No. 12-444

Supreme Court, U.S.
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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

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. This Court has long held that a general verdict must be vacated if any of the underlying theories of recovery submitted to the jury is legally invalid or factually insufficient. Five courts of appeals—the District of Columbia, Second, Third, Sixth, and Eleventh Circuits—apply that rule. Seven courts of appeals—the First, Fourth, Fifth, Seventh, Eighth, Ninth, and Tenth Circuits—have added harmless-error exceptions. Compounding that confusion, those seven circuits have adopted four conflicting approaches for determining whether an error is harmless. The Tenth Circuit requires "absolute certainty" that the jury would have rendered the same verdict notwithstanding the error. The First, Fourth, Fifth, and Eighth Circuits require only "reasonable certainty" that the erroneous theory did not "significantly" impact the jury. The Seventh Circuit requires parties to prove that none of the remaining theories supports the general verdict. And the Ninth Circuit uses a four-factor test.

The questions presented are as follows:

Where one or more of the underlying theories of recovery are set aside after trial, must a court vacate the jury's general verdict (as this Court and five courts of appeals have held) or does the court apply a "harmless error" exception (as seven courts of appeals, including the court below, have held)? If such an exception exists, what is the standard for determining whether the error is harmless?

QUESTIONS PRESENTED—Continued

2. In *Morrison* v. *National Australian Bank Ltd.*, 130 S. Ct. 2869 (2010), this Court reiterated that federal statutes have no extraterritorial application absent clear congressional indication. The Copyright Act has no such clear indication, and has been construed as having no extraterritorial effect. Furthermore, the Second and Ninth Circuits permit recovery for extraterritorial exploitation of copyrighted material only if the foreign damages caused by that exploitation flow from a domestic predicate-act violation within the statute of limitations. The Fourth Circuit does not require such an actionable predicate act.

The question presented is as follows:

Whether the Copyright Act permits recovery for damages for extraterritorial conduct where no predicate act of domestic infringement occurred during the limitations period.

LIST OF ALL PARTIES TO THE PROCEEDING

The caption of this petition contains all parties to the proceeding.

RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, Petitioners state the following:

Shandong Linglong Rubber Co., Ltd., n/k/a Linglong Group Co., Ltd., is the parent company of Shandong Linglong Tire Co., Ltd. Neither company is publicly traded.

Al Dobowi Tyre Co., LLC, has no parent company and is not publicly traded. TyreX International, Ltd., is the parent company of TyreX International Rubber Co., Ltd. Neither company is publicly traded. Al Dobowi Ltd. has no parent company and is not publicly traded.

TABLE OF CONTENTS

	Page
Questions Presented	i
List Of All Parties To The Proceeding	iii
Rule 29.6 Statement	iii
Opinions And Orders Below	1
Statement Of Jurisdiction	2
Statutes And Doctrines Involved	2
Statement Of The Case	3
Reasons For Granting The Petition	7
I. There Is A Five-Way Circuit Split On Upholding General Verdicts When An Underlying Theory Of Recovery Is Set Aside	9
A. The Fourth Circuit's Decision Conflicts With This Court's Precedent And Exacerbates A Deeply Entrenched Circuit Split On Whether A Harmless-Error Exception Exists	9
B. The Fourth Circuit's Decision Exacerbates A Four-Way Circuit Split On Whether An Error Is Harmless Among The Seven Circuits That Apply A Harmless-Error Exception	15
C. The Five-Way Circuit Split Has Important And Far-Reaching Consequences	18

TABLE OF CONTENTS—Continued

Page

II. The Fourth Circuit's Unprecedented Extraterritorial Application Of The Copyright Act Conflicts With Decisions Of Two Other Circuits And A Recent Decision Of This Court, And It Significantly Interferes With Congress's Scheme For International Enforcement Of Copyrights 22

A. The Fourth Circuit's Novel Extraterritorial Application Of The Copyright Act Conflicts With Decisions Of The Second And Ninth Circuits 22

B. The Fourth Circuit's Decision Conflicts With This Court's Precedent And Interferes With Congressional Policy For International Copyright Enforcement 27

Conclusion 30

APPENDIX

Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co., 682 F.3d 292 (4th Cir. 2012) ..... App. 1

Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co., Order Amending Opinion (4th Cir. July 11, 2012) ..... App. 53

Excerpts from *Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, Opinion (4th Cir. June 6, 2012) ..... App. 57

In re: Outsidewall Tire Litig., Second Amended Order (E.D. Va. Sept. 17, 2010) ..... App. 62

