UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

VICTORINOX AG, VICTORINOX SWISS ARMY, INC., and WENGER NA, INC.,

Plaintiffs,

-v-

THE B & F SYSTEM, INC., JOHN D. MEYER, ABC CORPORATIONS 1-10, and JOHN DOES 1-10,

Defendants.

THE B & F SYSTEM, INC.,

Counterclaim Plaintiff,

-v-

VICTORINOX AG, VICTORINOX SWISS ARMY, INC., and WENGER NA, INC.,

Counterclaim Defendants.

13 Civ. 4534 (JSR)

MEMORANDUM ORDER

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JED S. RAKOFF, U.S.D.J.

The Court entered a Final Judgment and Permanent Injunction in this case on October 22, 2015, awarding plaintiffs damages, attorneys' fees, costs, and injunctive relief. See Final Judgment and Permanent Injunction, ECF No. 86. Defendants have moved for reconsideration and a stay. The Court denies defendants' motions, except for their request to reduce plaintiffs' damages on statute of limitations grounds.

The facts of this case are set forth in the Court's Memorandum dated June 22, 2015, familiarity with which is here presumed. See Memorandum dated June 22, 2015, ECF No. 58. By way of background,

plaintiffs Victorinox AG, Victorinox Swiss Army, Inc., and Wenger NA, Inc., makers of the iconic Swiss Army Knife, brought suit against defendants The B&F System, Inc. and John D. Meyer, asserting various state and federal trademark claims. Defendant The B&F System counterclaimed for unfair competition and cancellation of U.S. Trademark Registration No. 3,546,920, which is owned by Victorinox AG. This Court granted plaintiffs' motion for summary judgment on Count I (trademark infringement and counterfeiting under 15 U.S.C. § 1114), Count III (false designation of origin and unfair competition under 15 U.S.C. § 1125(a)), and Counts V and VI (trademark infringement and unfair competition under New York common law) of their complaint. Order dated March 3, 2014, at 2, ECF No. 54. The Court denied defendants' cross-motion for summary judgment. Id. In granting plaintiffs' summary judgment motion, the Court found that defendants had willfully infringed plaintiffs' trademark. See Memorandum dated June 22, 2015, at 5, 8, ECF No. 58. The Court also granted plaintiffs' later motion for damages, attorney fees, costs, equitable relief, and dismissal of all outstanding claims, counterclaims, and affirmative defenses, except that the Court directed plaintiffs to submit an updated calculation of attorney fees to the Court and a bill of costs to the Clerk of the Court. See Memorandum Order dated Sept. 8, 2015, at 10, ECF No. 82. Plaintiffs submitted updated calculations and a calculation of pre-judgment interest, and the Court entered judgment awarding injunctive relief as well as $7,987,977.05 in trebled damages, the costs of the

action, attorneys' fees in the amount of $1,313,393.39, pre-judgment interest in the amount of $506,962.00, and post-judgment interest pursuant to 28 U.S.C. § 1961(a). See Final Judgment and Permanent Injunction, ECF No. 86.

Defendants seek reconsideration on various grounds. The standard for granting a motion for reconsideration "is strict, and reconsideration will generally be denied unless the moving party can point to controlling decisions or data that the court overlooked - matters, in other words, that might reasonably be expected to alter the conclusion reached by the court." Shrader v. CSX Transp. Inc., 70 F.3d 255, 257 (2d Cir. 1995).

Defendants first argue that, in calculating plaintiffs' damages, the Court overlooked controlling precedent limiting, on laches or statute of limitations grounds, plaintiffs' damages to the six years before they filed their complaint. Defendants' laches argument still fails because of their unclean hands. See Memorandum dated June 22, 2015, at 5, 8, ECF No. 58 ("[T]he Court finds that any reasonable factfinder would conclude that defendants' infringement was intentional and that defendants are therefore barred from invoking the doctrine of laches."). With respect to an applicable statute of limitations, defendants previously argued for a three-year statute of limitations. See Defendants' Opposition to Plaintiffs' Motion for Damages, Attorneys' Fees, Costs, Equitable Relief, and Dismissal of All Outstanding Claims, Counterclaims, and Affirmative Defenses at 2, ECF No. 64. The Court concluded this

three-year period was incorrect, see Memorandum Order dated Sept. 6 at 4, ECF No. 82, and did not apply any statute of limitations.

