.B & Assocs., Inc.*, 128 F. Supp.2d 1082, 1091 (N.D. Ohio 2001) (after obtaining the benefit of a trademark license but breaching the terms thereof, a licensee could not "benefit from its own malfeasance" by "challeng[ing] a licensor's ownership of a trademark"). The estoppel theory is that a transferee, such as CollaGenex, should not be permitted to enjoy the benefits of the trademark afforded by an agreement and later claim that the trademark which forms the basis of the agreement never existed. In balancing these equities, the court in *John C. Flood of Virginia, Inc. v. John C. Flood, Inc.*, 700 F.Supp.2d 90, 96 (D.D.C. 2010), *aff'd*, 642 F.3d 1105 (D.C. Cir. 2011), found it "curious" that the licensees "offered to pay for the very marks that they now claim" the licensor never owned, "even more curious that [they] failed to even mention their claim of ownership" at an opportune moment," and that "their failure to contest the ownership rights when afforded an obvious opportunity to do so weighs decisively in favor of applying licensee estoppel...." *Id.* at 98; *see also Seven–Up Bottling Co. v. Seven–Up Co.,*

561 F.2d 1275, 1279–80 (8th Cir.1977); *Big Boy Restaurants v. Cadillac Coffee Co.*, 238 F. Supp.2d 866, 873–74 (E.D. Mich. 2002); McCarthy on Trademarks and Unfair Competition § 18:63 (4th ed. 2006).

By (1) accepting a formal transfer of the Restoraderm trademark from Sköld and (2) immediately announcing to the public that Restoraderm was protected by a common law trademark, CollaGenex fully conceded that Sköld had valid common law trademark rights before he transferred them. *See Creative Gifts, Inc. v. UFO*, 235 F.3d 540, 548 (10th Cir. 2000); *Zany Toys, LLC v. Pearl Enters., LLC*, 2014 WL 2168415, at *6 (D.N.J. May 23, 2014); *Unicasa Mktg. Group, LLC v. Martha Spinelli,* 2007 WL 757909 (D.N.J. Mar. 7, 2007); *See also Doeblers' Pa. Hybrids, Inc. v. Doebler,* 442 F.3d 812, 825 n. 14 (3d Cir.2006) (explaining what licensee estoppel is, but declining to address the applicability or proprietary of it). If CollaGenex (now Galderma) wanted to challenge Sköld's trademark rights, it was required to do so before it agreed to license them. Appellees cannot challenge them now.

B. Sköld's unjust enrichment claim is not time-barred.

Appellees assert that Sköld's claim for unjust enrichment is barred by the statute of limitations. Appellees did not include this issue in their request for jury instructions or proposed jury interrogatories.[2] It is undisputed that the Sköld's

[2] *See* ECF Nos. 132, 153.

claim for unjust enrichment is governed by a four-year statute of limitations, and that an unjust enrichment claim accrues when the defendant accepts and retains the benefits in question. *Konidaris v. Portnoff Law Assocs., Ltd*., 884 A.2d 348, 355 (Pa. Cmwlth. Ct. 2005), *rev'd in part on other grounds*, 953 A.2d 1231 (Pa. 2008).

Galderma's reliance on dicta in *Dugan v. Towers, Perrin, Forster & Crosby, Inc.*, C.A. No. 2:09-CV-5099, 2012 WL 6194211 (E.D. Pa. Dec. 11, 2012), is misplaced.[3] Appellees' attempt to define the unjust receipt of benefits as its retention of the Restoraderm trademark, rather than the receipt of profits from the misuse of the trademark, is inconsistent with Pennsylvania law. (Appellees' Brief, at 58) In *Harry Miller Corp. v. Mancuso Chemicals Ltd.*, 469 F. Supp. 2d 303, 319 (E.D. Pa. 2007), the court unequivocally ruled that "Miller's claim for unjust enrichment accrued in 1991 when Mancuso began profiting from sales of" products that used the plaintiff's trade secrets, not from date the defendant received the trade secrets. As the trial court correctly found, each dollar of profit obtained by Appellees through the use of Sköld's trademark, before now or in the future, is another dollar of benefit accepted and retained by Appellees. Applying

[3] Plaintiffs in *Dugan* were long-retired shareholders who, having originally received, and later sold their shares back to the firm at book value, complained that the firm had its shareholders had, years later, received a windfall by reselling the shares in a public offering at market price. The district court rejected the unjust enrichment claim on the merits noting, *inter alia,* the significant length of time (up to decades) that had passed between the two transactions and the absence of any *unjust* benefit.

the correct measure, none of Appellant's claims are time-barred, because all of the sales and unjust profits occurred within four years of the filing of the Complaint.

The unjust enrichment claim requires that Appellees appreciated, received and retained a tangible benefit from their refusal to reconvey the trademark. This case involves an intangible asset, which creates value (and benefits its holder) not by its mere possession, but through its use. Appellees might have refused to return the trademark, and yet never have gained any benefit from the intangible asset, and therefore not have been enriched by it. They might have refused to return the trademark, and yet not made use of it for five years, and then launched a massive sales campaign. By Appellees' argument, they would then be insulated against all liability.[4] They could never be forced to disgorge unjustly obtained profits.

