No. 12-444

In The Supreme Court of the United States

SHANDONG LINGLONG RUBBER CO., LTD., n/k/a LINGLONG GROUP CO., LTD.; SHANDONG LINGLONG TIRE CO., LTD.; AL DOBOWI LTD.; AL DOBOWI TYRE CO., LLC; TYREX INTERNATIONAL, LTD.; and TYREX INTERNATIONAL RUBBER CO., LTD.,

Petitioners,

v.

TIRE ENGINEERING & DISTRIBUTION, LLC; JORDAN FISHMAN; BEARCAT TIRE A.R.L.; and BCATCO A.R.L.,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fourth Circuit

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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REPLY BRIEF FOR PETITIONER

This case cleanly presents two issues that have split the circuits and require this Court's review. Respondents' arguments that procedural difficulties impede that review are meritless. Both courts below directly addressed the questions presented after full briefing. Therefore, this Court can—and should—do likewise.

Regarding the general-verdict rule, Respondents do not dispute that seven circuits have adopted four irreconcilable harmless-error standards. And because there would be no issue on the harmless-error standard if there were no harmless-error exception at all —as five other circuits have held—this Court should resolve that antecedent issue, too. Indeed, Respondents' attempt to deny a circuit split on the existence of a harmless-error exception highlights the pressing need for this Court's guidance. By relying on intra-circuit inconsistencies and standards that this Court has applied in the criminal—but not civil—context, Respondents simply confirm that this area is in disarray.

Regarding the Copyright Act's extraterritorial reach, the Ninth Circuit—adopting Second Circuit precedent—held, "Under the Second Circuit's rule, * * * a party becomes liable for extraterritorial damages only when an act of infringement occurs within the United States, subjecting it to liability as an infringer." *L.A. News Serv.* v. *Reuters Television Int'l, Ltd.*, 149 F.3d 987, 992 (9th Cir. 1998). By instead

allowing foreign recovery when the only domestic infringement falls outside the statute of limitations, the Fourth Circuit permits foreign recovery *without* a domestic violation subjecting a defendant "to liability as an infringer." Nothing Respondents have said changes that.

There are thus two clear-cut circuit splits that significantly impact the fairness of our jury system and congressional policy for international copyright enforcement. The Court should grant the petition; restore its common-sense, general-verdict rule; and effectuate Congress' intent to restrict the Copyright Act's extraterritorial reach.

I. The Circuits Are Deeply Divided Over Whether A Harmless-Error Exception Exists, And If So, How It Applies.

A. Initially, Respondents erroneously insist (at 9) that this case "does not involve a general verdict" because the jury delivered a special verdict on *liability*. But, as the Fourth Circuit explained, the jury also rendered a "general verdict on the damages award." App. 42. And both the majority and dissenting opinions treated the general verdict as presenting the precise issues Petitioners identified. App. 41-46, 46-52 (Diaz, J., dissenting). Thus, it is impossible to credit Respondents' view that Judge Diaz's dissent and the majority's discussion rested on an illusion. Moreover, this case also involved a general liability

verdict as to conspiracy, which provided the sole basis for joint and several liability. Petitioners' Br. 4-5, 20.

Both types of general verdict present the animating concern underlying this Court's general-verdict rule: their "generality prevents [the court] from perceiving upon which plea [the jury] found." *Maryland* v. *Baldwin*, 112 U.S. 490, 493 (1884); see also *United N.Y. & N.J. Sandy Hook Pilots Ass'n* v. *Halecki*, 358 U.S. 613, 619 (1959). As Petitioners explained (at 9-14), the Fourth Circuit's decision conflicts with that precedent.

Respondents also erroneously contend (at 11) that the general-verdict rule is not implicated because the special liability verdict shows that valid theories remain, and those theories purportedly support the entire general damages verdict. But the Fourth Circuit rejected that argument, explaining that the rule "extend[s]" to a general damages verdict —even when there is a special liability verdict— "because the jury d[oes] not distinguish[ ] the amount attributable to each claim." App. 43 (citation and internal quotation marks omitted).

Furthermore, Respondents' argument is merely an attempt to avoid the actual issue here: Even when the valid theories could possibly support the verdict, may courts speculate about whether the jury would have rendered the same damages had it not been instructed to award damages for the invalid theories?

And if such speculation were proper, what is the legally required certainty for such guesswork?

The Fourth Circuit's handling of the general-verdict issue squarely raises both questions. And both must be answered *before* determining if invalid theories tainted the verdict. So the Fourth Circuit's conclusion that it was only "reasonably certain that the jury was not significantly influenced by issues erroneously submitted to it" presents an ideal vehicle for this Court to review both questions. App. 46 (citation and internal quotation marks omitted).