However, the defendants now bring to the Court's attention the Supreme Court's decision in Wilson v. Garcia, 471 U.S. 261 (1985). In Wilson, the Supreme Court observed that "[w]hen Congress has not established a time limitation for a federal cause of action, the settled practice has been to adopt a local time limitation as federal law if it is not inconsistent with federal law or policy to do so." Wilson v. Garcia, 471 U.S. 261, 266-67 (1985). In the present case, this means that, independent of laches and regardless of the Lanham Act's lack of any limitations period, the Court must apply an analogous state statute of limitations to plaintiffs' claims. The most appropriate limitation for a Lanham Act claim comes from New York's six-year statute of limitations on fraud claims. See N.Y. C.P.L.R. § 213(8); Conopco, Inc v. Campbell Soup Co., 95 F.3d 187, 191-92 (2d Cir. 1996) ("It is clear that both intent and fraud play an important role in all Lanham Act claims.").

Accordingly, plaintiffs' damages award must be based on defendants' sale of infringing knives since June 28, 2007, six years before plaintiffs filed the present suit. Defendants calculate this figure as $564,759, based on the Declaration of Defendant of John D. Meyer dated Dec. 2, 2013 ¶ 65, ECF No. 38. See Memorandum of Law in Support of Motion by The B&F System, Inc. and John D. Meyer to Alter or Amend the Judgment, for Relief from the Judgment, and for Reargument or Reconsideration at 9, ECF No. 96. Plaintiffs do not

object to this figure and indeed relied on the same data from Mr. Meyer's Declaration for their calculation of damages. See Plaintiffs' Memorandum of Law in Support of their Motion for Damages, Attorney Fees, Costs, Equitable Relief, and Dismissal of All Outstanding Claims, Counterclaims, and Affirmative Defenses at 8-9, ECF No. 61. The Court sees no material defect in defendants' calculations, except that they omit the $19,071.36 worth of infringing knives that plaintiffs previously calculated defendants sold between November 26, 2013 and March 3, 2014, based on the Declaration of John D. Meyer dated July 2, 2015. See Memorandum of Law in Support of Motion by The B&F System, Inc. and John D. Meyer to Alter or Amend the Judgment, for Relief from the Judgment, and for Reargument or Reconsideration at 9 n.6, ECF No. 96 (defendants' sales calculation omitting the $19,071.36); Declaration of Rory J. Radding, Esq. ¶¶ 7-10, Ex. 1, ECF No. 62 (plaintiffs' calculation of defendants' sales). Accordingly, the Court finds that $583,830 is the correct figure for defendants' sales for the relevant period.

Defendants argue that this sales figure cannot be used as the measure of plaintiffs' damages because cost data must be taken into account. Defendants are correct that net profits are the proper basis for plaintiffs' damages award. Murphy Door Bed Co., Inc. v. Interior Sleep Systems, Inc., 874 F.2d 95, 103 (2d Cir. 1989). Indeed, the Second Circuit has stated that "[e]ven if [defendant] does not offer evidence of his costs . . ., the [district] court should estimate them based on the evidence before it." Id. at 103.

The Court would comply with this directive, if it could. However, there is no cost evidence properly before the Court and therefore no basis upon which the Court can even estimate costs.

The blame for the absence of cost data falls squarely on defendants' shoulders. Defendants failed to produce cost data during discovery and have never properly placed any evidence of costs before the Court. Furthermore, although plaintiffs claim they repeatedly requested cost data during discovery, see Plaintiff's Response in Opposition to Defendants' Motion to Alter or Amend the Judgment, for Relief from the Judgment, and for Reargument or Reconsideration at 13, ECF No. 98, defendants chose not to produce estimates of net profits until August 3, 2015, and even then only through the report of an undisclosed expert submitted more than twenty months after defendants themselves moved for summary judgment.[1] See Notice of Motion for Summary Judgment Pursuant to Fed. R. Civ. P. 56(c), ECF No. 32 (dated Nov. 29, 2013); Declaration of W. Scott Dalrymple, CFA, ECF No. 67 (dated Aug. 3, 2015). The price of defendants' gamesmanship is that there is now no evidence of costs that the Court may properly consider.[2] Defendants have failed