The trial court correctly understood this point: the benefits at issue on Appellant's claim for unjust enrichment was not the failure to return the trademark to Appellant, but the additional act of using and profiting the Restoraderm name without compensating him for its use. (Opinion ECF 196 at 19) It was only when they began to use the trademark themselves, generating profits for themselves without compensating Appellant for that use, that Appellees received and retained the benefits of the mark. (*Id.*). In this Court, Appellees persist in the attempt to

[4] Defendants have never offered a reasoned argument why unjust enrichment claims against defendant Nestlé could be time-barred when Nestlé did not even acquire any interest in or benefits from the Restoraderm trademark until after the suit was filed.

challenge the unjust enrichment claim on the grounds of the statute of limitations, but they do so now by rewriting the Complaint to identify the "benefit" as their seizure of the trademark, rather than their use of it, and raising arguments based on precedents never raised before.

Appellees reliance on *Sevast v. Kakouras*, 915 A.2d 1147 (Pa. 2007) (Appellees' Brief at 58-59), is equally misplaced. *Sevast* involved an agreement for the purchase and sale of a commercial property, to be accomplished through installment payments over a period of time. Multiple payments had been made under the agreement before the buyer's assignee filed for bankruptcy and defaulted. Thereafter, the court of common pleas entered an order terminating the long-term agreement of sale and granting possession of the property to the sellers. Eventually, the sellers (having retained the payments received from the original buyer) resold the property. The Pennsylvania Supreme Court held that a claim for unjust enrichment (brought by a judgment creditor of the buyer) had ripened on the day that the court of common pleas had terminated the long-term sale agreement, thereby extinguishing any contractual right of the seller to retain the installment payments which had been made under the contract for the purchase of the real property which was now to be retained by the seller. That holding is clearly distinguishable from the present case. In *Sevast*, unlike here, the land and the cash payments were retained on the day of the judgment. No future earnings were at

issue. Here, in contrast, there is only an intangible asset, which the Appellees later used to generate cash benefits, which they have unjustly retained for themselves.

Finally, *Silver v. Silver*, 219 A.2d 659 (Pa. 1966) (Appellees' Brief, at 59), does not involve a claim for unjust enrichment at all: it is a case involving a constructive trust where an assignee of real property breached a promise to reconvey the property upon request. The Supreme Court rejected the defense argument that the statute of limitations had begun to run at the time of the original conveyance. It simply held that the constructive trust was created at the time that the defendant refused to reconvey the property. There was no issue of an income to be generated at a future date through the use of the wrongfully retained property. *Silver* has no bearing on this case.

The record clearly established that all of the evidence presented of Appellees' sales of Cetaphil Restoraderm products concerned sales that occurred within four years of the commencement of this action. The trial court properly concluded that the Appellees had not carried their burden of showing that any part of Appellant's unjust enrichment award was time-barred.

C. Appellees Improperly Impose a Requirement of Market Confusion For An Unjust Enrichment Claim.

Appellees for the first time on appeal that Pennsylvania law requires proof of an underlying infringement claim. In the trial court, Appellees simply argued that they had the right to use the Restoraderm trademark (an allegation that was

expressly rejected by the jury), that the jury had not found a likelihood of confusion, and that the jury found that the Appellees' advertising was not likely to deceive, and that therefore the "jury made no finding - and Sköld presented no evidence - upon which to base a ruling that [Appellees were] inequitably enriched." (ECF 187 at 15-16).

Appellees now ask this Court to make new law by imposing such a requirement on Appellant's claim for unjust enrichment. They assert that it is not enough that the jury found that Appellant is the rightful owner of the mark; that Appellees were obligated to return the mark to Appellant; and that Appellees were unjustly enriched by their use of the mark. They now contend that they cannot be held liable for tortious conduct unless each and every element of a claim for trademark infringement, including the question of confusion, be decided in Appellant's favor. There is no Pennsylvania case that establishes proof of another cause of action as an element of claim for unjust enrichment. Nor do the cases cited by Appellees stand for such a proposition.

Grand Union Supermarkets of the Virgin Islands, Inc. v. Lockhart Realty Inc., 493 Fed. App'x 248 (3rd Cir. 2012), involves the law of the Virgin Islands, which simply incorporates the Restatement (Third) of Restitution. *Id*. at 253. The Restatement, in turn, describes an array of situations in which unjust enrichment may arise (see Restatement (Third) of Restitution §§ 5-48 (2011)), one of which is

a situation in which a person has been induced through fraud or misrepresentation to transfer a thing of value to another. *Id*. § 13. The Third Circuit's opinion simply recognizes that where the plaintiff chose to pursue its unjust enrichment claim on a theory of fraud, made the unjust enrichment claim inseparable from the fraud claim. *Grand Union Supermarkets*, 493 Fed. App'x at 254-55.

Appellees' citation of *Allegheny Gen. Hosp. v. Philip Morris, Inc*., 228 F.3rd 429 (3d Cir. 2000), cherry picks one aspect of this Court's opinion, dealing exclusively with an unjust enrichment claim raised as a tort claim. *Id*. at 446-47, quoting *Steamfitters Local Union No. 420 Welfare Fund v. Philip Morris, Inc*., 171 F.3d 912, 936-37 (3rd Cir. 1999), *cert. denied*, 528 U.S. 1105 (2000). But this Court then went on to separately analyze the entirely independent theory of unjust enrichment as an equitable doctrine, arising in quasi-contract. *Allegheny Gen. Hosp*., 228 F.3d at 447-48. That discussion was not affected by the existence of some other tort claim.