B. Turning to the circuit splits, Respondents do not dispute that the circuits incorporating harmless-error exceptions have adopted four conflicting approaches for determining whether an error is harmless. That alone warrants review. Petitioners' Br. 15-18.

The issue whether a harmless-error exception exists at all does, too. It directly implicates the animating concern in *Baldwin* and its progeny—the impossibility of knowing how the invalid theories influenced the jury. It has also split the circuits, just as it divided the Fourth Circuit below. And, in any event, it should be answered before addressing the four-way split.

Respondents deny that there is a circuit split on whether a harmless-error test applies at all, claiming (at 19-23) that the D.C., Second, Third, Sixth, and Eleventh Circuits have adopted harmless-error exceptions. They are wrong.

First, they ignore the Eleventh Circuit's express rejection of the exception: "it is well-settled that where one of two possible bases for a general verdict is unauthorized, the entire verdict must be reversed even though the other basis would support the verdict." *Richards* v. *Michelin Tire Corp.*, 21 F.3d 1048, 1055 n.13 (11th Cir. 1994) (citation omitted).[1] They also ignore the D.C. Circuit's similar rejection: "of course, where a jury's general verdict may have rested upon [improper] grounds[,] * * * a reviewing court will not pause to speculate whether the jury's verdict was actually reached on other, and permissible grounds." *Founding Church of Scientology of Wash., D.C.* v. *United States*, 409 F.2d 1146, 1164 (D.C. Cir. 1969).

Second, Respondents do not dispute that the Second and Third Circuits followed this Court's general-verdict rule—without a harmless-error exception—in *Fatovic* v. *Nederlandsch-Ameridaansche Stoomvaart, Maatschappij*, 275 F.2d 188, 190 (2d Cir. 1960), and *Wilburn* v. *Maritrans GP Inc.*, 139 F.3d 350, 361 (3d Cir. 1998). Yet Respondents rely (at 20-22) on subsequent, contrary decisions of those circuits to show that they have adopted harmless-error exceptions.

[1] Instead, Respondents rely (at 22) on an inapposite Eleventh Circuit decision—*Michigan Abrasive Co.* v. *Poole*, 805 F.2d 1001, 1008 (11th Cir. 1986)—applying the exception where the jury received instructions that "were *arguably* unnecessary," the case did not involve "an error by the court in submitting a theory to the jury," and the appellant failed to preserve the issue. (Emphasis added).

But Petitioners explained (at 11-12 n.3) that such subsequent decisions do not reflect a circuit's controlling position. See also *Pardini* v. *Allegheny Intermediate Unit*, 524 F.3d 419, 426 (3d Cir. 2008) ("A panel of this court cannot overrule a prior panel precedent." (Citation, internal quotation marks, and alteration omitted)). Respondents have no response. They also have no response to the Second Circuit's emphasis in *Morrissey* v. *National Maritime Union of America*, that *Halecki*'s general-verdict rule is "quite absolute." 544 F.2d 19, 27 (2d Cir. 1976).[2] In all events, Respondents' discussion of such intra-circuit conflict just reinforces the widespread confusion on this issue and the need for this Court's guidance.[3]

Third, Respondents' own case (at 11, 15)—*Ellis* v. *Gallatin Steel Co.*—explained that the error was

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[2] Sitting in diversity, *Watts* v. *Mack Trucks, Inc.*, applied a *Tennessee statute* "provid[ing] that if any counts in a declaration are good, a jury verdict shall be applied to such counts." 491 F.2d 601, 602-03 (6th Cir. 1974). Hence, *Watts* does not disturb the Sixth Circuit's strict adherence to this Court's general-verdict rule—contrary to Respondents' assertion (at 22). See, *e.g.*, *Doherty* v. *Am. Motors Corp.*, 728 F.2d 334, 344 (6th Cir. 1984) ("*Because* the jury returned a general verdict, it is impossible to determine whether it based recovery on" the invalid theories. (Citing, *inter alia*, *Halecki*, 358 U.S. at 619) (emphasis added)).

[3] Respondents' subsequent Third Circuit decision (at 21-22) —*Hurley* v. *Atl. City Police Dep't*, 174 F.3d 95, 122 (3d Cir. 1999)—limited the harmless-error exception to where the error "could not by any stretch of the imagination change the verdict." That is significantly more demanding than requiring only "reasonable certainty" that the error did not "significantly" impact the jury—the Fourth Circuit's standard. Petitioners' Br. 15.

harmless under Federal Rule of Civil Procedure 61 *because* "the district judge *independently* relied on both" the valid and the invalid theory "in making the award." 390 F.3d 461, 472 (6th Cir. 2004) (emphasis added). *Ellis* also stressed that such an error cannot be harmless when a case "involve[s] general jury verdicts, where the jury returned a damages award in response to multiple theories of liability without identifying the theory upon which they relied." *Id*. (citations omitted).