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[1] Defendants do not dispute that the expert witness was undisclosed. See Memorandum of Law in Support of Motion by the B&F System, Inc. and John D. Meyer to Alter or Amend the Judgment, for Relief from the Judgment, and for Reargument or Reconsideration at 11, ECF No. 96. Instead, they argue that the factual material in the witness's report should nonetheless be considered. Id. This argument is foreclosed by Fed. R. Civ. P. 37(c)(1).

[2] The limited estimates of cost data contained in ¶ 6 of the Declaration of John D. Meyer dated Oct. 30, 2015, submitted with

to carry their burden, or even to raise any triable question of fact, with respect to costs or deductions to be subtracted from the sales data. See 15 U.S.C. § 1117(a) ("[D]efendant must prove all elements of cost or deduction claimed."); Bambu Sales, Inc. v. Ozak Trading, Inc., 58 F.3d 849, 854 (upholding district court's refusal to deduct costs when documentary evidence of costs was never produced). Accordingly, the $583,830 sales figures must also be the measure of plaintiffs' damages.

The $583,830 damages award must then be trebled to $1,751,490. Defendants raise two objections to a trebled damages award. First, they claim that they were not willful infringers. However, they offer no new evidence or argument to disturb the Court's finding on summary judgment that defendants were willful infringers. See Memorandum dated June 22, 2015, at 5-8, ECF No. 58. For instance, the Court has already considered and rejected defendants' arguments based on Forschner Group, Inc. v. Arrow Trading Co., Inc., 124 F.3d 402, 409 (2d Cir. 1997). See Memorandum dated June 22, 2015, at 9-10, 16, ECF No. 58. Defendants remain willful infringers of plaintffs' mark.

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plaintiffs' present motion for reconsideration, are not properly before the Court because they are untimely, having been submitted almost two years after the parties' moved for summary judgment. Defendants offer no explanation for why Mr. Meyer could not have produced these estimates in a timely fashion. Moreover, they were not produced during discovery, and consideration of them is barred by Fed. R. Civ. P. 37(c)(1).

Second, defendants argue that treble damages[3] are inappropriate for the time period prior to plaintiffs' registration of their mark on December 16, 2008. Defendants are correct that trebled damages are only mandatory if a registered mark is infringed. See 15 U.S.C. 1116(d), 1117(b). However, under 15 U.S.C. § 1117(a), a court may award defendants' profits if, as here, defendants' use of an unregistered mark caused a likelihood of consumer confusion. See 15 U.S.C. 1125(a), 1117(a); Memorandum dated June 22, 2015, at 16, ECF No. 58. Moreover, 15 U.S.C. § 1117(a) provides that "[i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." The Second Circuit has held that trebled damages are an appropriate enhancement under this provision, although any such enhancement must rest on a case-specific inquiry. Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 261-63 (2d Cir. 2014).

In this case, the Court awarded treble damages prior to the registration period to compensate plaintiffs and to deter defendants from future misconduct. See George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532, 1537-39 (2d Cir. 1992). The Court found that defendants' use of plaintiffs' mark likely caused consumer confusion

[3] Defendants also argue that any damages prior to plaintiffs' registration of their mark are inappropriate. This argument also fails for the reasons stated here.

and tarnished plaintiffs' reputation. Memorandum dated June 22, 2015, at 16, ECF No. 58. Quantifying the extent of confusion and tarnishment is a difficult task, and the Court concluded that trebling damages was, under these circumstances, a fair approach. Moreover, defendants' conduct demonstrated a significant need for deterrence. Defendants were aware of plaintiffs' knives before commencing sale of the infringing knives and continued to sell them after U.S. Customs seized their products in March 2013. Memorandum dated June 22, 2015, at 6-7, ECF No. 58.[4] Accordingly, the Court still concludes that treble damages are required for the period after December 16, 2008, see 15 U.S.C. 1117(b), and appropriate for the period from June 28, 2007 until December 16, 2008, see id. § 1117(a).