Finally, *Cleary v. Philip Morris Inc.*, 656 F.3d 511 (7th Cir. 2011), involved the application of Illinois law. Appellees' citation is to one portion of extensive dicta in which the court of appeals recognized ambiguity as to whether Illinois law recognizes unjust enrichment as an independent cause of action or (as Appellees argue to this Court) it must be tied to some other claim in tort, contract or statute.

Id. at 516-18. The court of appeals did not decide that question - under Illinois law - because the claim in that case fell of its own accord. Id. at 518.

An apparent minority of states require a claim for unjust enrichment to be tied to some other cognizable claim. *See In re Niaspan Antitrust Litig.*, 42 F. Supp.3d 735, 766 (E.D. Pa. 2014). However, Pennsylvania has never imposed such a requirement, and this Court should not do so here.

CONCLUSION

For the foregoing reasons, Appellant Thomas Sköld respectfully requests that this Court:

(1) reverse the trial court and enter judgment in favor of Sköld on his federal trademark infringement claim and Pennsylvania unfair competition claim, because the trial court should have directed the jury to find a likelihood of confusion;

(2) remand to the trial court to fashion appropriate injunctive and declaratory relief;

(3) remand to the trial court for a new trial on Sköld's false advertising claim, and for a new trial on monetary damages, where the evidence on Sköld's Pennsylvania common law claims may include reference to Galderma's foreign sales; and

(4) deny Defendants' cross-appeal.

Respectfully submitted,

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CERTIFICATION OF BAR MEMBERSHIP

Pursuant to Third Circuit Local Appellate Rule 36.1(c), I hereby certify that I am a member of the Bar of the Court.

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CERTIFICATION OF COMPLIANCE WITH RULE 32(A) AND REQUIREMENTS FOR ELECTRONIC FILING

1. This Brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) because this consolidated Brief contains 8,013 words, excluding the parts of the Brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This Brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this Brief has been prepared in the proportionally spaced typeface using Microsoft Word in 14-point Times New Roman.

3. Pursuant to Third Circuit Local Appellate Rule 31.1(c), I hereby certify that the text of this electronic brief is identical to the text in the hard, paper copies of the Brief.

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Dated: July 11, 2018

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CERTIFICATE OF SERVICE

I certify that on July 11, 2018, I caused a copy of the Brief and Joint Appendix, together with all supporting papers, to be served electronically upon the following:

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NO. 17-3148, 17-3231

In the United States Court of Appeals For the Third Circuit

THOMAS SKÖLD,

Appellant and Cross-Appellee

v.

GALDERMA LABORATORIES L.P.; GALDERMA LABORATORIES, INC.; GALDERMA S.A.; NESTLÉ SKIN HEALTH S.A.,

Appellees and Cross-Appellants

CROSS-APPELLANTS' REPLY BRIEF

From the U.S. District Court, Eastern District of Pennsylvania, Cause No. 2:14-cv-05280, Hon. Wendy Beetlestone, presiding.

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PARTIES, ABBREVIATIONS, AND JOINT APPENDIX REFERENCES

"Sköld" refers to Plaintiff/Appellant Thomas Sköld.

"Galderma L.P." refers to Defendant/Appellee/Cross-Appellant Galderma Laboratories, L.P.

"Galderma, Inc." refers to Defendant/Appellee Galderma Laboratories, Inc. Galderma, Inc. was dismissed in the district court; it appears in this case as an Appellee.

"Galderma S.A." is a Defendant/Appellee/Cross-Appellant.

"Nestlé Skin Health" refers to Defendant/Appellee/Cross-Appellant Nestlé Skin Health, S.A.

"Galderma" refers collectively to the following entities: Galderma, L.P.; Galderma, Inc.; Galderma S.A.; and Nestlé Skin Health. When using the term "Galderma" in the section discussing the Cross-Appeal, that terms refers to only Cross-Appellants Galderma, L.P., Galderma S.A., and Nestlé Skin Health.

References to the Joint Appendix are in the form "JA[page #]." When citing to the trial testimony, page and line references are used.

"Skold Opening Br." refers to the Brief of Appellant, filed February 26, 2018.

"Sköld Resp. Br." refers to the Reply Brief of Appellant In Support of Principal Appeal and Brief In Opposition To Cross-Appeal, filed July 11, 2018.

"Galderma Br." refers to the opening Consolidated Principal and Response Brief of Appellees / Cross-Appellants, filed May 11, 2018.

INTRODUCTION

Thomas Sköld's claim of unjust enrichment fails as a matter of law because he does not own the Restoraderm trademark. This case is controlled by the Court's *Natural Footwear* standard, which holds that sales of the product bearing the mark is required to establish trademark ownership. Sköld concedes that he cannot meet this standard. Instead, Sköld's claim depends on a series of hypotheticals: *if* he had been able to develop a commercial product, he *would have* placed the Restoraderm mark on that product, and he *would have* sold that product.

But commercial sales are essential to establishing trademark ownership, as this Court has consistently held in applying the *Natural Footwear* in the precise context of this case—a dispute about whether a plaintiff has priority over a trademark registrant based on a claim of prior use. *See, e.g.*, *Lucent Info Mgmt. v. Lucent Techs., Inc.*, 186 F.3d 311, 316-17 (3d Cir. 1999).