Similarly, this Court's decision in *Memphis Community School District* v. *Stachura*, 477 U.S. 299 (1986), demonstrates that the harmless-error exception of 28 U.S.C. § 2111 is inapplicable, because errors—like those here—cannot be harmless. In *Stachura*, the general damages verdict rested on two theories, one of which was invalid. 477 U.S. at 312. This Court explained that the error could not be harmless under § 2111 and *McDonough Power Equipment, Inc.* v. *Greenwood*, 464 U.S. 548 (1984)—which Respondents rely on (at 14)—because, "[w]hen damages instructions are faulty and the verdict does not reveal the means by which the jury calculated damages, [the] error in the charge is difficult, if not impossible, to correct without retrial." *Stachura*, 477 U.S. at 312 (citation and internal quotation marks omitted; second alternation in original). Furthermore, even if such errors could be harmless under Rule 61 and § 2111, there would still be a circuit split over *how* to apply them.

C. Respondents also incorrectly suggest (at 19) that this Court has adopted a harmless-error exception to its civil general-verdict rule. Neither *Baldwin* nor its progeny have done so. In fact, circuits that have followed and deviated from the *Baldwin* line of cases have recognized that its general-verdict rule is "quite absolute" and "seemingly unequivocal." *Morrissey*, 544 F.2d at 27 (citing *Halecki*, 358 U.S. at 619); *Kerkhof* v. *MCI Worldcom, Inc.*, 282 F.3d 44, 52 & n.6 (1st Cir. 2002) (citing *Wilmington Star Mining Co.* v. *Minnie Fulton*, 205 U.S. 60, 78-79 (1907), and *Baldwin*, 112 U.S. at 493).[4]

Indeed, as Respondents suggest (at 10, 18, 22), there is some divergence between this Court's decisions addressing general verdicts in the criminal context and rules developed in *Baldwin*, *Halecki*, and other cases in the civil context. That is further reason why this case merits the Court's review. As the First Circuit explained in *Kerkhof*, there is a "discrepancy" between this Court's criminal and civil cases, and one circuit has adopted the "criminal rule in civil cases," whereas others have not. 282 F.3d at 52 & n.6 (citations omitted).

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[4] Neither *Wilmington Star*, *Exxon Shipping Co.* v. *Baker*, 554 U.S. 471, 482 n.3 (2008), nor *Greenbelt Cooperative Publishing Association* v. *Bresler*, 398 U.S. 6, 11 (1970), "expressly recognize the potential for" or "generally allow" harmless error. Respondents' Br. 19. Those cases do not mention harmless error —let alone overturn the "quite absolute" and "seemingly unequivocal" pronouncements of this Court in the *Baldwin* line of cases.

D. Finally, Respondents' argument (at 25) about Petitioners' purported failure to prove that some—or all—of the general damages verdict was attributable to the invalid trademark theories is just a harmless-error argument. Thus, it simply begs the question presented: is there a harmless-error exception, and if so, what standard applies?

Moreover, Respondents stressed to the jury that their trademarks added value to their mining tires, and the district court likewise instructed the jury that damages could be awarded for those trademarks. Supp. App. 7-9. Further, the evidence established that five of the nineteen mining-tire designs that the jury was asked to award copyright damages for were unregistered; thus, they cannot form the basis for copyright liability. Petitioners' Br. 21 n.6. So at least part of the general damages verdict very likely rested on the invalid theories. The Tenth Circuit's "absolute certainty" standard, for example, would surely have required vacatur—as well as the circuits that do not apply a harmless-error exception—even if the Fourth Circuit's less-demanding standard did not. Petitioners' Br. 21.

Notwithstanding Respondents' quibbling over the precise contours of the circuit split, there is no question that the circuits have adopted irreconcilable approaches for applying the general-verdict rule. See, *e.g.*, *Kerkhof*, 282 F.3d at 52 n.6 ("[T]he law in the circuits on this point is disparate."). This case is an ideal vehicle to resolve those conflicts.