Defendant John D. Meyer argues that he should not be personally liable in this case because he was not a "moving, acting conscious force behind [the] infringement." Lee Myles Auto Group, LLC v. Fiorillo, 2010 WL 3466687 at *7 (S.D.N.Y. Aug. 25, 2010). The Court has already considered and rejected this argument. By his own admission, Meyer has been the President of The B&F System since 2001

[4] The Court clarifies its statement in its June 22, 2015, Memorandum that defendants continued to sell infringing knives without advice of counsel. See Memorandum dated June 22, 2015, at 6-7, ECF No. 58. Defendant Meyer did testify at a deposition that defendants "work[ed] with [their] attorneys" prior to resuming sales after the seizure by U.S. Customs. See Declaration of H. Straat Tenney dated Dec. 3, 2013 Ex. 40 at 94:13-16, ECF No. 37. However, defendants' counsel expressly represented to the Court that the defense of advice of counsel has not been and will not be raised in this matter. See Order dated Nov. 19, 2013, ECF No. 18.

and co-owns the company with his father, the prior President, and his uncle. Declaration of John Meyer dated Dec. 3, 2013, ¶¶ 4-5, ECF No. 38. There is no dispute that Meyer controls the company and has for some time. Accordingly, personal liability is appropriate.

Defendants also argue that the Court should reverse its award of attorney fees because they were not willful infringers. Again, however, they raise no new evidence or arguments to displace the Court's finding that they were willful infringers. Under 15 U.S.C. § 1117(a) a court "may" award reasonable attorney fees to the prevailing party "in exceptional cases." "'Exceptional circumstances' include willful infringement." Bambu Sales, Inc. v. Ozak Trading Inc., 58 F.3d 849, 854 (2d Cir. 1995). "The finding of willfulness determines the right to attorneys' fees." Id. In light of defendants' willful infringement, the award of attorney fees must stand.

Defendants also seek relief from various provisions of the Permanent Injunction. They propose to modify ¶ B(6) of the Permanent Injunction to allow them to pursue business in the normal course prior to satisfaction of the judgment. Defendants did not object to this provision when it was initially proposed and offer no specific reason to modify it now. The purpose of ¶ B(6) is to ensure that defendants pay the judgment in a timely fashion. It provides that defendants may conduct sales, assignments, and transfers pursuant to a court order. If defendants seek an order from this Court allowing them to conduct sales, assignments, or transfers, they should

provide reasons explaining why such an allowance will not delay their timely payment of the judgment.

Defendants also propose to modify ¶ C of the Permanent Injunction to permit them "to use their Royal Crest brand and logo on [among other items] multifunction knives with different color handles." Memorandum of Law in Support of Motion by the B&F System, Inc. and John D. Meyer to Alter or Amend the Judgment, for Relief from the Judgment, and for Reargument or Reconsideration at 18, ECF No. 96. Defendants did not previously raise this objection. Moreover, the full reach of ¶ C, as written, is necessary to end the likelihood of consumer confusion created by defendants' sale of the infringing knives. Defendants' infringement of plaintiffs' mark is so blatant that, without removal of defendants' counterfeit "Royal Crest" mark from similar knives, a likelihood of consumer confusion will continue.

Defendants also propose to keep the recalled items described in ¶ D of the Permanent in Injunction in a safe place rather than turning them over to plaintiffs. They argue that, if plaintiffs destroy their inventory but defendants prevail on appeal, their property will be irreparably lost. First, this argument is more appropriately addressed to the question of a stay of the Permanent Injunction pending appeal. Second, ¶ D does not direct plaintiffs to destroy any property but instead allows for "other disposition." See Final Judgment and Permanent Injunction ¶ D, ECF No. 86. The delivery of infringing items to plaintiffs is appropriate to avoid

defendants' unjust enrichment and to deter defendants from future infringement. Accordingly, the Court will not modify Paragraph D.