TABLE OF CONTENTS—Continued

Page

In re: Outsidewall Tire Litig., Second Amended Order (E.D. Va. Sept. 17, 2010) ..... App. 62

In re: Outsidewall Tire Litig., 748 F. Supp. 2d 543 (E.D. Va. 2010) ..... App. 90

Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co., Order Denying Rehearing (4th Cir. July 11, 2012) ..... App. 122

TABLE OF AUTHORITIES

Page

CASES

Adams-Arapahoe Joint Sch. Dist. No. 28-J v. *Cont'l Ins. Co.*, 891 F.2d 772 (10th Cir. 1989) 16

Albergo v. *Reading Co.*, 372 F.2d 83 (3d Cir. 1966) 12

Allen v. *Wal-Mart Stores, Inc.*, 241 F.3d 1293 (10th Cir. 2001) 15

BAII Banking Corp. v. *UPG, Inc.*, 985 F.2d 685 (2d Cir. 1993) 11

Braun v. *Flynt*, 731 F.2d 1205 (5th Cir. 1984) 15

Bruneau ex rel. Schofield v. *S. Kortright Cent. Sch. Dist.*, 163 F.3d 749 (2d Cir. 1998) 12

Burns v. *Imagine Films Entm't, Inc.*, No. 92-CV-2438, 2001 WL 34059379, at *1 (W.D.N.Y. Aug. 23, 2001) 25

City of Columbia v. *Omni Outdoor Advert., Inc.*, 499 U.S. 365 (1991) 9

Compaq Computer Corp. v. *Ergonome, Inc.*, No. Civ.A. H-97-1026, 2001 WL 34104826, at *1 (S.D. Tex. June 27, 2001) 25

Cross v. *Ryan*, 124 F.2d 883 (7th Cir. 1941) 16

Culli v. *Marathon Petroleum Co.*, 862 F.2d 119 (7th Cir. 1988) 16, 17

Davis v. *Rennie*, 264 F.3d 86 (1st Cir. 2001) 15

Dillard & Sons Constr., Inc. v. *Burnup & Sims Comtec, Inc.*, 51 F.3d 910 (10th Cir. 1995) 16

TABLE OF AUTHORITIES—Continued

Page

Doherty v. *Am. Motors Corp.*, 728 F.2d 334 (6th Cir. 1984) 13

E.I. du Pont de Nemours & Co. v. *Berkeley & Co.*, 620 F.2d 1247 (8th Cir. 1980) 15

Exxon Shipping Co. v. *Baker*, 554 U.S. 471 (2008) 2, 10

Famous Music Corp. v. *Seeco Records, Inc.*, 201 F. Supp. 560 (S.D.N.Y. 1961) 26

Farrell v. *Klein Tools, Inc.*, 866 F.2d 1294 (10th Cir. 1989) 16

Fatovic v. *Nederlandsch-Ameridaansche Stoomvaart, Maatschappij*, 275 F.2d 188 (2d Cir. 1960) 11, 12

Fitzgerald v. *Barnstable Sch. Comm.*, 555 U.S. 246 (2009) 12

Founding Church of Scientology of Wash., D.C. v. *United States*, 409 F.2d 1146 (D.C. Cir. 1969) 10, 11

Golan v. *Holder*, 132 S. Ct. 873 (2012) 29

Greenbelt Coop. Publ'g Ass'n v. *Bresler*, 398 U.S. 6 (1970) 10

Kerkhof v. *MCI Worldcom, Inc.*, 282 F.3d 44 (1st Cir. 2002) 14

Kern v. *Levolor Lorentzen, Inc.*, 899 F.2d 772 (9th Cir. 1990) 17, 18, 20

Knapp v. *Ernst & Whinney*, 90 F.3d 1431 (9th Cir. 1996) 17, 18

TABLE OF AUTHORITIES—Continued

Page

L.A. News Serv. v. *Reuters Television Int'l, Ltd.*, 149 F.3d 987 (9th Cir. 1998) 23, 24, 25, 26, 27

L.A. News Serv. v. *Reuters Television Int'l, Ltd.*, 942 F. Supp. 1265 (C.D. Cal. 1996), aff'd in part, rev'd in part, 149 F.3d 987 (9th Cir. 1998) 25