Sköld offers no basis for this Court to reconsider the *Natural Footwear* standard. Nevertheless, under any standard, Sköld's limited and inconsistent use of the term "Restoraderm" was not sufficiently

public to identify or distinguish his "goods" in an appropriate segment of the public mind. *Lucent Info. Mgmt.*, 186 F.3d at 315. Indeed, Sköld did not even have "goods," merely a desire to develop a concept he described with various combinations of names into a commercial product in the future. Galderma's ownership of the Restoraderm® mark, on the other hand, is demonstrated by a publicly-filed, undisputed, and duly-issued trademark registration with a February 28, 2002 priority date.

Sköld thus does not own the Restoraderm trademark, which compels dismissal of his unjust-enrichment claim and provides a further dispositive basis to affirm the district court's dismissal of Sköld's trademark-infringement, false advertising, and unfair competition claims.

Beyond the ownership question, there are two additional, independent grounds for reversing Sköld's unjust-enrichment recovery.

First, the statute of limitations bars Sköld's claim. Under Pennsylvania law, the limitations period begins to run on an unjust-enrichment claim when the defendant first receives and retains the property the plaintiff claims he is not entitled to possess. Because

Sköld knew or had reason to know that Galderma would retain the Restoraderm trademark more than four years before filing suit, his claim is time-barred. Sköld does not dispute that, under this accrual rule, his unjust-enrichment claim is time-barred.

He instead urges the Court to apply a continuing-accrual rule that is foreclosed by the Pennsylvania Supreme Court's decision in *Sevast v. Kakouras*, 915 A.2d 1147, 1153 (Pa. 2007). Sköld argues that his unjust-enrichment claim accrues each and every time Galderma profits from the use of the Restoraderm mark. But *Sevast* squarely rejected that approach and held that a claim accrues when the defendant first holds the property—not when he later sells the property and receives the sales proceeds. Otherwise, the statute of limitations can be renewed—indefinitely—rendering meaningless the Pennsylvania legislature's considered judgment that claims become stale if they are not brought within four years.

Second, Sköld's claim for unjust enrichment cannot survive because the underlying trademark-related claims fail. Sköld's unjust-enrichment claim depends on trademark law, namely, Sköld's asserted trademark ownership and Galderma's use of the mark. Yet he contends

that the unjust-enrichment claim can stand even though the jury found that Galderma's *use* of the Restoraderm mark did not confuse or deceive the market. When an unjust-enrichment claims rests on the same conduct as the underlying claim (here, trademark-based relief), the unjust-enrichment claim rises or falls with that underlying claim. Because Sköld's trademark claims fail, so should his unjust-enrichment claim.

The Court should reverse the district court's judgment on Sköld's unjust-enrichment claim.

ARGUMENT

I. Sköld does not own the Restoraderm® trademark.

To sustain his unjust-enrichment claim, Sköld must establish that he owns the Restorarderm® trademark. He did not establish ownership under this Court's controlling *Natural Footwear* standard, which requires evidence of commercial sales. Sköld concedes that there is no such evidence in this record.

Unable to satisfy this controlling legal standard, Sköld tries to resurrect his ownership claim through several dubious arguments: he invokes a purported contractual right under the 2004 agreement that he abandoned on appeal (Sköld Resp. Br. at 1); he cites an unpublished

District of Oregon interlocutory decision (that court ultimately rejected the *pro se* plaintiff's trademark claims) (Sköld Resp. Br. at 19); he attempts to stretch scant evidence of use, which, even when viewed most favorably to Sköld demonstrates only that Sköld wanted to develop a product (Sköld Resp. Br. at 17); he asserts a doctrine— licensee estoppel— that this Court has never adopted and finds no support in the record.

Under the proper legal standard, Sköld's ownership theory falls, and with it, so does the unjust-enrichment claim.

A. The *Natural Footwear* standard controls, and Sköld cannot satisfy it.

To establish ownership of the Restoraderm® trademark, Sköld must prove that he used the mark in commerce *before* CollaGenex registered the mark. *Lucent Info. Mgmt. v. Lucent Techs., Inc.*, 186 F.3d 311, 315 (3d Cir. 1999). The *Natural Footwear* standard controls the inquiry in this precise context. *See id.* at 317 (applying the *Natural Footwear* test to determine trademark "use" of an unregistered mark); *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398-99 (3d Cir. 1985).

Under this standard, trademark ownership is determined by considering the following factors: "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." *Natural Footwear*, 760 F.2d at 1398-99. There is no dispute that Sköld cannot satisfy this standard because he did not sell a single Restoraderm-branded product before the February 28, 2002 CollaGenex application. Sköld's ownership claim thus fails as a matter of law. *Natural Footwear*, 760 F.2d at 1398-99.

Unable to show any sales, Sköld asks this Court to disregard *Natural Footwear*, but provides no basis for the Court to reconsider the standard that it and numerous district courts within the circuit have consistently applied. *See Three Rivers Confections, LLC v. Warman*, 660 Fed. App'x 103, 107-08 (3d Cir. 2016) (relying on *Lucent Info. Mgmt.* and *Natural Footwear*); *see also* Galderma Br. at 48-49 n.10 (cataloging district court authorities).