II. The Fourth Circuit's Unprecedented Extension Of The Copyright Act's Extraterritorial Reach Warrants Review.

A. Regarding the Fourth Circuit's unprecedented extraterritorial application of the Copyright Act, Respondents repeat (at 27-29) the same waiver and invited-error arguments that they urged before the Fourth Circuit and the district court—both of which declined to hold that Petitioners had waived or invited error and instead addressed the argument on the merits. App. 26-32, 79-82. And rightfully so. Petitioners repeatedly raised that issue before, during, and after trial. See, *e.g.*, Supp. App. 5-6, 11-18, 25-27; App. 79-84; Opp. App. 12.[5] Because Petitioners repeatedly objected and because the Fourth Circuit and the district court addressed the copyright-extraterritoriality issue on the merits at length following full briefing, this case provides an excellent vehicle to consider the issue.[6]

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[5] Moreover, the jury instructions say nothing about whether conduct is actionable given the statute of limitations and the Act's territorial limits. Thus, they could not provide the basis for invited error even if the courts below had not rejected that argument and addressed the issue.

[6] For these reasons, Respondents' citation (at 28) to *City of Springfield, Massachusetts* v. *Kibbe*, 480 U.S. 257, 259 (1987), is wholly misplaced. The issue was objected to, "raised," and fully "litigated" in both courts below.

Respondents' contention (at 29) regarding *Morrison* v. *National Australia Bank Ltd.*, 130 S. Ct. 2869 (2010), is only that Petitioners did not give it sufficient prominence. But Petitioners invoked that decision in support of an issue that was clearly presented and addressed by the courts below, and in any event, was prominently featured in the briefing. Specifically, Petitioners rely (at 27) on *Morrison* to reinforce that the Fourth Circuit incorrectly applied the Copyright Act extraterritorially. Not only did Petitioners discuss *Morrison* in their opening brief (Supp. App. 20), but also in their reply (Supp. App. 23-25) and *en banc* petition before the Fourth Circuit (Supp. App. 28-30). Indeed, Respondents argued the same things before the Fourth Circuit that they argue in their Brief in Opposition. Compare Supp. App. 21-22 with Respondents' Br. 27-32. Hence, their suggestion that Petitioners insufficiently addressed *Morrison* below is incorrect and provides no basis to decline review on this issue.

B. Respondents do not dispute that no court—other than those in this case—has extended the extraterritorial scope of the Copyright Act to authorize recovery for foreign infringement absent an actionable domestic infringement. Indeed, the Ninth Circuit permits recovery for extraterritorial damage "*only* when an act of infringement occurs within the United States, *subjecting it to liability as an infringer*." *L.A. News*, 149 F.3d at 992 (citing *Robert Stigwood Group Ltd.* v. *O'Reilly*, 530 F.2d 1096, 1100-01 (2d Cir. 1976)) (emphases added). In *Subafilms, Ltd.* v. *MGM-Pathe Communications Co.*, the *en banc* Ninth Circuit

reiterated that the domestic act must be one that "would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place." 24 F.3d 1088, 1094-95 (9th Cir. 1994) (citing *Famous Music Corp.* v. *Seeco Records, Inc.*, 201 F. Supp. 560, 569 (S.D.N.Y. 1961)) (emphasis in original).

It is undisputed that the Fourth Circuit now permits extraterritorial recovery without an actionable domestic act that, by itself, would "subject[the defendants] to liability as [infringers]." Hence, there is a clear-cut circuit split.

To try to get around that split, Respondents argue (at 35-36) that, on two occasions, the Ninth Circuit actually meant the exact opposite of what it expressly held—namely, that the Copyright Act applies extraterritorially even *without* an actionable domestic violation that would subject the infringer to liability. According to Respondents, the Ninth Circuit's citations to the Second Circuit's decision in *Robert Stigwood* and the district-court decision in *Famous Music* mandate that remarkable interpretation.

But both cases support the proposition that the Ninth Circuit cited them for. *Robert Stigwood* reiterated the Second Circuit's prior holding that, because "[c]opyright laws do not have extraterritorial operation," recovery for extraterritorial infringement must be grounded in a domestic "tort." 530 F.2d at 1100-01 (citations omitted). Similarly, *Famous Music*

explained that there was no extraterritoriality issue because the plaintiffs based their claim on "what [the defendant] did here rather than what it did abroad." 201 F. Supp. at 569. And what that defendant "did [domestically]" was an "infringement of a copyright," which rendered "all persons concerned therein * * * jointly and severally liable." *Id*. at 568-69. In sum, the Second and Ninth Circuits require an actionable domestic violation that would subject the infringer to liability under the Copyright Act. The Fourth Circuit does not. Only this Court can resolve that conflict.

Finally, Respondents' efforts (at 30-32) to distinguish *Morrison* miss the mark. The differences between the Exchange Act and the Copyright Act are entirely beside the point. As Petitioners explained (at 27-28), the relevant point in *Morrison* is that, "[w]hen a statute gives no clear indication of an extraterritorial application, *it has none*." 130 S. Ct. at 2878 (emphasis added). The Copyright Act provides no such "clear indication"—as reflected by the Fourth Circuit's (and Respondents') failure to identify any.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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