Defendants also renew their objections to ¶ I of the Injunction, claiming that informing their customers of the judgment will impair their business relationships. Notification of third parties is necessary to end the likelihood of consumer confusion and loss of goodwill caused by defendants' infringement of plaintiffs' mark. Moreover, if defendants find the directives of ¶ I too restrictive, the same paragraph allows for modification of the means of third-party notification based on consent of the parties, with resort to the Court in the event of disagreement. Id. ¶ I.

Defendants also object to ¶ F of the Injunction, which requires them to withdraw their cancellation proceedings before the United States Patent and Trademark Office with prejudice. Defendants argue that, should they prevail on appeal, they will be irreparably harmed by this withdrawal because plaintiffs' mark is now incontestable under 15 U.S.C. § 1065. This argument is better addressed to the question of a stay. Moreover, defendants may still raise their claims of fraud and functionality even against an incontestable mark. 15 U.S.C. § 1115(b)(1),(8). Accordingly, the Court will not modify ¶ F.

Based on the foregoing, the Court denies defendants' motion for reconsideration of the Final Judgment and Permanent Injunction, except for the reduction of damages on statute of limitations grounds. Because the reduction in damages will alter the amount of

pre-judgment interest, plaintiffs are directed to submit an updated calculation of pre-judgment interest to the Court by December 18, 2015.

Defendants also move for a stay of the Final Judgment and Permanent Injunction pending their appeal, which they have already filed. See Notice of Appeal dated November 19, 2015, ECF No. 102. Defendants seek to stay portions of the Final Judgment and Permanent Injunction they also ask the Court to reconsider, namely the monetary award in ¶ A and the injunctive provisions of ¶¶ B(6), C, D, F, and I.

A stay is an "'intrusion into the ordinary processes of administration and judicial review,' and accordingly 'is not a matter of right.'" Nken v. Holder, 556 U.S. 418, 427 (2009) (citations omitted). On a motion to stay, a court considers four factors:

> (1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies.

Id. at 434. The movants bear the burden of demonstrating a stay is appropriate. Id. at 433-34.

Because the provisions of the Final Judgment and Permanent Injunction for which defendants seek a stay coincide with the provisions for which they seek reconsideration, the foregoing analysis addresses the first stay factor, the likelihood of

defendants' success on the merits. For the reasons discussed above, the Court concludes that defendants are unlikely to succeed on the merits.

With respect to the second stay factor, defendants have failed to show irreparable injury. Irreparable injury "must be the kind of injury for which an award of money cannot compensate." Sperry Intern. Trade, Inc. v. Government of Israel, 670 F.2d 8, 12 (2d Cir. 1982). However, "monetary injury may suffice to establish irreparable harm in situations 'where the party that might ultimately be ordered to pay the monetary damages is insolvent or facing imminent bankruptcy, or is in a perilous financial state.'" Centauri Shipping Ltd. v. Western Bulk Carriers KS, 528 F. Supp. 2d 186, 194 (S.D.N.Y. 2007). Defendant Meyer does state that The B&F System would likely need to cease business operations and that he would be rendered personally insolvent were defendants forced to pay the $9,808,332 amount in the October 22, 2015, judgment. See Declaration of John D. Meyer in Support of Defendants' Motion for Partial Stay of the October 22, 2015 Judgment ¶ 7, ECF No. 94. But Mr. Meyer does not elaborate on either defendants' financial situation. Plaintiffs' monetary award has now been reduced to less than $3,571,845, a significantly smaller burden for defendants to bear. Moreover, according to Mr. Meyer, defendant The B&F System's sales are "approximately $20 million a year." Declaration of John D. Meyer dated Dec. 3, 2013 ¶ 6, ECF No. 38. The Court concludes that

defendants have failed to show that the monetary portion of the judgment will cause them irreparable harm without a stay.

Defendants also claim that portions of the Permanent Injunction will cause them irreparable harm. First, they claim that ¶ B(6) will cause them irreparable harm by interfering with their business. An irreparable injury must be actual and imminent, not remote or speculative. Rodriguez ex rel. Rodriguez v. DeBuono, 175 F.3d 227, 234 (2d Cir. 1998). The harm to defendants from ¶ B(6) is speculative: no interference will occur if they timely satisfy the judgment.