Lee v. *Comm'r*, 155 F.3d 584 (2d Cir. 1998) 12

Maccabees Mut. Life Ins. Co. v. *Morton*, 941 F.2d 1181 (11th Cir. 1991).....13

Maryland v. *Baldwin*, 112 U.S. 490 (1884).....*passim*

McGrath v. *Zenith Radio Corp.*, 651 F.2d 458 (7th Cir. 1981) 16

Morrison v. *Nat'l Austrl. Bank Ltd.*, 130 S. Ct. 2869 (2010).....*passim*

Morrissey v. *Nat'l Mar. Union of Am.*, 544 F.2d 19 (2d Cir. 1976).....11, 12

N. Am. Graphite Corp. v. *Allan*, 184 F.2d 387 (D.C. Cir. 1950).....10

O'Neill v. *Krzeminski*, 839 F.2d 9 (2d Cir. 1988).....11

In re: Outsidewall Tire Litig., 748 F. Supp. 2d 543 (E.D. Va. 2010) 2

Palmer v. *Braun*, 376 F.3d 1254 (11th Cir. 2004) 23

Ratner v. *Sioux Nat. Gas Corp.*, 770 F.2d 512 (5th Cir. 1985) 21

Reed Elsevier, Inc. v. *Muchnick*, 130 S. Ct. 1237 (2010).....21, 22

TABLE OF AUTHORITIES—Continued

Page

Richards v. *Michelin Tire Corp.*, 21 F.3d 1048 (11th Cir. 1994) 13

Sheldon v. *Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), aff'd, 309 U.S. 390 (1940) 23

Sheldon v. *Metro-Goldwyn Pictures Corp.*, 7 F. Supp. 837 (S.D.N.Y. 1934), rev'd on other grounds, 81 F.2d 49 (2d Cir. 1936) 25

Simmons, Inc. v. *Pinkerton's, Inc.*, 762 F.2d 591 (7th Cir. 1985) 17

Smith v. *United States*, 507 U.S. 197 (1993) 28

Spectrum Sports, Inc. v. *McQuillan*, 506 U.S. 447 (1993) 9

Subafilms, Ltd. v. *MGM-Pathe Commc'ns Co.*, 24 F.3d 1088 (9th Cir. 1994) (*en banc*) 24, 26, 28

Sunkist Growers, Inc. v. *Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19 (1962) 9, 13, 21

Tire Eng'g & Distrib., LLC v. *Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012) 1

Traver v. *Meshriy*, 627 F.2d 934 (9th Cir. 1980) 17

United N.Y. & N.J. Sandy Hook Pilots Ass'n v. *Halecki*, 358 U.S. 613 (1959) 9, 11, 13

United States v. *Spelar*, 338 U.S. 217 (1949) 28

Update Art, Inc. v. *Modiin Publ'g, Ltd.*, 843 F.2d 67 (2d Cir. 1988) 23, 25

TABLE OF AUTHORITIES—Continued

Page

Virtual Maint., Inc. v. *Prime Computer, Inc.*, 11 F.3d 660 (6th Cir. 1993) 12, 13

Virtual Maint., Inc. v. *Prime Computer, Inc.*, 957 F.2d 1318 (6th Cir. 1992) 13

Wilburn v. *Maritrans GP Inc.*, 139 F.3d 350 (3d Cir. 1998) 12

Wilmington Star Mining Co. v. *Minnie Fulton*, 205 U.S. 60 (1907) 7, 9, 13, 14

STATUTES, RULES, AND OTHER AUTHORITIES

Copyright Act, 17 U.S.C. §§ 101 *et seq*. ..... *passim*

17 U.S.C. § 411(a) 21

17 U.S.C. § 507(b) 26

28 U.S.C. § 1254(1) 2

17 U.S.C. § 602(a) 28

9B CHARLES A. WRIGHT & ARTHUR R. MILLER, FED. PRAC. & PROC. CIV. § 2511 (3d ed. 2008) 18

3 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 12.04[A][3][a] 3, 23

Edson R. Sunderland, *Verdicts, General & Special*, 29 YALE L.J. 253, 258 (1920) 19

JAMES WM. MOORE & JO DESHA LUCAS, 5A MOORE'S FEDERAL PRACTICE ¶ 49.02 (Matthew Bender, 2d ed. 1989) 19, 20

PETITION FOR WRIT OF CERTIORARI

Petitioners 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., respectfully submit this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Fourth Circuit.