Sköld instead asserts that the *Natural Footwear* factors do not fit here because all he needed was a single customer, pointing to a 2002

development agreement with CollaGenex (the "2002 Agreement"). (Sköld Resp. Br. at 18) But that 2002 Agreement set forth the parties' obligations with respect to research and development of a potential product; nothing was sold under that agreement. (JA1457; JA129:13-23) Neither the 2002 Agreement nor the later 2004 development agreement (the "2004 Agreement") with CollaGenex involved Sköld's sale of any trademarked products. And even if the 2002 Agreement did constitute a "sale" of a Restoraderm-branded product—which it certainly does not—a single private sale is the sort of *de minimis* "use" that is insufficient to distinguish Sköld's "goods" in an appropriate segment of the public mind. *See Lucent Info. Mgmt.*, 186 F.3d at 317.

Sköld attempts to further side-step the *Natural Footwear* standard by claiming that the relevant market is not the general public, but rather the pharmaceutical market. (Sköld Resp. Br. at 17-18) Yet the *Natural Footwear* standard, which focuses on commercial sales in the marketplace, fully takes into account market context. *See Natural Footwear*, 760 F.2d at 1398-99 (focusing on growth trends (both positive and negative) in the market and the number of persons actually

purchasing the product *in relation* to the potential number of customers).

In any event, Sköld gets caught coming and going about what market matters. On the confusion issue, it is sometimes only the consuming public that matters. (Sköld Resp. Br. at 5, 7) Other times, it is both dermatologists and the general public. (*Id.* at 18 (focusing on both the consumer and pharmaceutical markets)) And on ownership, he wants the Court to focus only on dermatology and pharmaceutical companies. (*Id.* at 5 (defining the relevant market as the dermatology market)) Sköld's failure to consistently define the relevant market reveals the fundamental and unresolvable flaws in his case.

Setting this inconsistency aside, it is the presence or absence of commercial sales that drives the commercial-use inquiry. *Natural Footwear*, 760 F.2d at 1398-99. That is because trademark law's protections "grow[] out of [a mark's] use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an

existing business." *United Drug Co. v. Theodore Rectanus Co.* 248 U.S. 90, 97-98 (1918).

Actual sales of products are essential to establishing trademark ownership. But Sköld made no commercial sales. This is fatal to Sköld's claim under the proper legal standard for commercial use.

B. Under any other standard for commercial use, Sköld's ownership claim fails as a matter of law.

To escape the requirements of *Natural Footwear*, Sköld relies on scattered evidence that he "coined" the name "Restoraderm" and used the name in business pitches, research papers, discussions, and on non-commercial samples. But he does not provide a set of governing legal principles to guide the ownership inquiry. This is the same approach the district court improperly endorsed in deciding the pre- and post-trial motions and instructing the jury. (JA27-28; JA938:5-11; JA939:21-940:1) However, this free-lancing approach to trademark ownership does not displace the Court's *Natural Footwear* test.

Yet no matter the legal framework, Sköld's case for commercial use—limited to just a few bullet points on a single page of his brief that ignore Galderma's detailed treatment of the evidence—fails to establish ownership. (*Compare* Sköld Resp. Br. at 17 *with* Galderma Br. at 53-

57) Sköld's cited evidence merely shows a desire to develop a concept he described with various combinations of names into a commercial product in the future. (*See* Sköld Resp. Br. at 17, citing JA194-210) It falls far short of establishing use that is sufficiently public to identify or distinguish his "goods" in an appropriate segment of the public mind. *Lucent Info. Mgmt.*, 186 F.3d at 315. Thus, under any standard, Sköld's limited and inconsistent "use" of Restoraderm does not demonstrate trademark ownership.

The Restoraderm name: Sköld says he invented the Restoraderm name, but he does not answer the numerous authorities holding that trademark rights are not established through invention or creation. (Galderma Br. at 53)

Samples: Sköld leans heavily on samples he claims were labeled "Restoraderm" to support a conclusion that the public was able to associate his "product" with the Restoraderm mark. Yet he offers no response to the authorities holding that distribution of samples does not establish trademark ownership. *E.g.*, *Duffy v. Charles Schwab & Co.*, 97 F. Supp. 2d 592, 597-98 (D.N.J. 2000).

Apart from that, Sköld attributes more to these samples than the record allows. According to Sköld's own testimony, there were only about 20-30 non-commercial samples—not the "hundreds" (Sköld Resp. Br. at 4) Sköld now claims existed. (JA185:5-25; JA210:1-17; JA394-95 (180:20-181:16)) And there is no record evidence that they were provided in exchange for any payments by CollaGenex or anyone else, contrary to Sköld's claim otherwise. (JA185:10-15 (Sköld testimony that the samples were made "to give to CollaGenex")) In fact, it was Sköld's testimony that those 20-30 samples were only given to CollaGenex and the ten attendees at a focus group arranged by CollaGenex in the Carribean. (JA185:10-15; JA210:12-17)

Papers: Sköld points to the distribution of papers within the "dermatology community" and to "potential development partners" to buttress his claim of commercial use. Sköld seems to be referencing Trial Exhibits 3 and 6. Exhibit 3 was intended for "university people," could be understood by only a few dermatologists anywhere in the world, and uses inconsistent terminology to refer to his in-development technology. (Galderma Br. at 55) Trial Exhibit 6 further undercuts Sköld's ownership claim: It was prepared for CollaGenex and was titled

"Lipoderm Restoraderm a vehicle technology for topical use," and does not mention Sköld. (*Id.*) Sköld offers no reason why these "papers"—which deploy inconsistent terminology focused on the *development* of a potential product—are probative of trademark ownership. They merely reflect Sköld's desire to one day get a product to market.