Second, defendants claim that ¶ C will cause them irreparable harm for the same reasons that they argue ¶ C should be modified. The Court again disagrees: the full reach of ¶ C, as written, is necessary to end the likelihood of consumer confusion created by defendants' sale of the infringing knives. For purposes of a stay, an unfavorable outcome of litigation does not constitute irreparable harm for the losing party.

Third, defendants argue that ¶ D's recall provision will cause them irreparable harm if plaintiffs destroy the recalled items after defendants hand them over. The danger of plaintiffs' irreversible destruction of the items is speculative: ¶ D allows for some other disposition, so plaintiffs might not destroy the items.

Fourth, defendants argue that ¶ I's notification requirements will cause them irreparable harm because customers will learn of the judgment against them. The irreparable nature of this harm is

speculative: were defendants to prevail on appeal, they could very well inform the same customers of the outcome. Moreover, the customers to be notified under Paragraph I are those to whom defendants offered infringing products and, accordingly, are the most important recipients of notice to remedy consumer confusion.

Finally, defendants argue that they should not be required to withdraw their proceeding before the U.S Patent and Trademark Office seeking to cancel plaintiff's mark because the mark will become incontestable by the time post-judgement proceedings conclude. However, defendants argued before this Court that plaintiffs' mark was fraudulently obtained and merely functional. Both of these arguments can be raised in a cancellation proceeding against an incontestable mark. See 15 U.S.C. § 1115(b)(1),(8). Defendants also argue that the Court should not have dismissed their cancellation counterclaim sua sponte. Defendants do not explain how this argument pertains to any irreparable harm they might suffer. Regardless, the Court did not dismiss defendants' counterclaim sua sponte: plaintiffs moved to dismiss defendants' counterclaims, see Plaintiffs' Motion for Damages, Attorney Fees, Costs, Equitable Relief, and Dismissal of All Outstanding Claims, Counterclaims and Affirmative Defenses, ECF No. 60; defendants responded to plaintiffs' motion, see Defendants' Opposition to Plaintiffs' Motion for Damages, Attorneys' Fees, Costs, Equitable Relief, and Dismissal of All Outstanding Claims, Counterclaims, and Affirmative Defenses,

ECF No. 64; and the Court granted the motion, see Memorandum Order dated Sept. 8, 2015, ECF No. 82.

With respect to the third stay factor, defendants claim that plaintiffs would not suffer any harm from a stay. Plaintiffs object that, because of the likelihood of consumer confusion caused by defendants' infringing knives, the status quo is harmful to them. The Court agrees with plaintiffs: defendants' willful infringement of plaintiffs' mark has likely confused consumers and tarnished plaintiffs' reputation. Plaintiffs' injuries will continue until they are remedied by defendants' satisfaction of the judgment and compliance with the injunction.

With respect to the fourth factor, both sides claim that the public interest weighs in their favor, with defendants invoking the protection of private assets and plaintiffs invoking the role of trademark law in preventing consumer confusion. Plaintiffs have the better of this point. See Conopco, Inc. v. Campbell Soup Co., 95 F.3d 187, 193 (2d Cir. 1996) ("[T]he trademark laws protect . . . the public's interest in not being misled."). Neither side mentions another aspect of the public interest: the speedy resolution of civil disputes. The Court has allowed defendants numerous rounds of briefing on many of the issues considered here. Much of this argumentation, by defendants' own admission, has been a "rehash" of issues the Court has already decided. See Transcript dated Aug. 17, 2015. The public pays a price when litigants use up the courts' time

with gamesmanship and reptition, and it is ultimately in the public interest for litigation to move forward.

Accordingly, the Court concludes that none of the Nken factors weigh in favor of a stay.

For the forgoing reasons, defendants' motions are denied, except that plaintiffs' damages are reduced to $1,751,490. Plaintiffs are directed to submit updated calculations of pre-judgment interest by December 18, 2015. Execution of the Final Judgment and Permanent Injunction is stayed pending only the recalculation of pre-judgment interest and entry of an Amended Final Judgment and Permanent Injunction thereafter.

The Clerk of Court is directed to close documents number 92 and 95 on the docket of this case.

SO ORDERED.

Dated: New York, NY
December 12, 2015

JED S. RAKOFF, U.S.D.J.