Caribbean Conference: Sköld's attendance at a single 2002 Caribbean dermatology meeting does not show commercial use either. Only ten people attended a focus group where CollaGenex handed out a copy of Trial Exhibit 232. (JA1826; JA210:1-4, 8-15) Trial Exhibit 232 was prepared for use by CollaGenex and Sköld, and does not even mention Sköld's name. (JA206:17-20)

Sköld is left to defend his position with a lone unpublished Oregon district court case in which that court ultimately rejected a *pro se* plaintiff's trademark claims. (Sköld Resp. Br. at 19 (citing *Lyden v. adidas Am., Inc.*, No. 3:14–cv–01586–MO, 2015 WL 566564 (D. Ore. Feb. 10, 2015) (dismissing complaint but permitting repleading)) Sköld neglects to mention that a mere ten days after dismissing plaintiff's claims, the district court denied the plaintiff's preliminary injunction because he failed to establish priority, reasoning: "[plaintiff] has only

ever tried to market and sell his Springshoes to companies in the footwear industry; he has never marketed or sold them to the general public." *Lyden v. adidas Am., Inc.*, No. 14-cv-01586, 2015 WL 758642, at *1 (D. Ore. Feb 20, 2015). The court further observed "it is unclear whether or not these actions [alleged by plaintiff] constitute prior 'use in commerce.'" *Id.* at * 1. Nor does Sköld disclose that the court ultimately *rejected* the plaintiff's claims before trial. *Lyden v. adidas Am., Inc.*, 184 F. Supp. 3d 962, 971 (D. Ore. 2016) (dismissing trademark claims, though not addressing the prior use question).

In any event, it is this Court's precedent that applies here, and under that authority, Sköld cannot establish ownership of the Restoraderm mark.

C. Licensee estoppel cannot save Sköld's ownership claim.

To get around his failure to prove ownership, Sköld invokes the "doctrine of licensee estoppel," asserting that if Galderma "wanted to challenge Sköld's trademark rights, it was required to do so before it agreed to license them." (Sköld Resp. Br. at 21, 22) That argument has a fundamental flaw: there is no evidence whatsoever that CollaGenex (Galderma's predecessor) licensed any trademark rights from Sköld.

Indeed, as discussed earlier, Sköld did not establish any trademark rights, and therefore had nothing to license. That conclusion is confirmed by the parties' 2002 Agreement, which does not contain a single word about a trademark license (or assignment, for that matter), but instead explicitly states that all trademarks are owned exclusively by CollaGenex: "All trade marks applied for or registered (including 'Restoraderm') shall be in the sole name of CollaGenex and be the exclusive property of CollaGenex during the Term and thereafter [ ]." (JA1465) Consistent with that agreement, CollaGenex proceeded to apply for, and register, the Restoraderm mark in its own name with the United States Patent and Trademark Office. (JA1702-09)

The doctrine of licensee estoppel requires a license between a licensor and licensee; it prohibits a *licensee* from "challenging or contesting in any way the validity of the *licensed* mark, its registration, or its ownership by the *licensor*." 2-6 Gilson on Trademarks § 6.07(7) (emphasis added). Consequently, a necessary element of the licensee estoppel theory is an actual licensing agreement between the parties. *See, e.g., Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655, 659 (7th Cir. 1965) (estoppel applies only to a party to the licensing

agreement); *eMachines, Inc. v. Ready Access Memory, Inc.*, No. 00-00374, 2001 WL 456404, at *12 n.8 (C.D. Cal. Mar. 5, 2001) (refusing to apply the doctrine of licensee estoppel in the absence of a license agreement); *Papercraft Corp. v. Gibson Greeting Cards, Inc.*, 515 F. Supp. 727, 728 (S.D.N.Y. 1981) ("there are no cases in which a doctrine of licensee estoppel has been extended to bar one other than a licensee from challenging a trademark's validity because of the derivation of a benefit from the license.").

As noted above, the plain terms of the 2002 Agreement dispel any notion that Sköld owned any trademark rights, or licensed any rights to CollaGenex. Not even Sköld contends that the 2002 Agreement, or the 2004 Agreement, are trademark license agreements. In fact, Sköld contradicts his entire licensee estoppel argument by claiming—albeit inaccurately and without any record support—that rather than a license, the 2002 Agreement was a "formal transfer" of trademark rights from Sköld to CollaGenex. (Sköld Resp. Br. at 22) The absence

of a trademark license agreement, conceded even by Sköld, dooms his licensee estoppel argument.[1]

In any event, as the district court properly determined during trial, "licensee estoppel . . . is not a theory that has been adopted by the Third Circuit." (JA864 at 180:6-16; *see also Doeblers' Pa. Hybrids, Inc. v. Doebler*, 442 F.3d 812, 825 n.14 (3d Cir. 2006)) ("[w]e do not at this time address the propriety or applicability of 'licensee estoppel,' which has been held by some courts to estop a trademark licensee from challenging the validity of marks it has licensed."). And Sköld provides no reason to adopt it here.

This unsupported licensee estoppel theory cannot save Sköld's trademark ownership claim.

II. Sköld's unjust-enrichment claim is time-barred.

When an unjust-enrichment claim involves the allegedly wrongful retention of another party's property, the claim accrues the moment a defendant first receives and retains the property to which it is not entitled. *Sevast v. Kakouras*, 915 A.2d 1147, 1153 (Pa. 2007); *see also*

[1] Sköld offers a series of "factual" assertions in this section of his Response Brief that he fails to support with citations to the record. None of those assertions are relevant to the licensee estoppel issue—the absence of any trademark license agreement—and they indeed are unsupported by evidence in the trial record.

16 Summ. Pa. Jur. 2d Commercial Law § 2:7 (2d ed.) (stating the statute of limitations begins to run when "the person who has been unjustly enriched first receives that to which he or she is not entitled"). Whether or not a defendant later profits from the use of that property is irrelevant to this inquiry. *Sevast*, 915 A.2d at 1154. Under this accrual rule, Sköld's claim is time-barred, and he does not argue otherwise.

Sköld instead claims that the Court should apply a perpetually renewing accrual rule: each time Galderma sells a product bearing the Restoraderm mark, a fresh claim accrues. (See JA31; Sköld Resp. Br. at 23-24) According to Sköld, the benefit that Galderma received from retaining the mark was only realized when Galderma used the mark. This approach to accrual cannot be squared with the Pennsylvania Supreme Court's decision in *Sevast* or trademark law. And it renders the statutory limitations period both toothless and meaningless.

Sköld's right to restitution arises from the allegedly wrongful retention of the trademark. That benefit was allegedly conferred and accepted more than four years before Sköld filed suit (September 15, 2014) because he knew or reasonably knew that Galderma would retain the Restoraderm mark before September 14, 2010. (JA10) Sköld does

not dispute these facts, which are dispositive of the limitations issue. (*See* Galderma Br. at 58)

Sköld's accrual rule—that a claim accrues every time there is a profit—is foreclosed by *Sevast*. Under the Pennsylvania Supreme Court's decision in *Sevast*, any right to restitution arose when Galderma first retained the trademark after the 2004 agreement ended. *See Sevast*, 915 A.2d at 1154. *Sevast* squarely rejected the argument that an unjust-enrichment claim does not accrue until the defendant later sold the property and "received the proceeds from the resale." *Sevast*, 915 A.2d at 1153. By embracing future profits as the guide, Sköld "improperly place[s] the focus on the computation of damages." *Id.* at 1154. Sköld's analysis thus incorrectly conflates the retention of a benefit (the trademark) with its subsequent use.[2]

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[2] Additionally, Sköld's reliance on *Harry Miller Corp. v. Mancuso Chemicals Ltd.*, 469 F. Supp. 2d 303 (E.D. Pa. 2007) is misplaced. The *Harry Miller* case does not support Sköld's endless-accrual theory. There, the court held an unjust enrichment-claim was barred by the statute of limitations despite the fact that the defendant continued to use the plaintiff's trade secret up to the day the court released its opinion. *Id.* at 311, 319. Thus, it is clear the court did not view each sale of the product at issue as grounds to bring a new unjust enrichment claim. The court instead held such a cause of action ripens when the defendant "receives and retains benefits." *Id.* Moreover, while the court did define the benefit as being profits from the sale of the product at issue, it is important to note that the *Harry Miller* opinion was released over a month before *Sevast* clarified that a defendant need not profit from the use of wrongfully-retained

To bolster his limitations position, Sköld claims that the "record clearly established that all of the evidence presented of Appellees' sales of Cetaphil Restoraderm product concerned sales that occurred within four years" of suit. (Sköld Resp. Br. at 26) That assertion ignores the record evidence that Galderma began selling the Restoraderm® product in major U.S. retailers in the Summer of 2010, more than four years before Sköld filed suit. (JA 605-06, 1825)

In any event, Sköld's endless accrual rule subverts the very reason the Pennsylvania legislature adopted the statute in the first place. The purpose of the statute of limitations is "to expedite litigation and thus discourage delay and the presentation of stale claims which may greatly prejudice the defense of such claims." *Insurance Co. of N. Amer. v. Carnahan*, 284 A.2d 728, 729 (Pa. 1971). But under Sköld's theory, a defendant's exposure is virtually limitless because each time a defendant profits from the use of the property, a new cause of action arises. This type of never-ending exposure contravenes the very purpose of the statute of limitations and was rejected in *Sevast*.

For these reasons, Sköld's unjust-enrichment claim is time-barred.

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property for an unjust-enrichment claim to accrue. Thus, to the extent *Harry Miller* is inconsistent with *Sevast*, the *Sevast* opinion controls.

III. Sköld's unjust-enrichment claim cannot stand on its own.

Sköld's claim for unjust enrichment depends on trademark law—his asserted trademark ownership and Galderma's use of the mark. Yet he contends that the unjust-enrichment claim can stand even though the jury found that Galderma's *use* of the Restoraderm mark did not confuse or deceive the market. When an unjust-enrichment claim rests on the same conduct as the underlying claim (here, trademark-based relief), the unjust-enrichment claims rises or falls with that underlying claim.

This is the settled rule under this Court's precedent. *See, e.g.*, *Steamfitters Local Union No. 420 Welfare Fund v. Phillip Morris, Inc.*, 171 F.3d 912, 937 (3d Cir. 1999) (finding "no justification for permitting plaintiffs to proceed on their unjust enrichment claim once we have determined that the District Court properly dismissed the traditional tort claims because of the remoteness of plaintiffs' injuries from defendants' wrongdoing"); *Grand Union Supermarkets of the V.I., Inc. v. Lockhart Realty, Inc.*, 493 F. App'x 248, 255 (3d Cir. 2012) (finding "unjust enrichment claim was barred by issue preclusion and should have been dismissed" where it arose from same facts as plaintiff's

precluded fraud claim); *Allegheny Gen. Hosp. v. Philip Morris*, 228 F.3d 429, 447 (3d Cir. 2000) (affirming dismissal of "unjust enrichment claims against the [defendants] since the traditional tort claims were properly dismissed").

Sköld tries to evade this rule—not on the substance—but by asserting that Galderma's argument is both new to the case and Pennsylvania law. He is wrong on both points.

His first argument is a procedural one, asserting that Galderma did not previously argue that the underlying trademark claim must survive for the unjust-enrichment claim to be available. Sköld is wrong. In Galderma's renewed motion for judgment as a matter of law, its position was clear: Because the jury found that there was no confusion or deception, the unjust-enrichment claim cannot stand. (JA2028-29) And the district court plainly understood this was the issue Galderma had pressed. (JA31-33 (summarizing Galderma's position as arguing that "the jury's findings on trademark infringement and false advertising make clear that they were not inequitably enriched")) Accordingly, the question is properly before this Court.

Sköld next quarrels with Galderma's cited authorities, suggesting that Pennsylvania law would not recognize that his unjust-enrichment claim is inseparable from his underlying trademark claims. But the Court has consistently applied this rule to cases governed by Pennsylvania law, and there are no state-court cases to the contrary. *Steamfitters*, 171 F.3d at 936 (applying Pennsylvania unjust enrichment law to conclude that "[i]n the tort setting, an unjust enrichment claim is essentially another way of stating a traditional tort claim (i.e., if defendant is permitted to keep the benefit of his tortious conduct, he will be unjustly enriched)"); *Allegheny Gen. Hosp.*, 228 F.3d at 447 (dismissing a Pennsylvania unjust enrichment claim in part because there was no underlying tort claim).

Sköld does not bother to engage the *Steamfitters* decision. And with respect to *Allegheny*, he points out that the Court analyzed the plaintiffs' unjust-enrichment claim under a quasi-contractual theory. But it did so only because the plaintiffs explicitly stated their claim was based on an implied contract, not tortious conduct. *Allegheny Gen. Hosp.*, 228 F.3d at 447. Sköld has taken the opposite tack, squarely

implicating the doctrine this Court applied in *Steamfitters*. (*See* Sköld Resp. Br. at 27 (describing Galderma's actions as "tortious conduct"))[3]

Ignoring this Court's treatment of Pennsylvania law, Sköld complains that another of this Court's cases involved Virgin Islands law (which incorporates the Restitution Restatement). *Grand Union Supermarkets*, 493 F. App'x at 255 (finding "unjust enrichment claim was barred by issue preclusion and should have been dismissed" where it arose from same facts as plaintiff's precluded fraud claim). But, like the Virgin Islands, Pennsylvania courts have consistently looked to the Restatement of Restitution to determine the existence of an unjust-enrichment claim. *Mifflinburg Tel., Inc. v. Criswell*, 277 F. Supp. 3d 750, 802 (M.D. Pa. 2017) (recognizing that "Pennsylvania has adopted the Restatement of Restitution for determining whether there is unjust enrichment"); *see also D.A. Hill Co. v. Clevetrust Realty Inv'rs*, 573 A.2d 1005, 1009 (Pa. 1990) (looking to the Restatement to determine the existence of an unjust-enrichment claim).

[3] Even if this Court were to analyze Sköld's claim as a quasi-contractual claim, it would be barred by the statute of limitations for the reasons discussed above and based on the jury's finding in Question No 5. (JA10)

When an unjust-enrichment claim is inseparable from another failed claim, it cannot stand alone as a substitute for that claim. *Steamfitters*, 171 F.3d at 936. At its core, Sköld's unjust-enrichment claim depends on the underlying trademark law. That law should therefore dictate the resolution of the unjust-enrichment claim. Because Sköld's trademark claims fail, so should his unjust-enrichment claim.

CONCLUSION AND PRAYER

The Court should reverse the unjust-enrichment portions of the district court's judgment and award Galderma any other relief to which it is entitled.

Respectfully submitted,

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CERTIFICATE OF BAR MEMBERSHIP

Pursuant to Third Circuit Local Appellate Rule 36.1(c), I hereby certify that I am a member of the Bar of the Court.

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CERTIFICATE OF SERVICE

The undersigned certifies that on this 15th day of August, 2018, a copy of the attached Cross-Appellants' Reply Brief was electronically transmitted to the United States Court of Appeals for the Third Circuit using the Court's ECF filing system and was served on the following parties via electronic notice pursuant to the Court's ECF filing system.

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