OPINIONS AND ORDERS BELOW

The opinion of the court of appeals (App., *infra*, 1-52) is reported at 682 F.3d 292 (4th Cir. 2012).[1] The memorandum decision and order of the district court granting in part and denying in part Petitioners' motion under Federal Rule of Civil Procedure 50(b) (App., *infra*, 62-89) has not been designated for publication. The memorandum decision and order of the

[1] The Fourth Circuit issued an order (App., *infra*, 53-56, 60-61) correcting a technical error in the panel majority decision. The panel majority's initial decision had concluded with the statement that it was "revers[ing] the district court's dismissal of its statutory conspiracy claim and remand[ing] for further proceedings." App. 61. But the initial panel majority decision did not address Respondents' cross-appeal because it was conditioned on the appellate court remanding for a new trial. *Id.* at 6 n.4 (explaining that "because we affirm the damages award, we do not reach [Respondents'] cross appeal"). The order of the court of appeals denying rehearing and *en banc* review is set forth at App., *infra*, 122-25.

district court denying Petitioners' motion for a new trial under Federal Rule of Civil Procedure 59 (App., *infra*, 90-121) is reported at 748 F. Supp. 2d 543 (E.D. Va. 2010).

STATEMENT OF JURISDICTION

The court of appeals filed its opinion denying *en banc* review on July 11, 2012. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES AND DOCTRINES INVOLVED

The civil general-verdict rule, which this Court articulated over a century ago in *Maryland* v. *Baldwin*, 112 U.S. 490 (1884), and recently reiterated in *Exxon Shipping Co.* v. *Baker*, 554 U.S. 471, 482 n.3 (2008) states, "[W]hen it is impossible to know, *in view of the general verdict returned* whether the jury imposed liability on a permissible or an impermissible ground, the judgment *must* be reversed and the case remanded." (Citation and internal quotation marks omitted; emphases added).

The presumption against the extraterritorial application of federal statutes, which this Court recently reiterated in *Morrison* v. *National Australian Bank Ltd.*, 130 S. Ct. 2869, 2877-78 (2010), states, "It is a longstanding principle of American law that legislation of Congress, unless a contrary intent

appears, is meant to apply only within the territorial jurisdiction of the United States. * * * When a statute gives no clear indication of an extraterritorial application, it has none." (Citations and internal quotation marks omitted).

The Copyright Act, 17 U.S.C. §§ 101-1332, does not include a clear indication of extraterritorial application. See generally 3 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 12.04[A][3][a], at 12-86 n.82 (1991) (discussing "the undisputed axiom that United States copyright law has no extraterritorial application").

STATEMENT OF THE CASE

1. This case concerns the alleged exploitation of mining-tire designs and trademarks, through acts undertaken almost entirely abroad. Respondents are companies that hold trademarks and manufacture mining tires in China, together with the owner of those companies. App. 5, 64. Two Petitioners are affiliated companies that manufacture tires in China. *Id.* at 5. The other four Petitioners are affiliated companies based in the United Arab Emirates and China that distribute tires. *Ibid.*

Respondents alleged that one of their former employees took their mining-tire blueprints, left the company, copied the blueprints in the United States, and worked with Petitioners to produce and sell tires

that resembled Respondents' tires, including reproduction of certain registered and unregistered trademarks. *Id.* at 7-9. Respondents waited more than three years after becoming aware of the alleged copying of the blueprints in the United States to sue, and thus fell beyond the Copyright Act's limitations period. *Id.* at 9. All alleged copying, production, and sales of mining tires during the Copyright Act limitations period occurred outside the United States. *Id.* at 26; see also *id.* at 80 (district court explaining the question "is whether extraterritorial exploitation of a copyright originally infringed inside the United States falls within the jurisdiction of the Copyright Act even though the domestic predicate infringing act occurred prior to the critical limitations date").

2. Five of Respondents' claims proceeded to the jury: (1) copyright infringement; (2) registered-trademark infringement; (3) unregistered-trademark infringement; (4) conversion under Virginia law; and (5) conspiracy to infringe copyright, infringe trademarks, or convert property. App. 10-11. The jury was instructed to determine whether each Petitioner was liable with respect to each claim. *Id.* at 40. Regarding damages, although the jury was instructed on the specific damages it could award for each claim, the jury was instructed to award a lump sum for all claims on which it found Petitioners liable. *Id.* at 42, 100. The jury was also instructed that if it found all Petitioners liable for conspiracy, it did not have to allocate its "general" damages award among each

Petitioner. *Id.* at 101. The jury found each Petitioner liable for each claim, did not allocate damages, and entered a single, "general" damages award of $26 million against all Petitioners jointly and severally. *Id.* at 11.

Post-verdict, the district court determined that no evidence supported the registered-trademark claim and nine of the eleven unregistered-trademark claims. *Id.* at 11-12. Accordingly, it dismissed those claims. *Ibid.* Even so, the district court upheld the conspiracy count and the entire damages award. *Id.* at 12.

3. On appeal, the Fourth Circuit set aside the remainder of the unregistered-trademark claims and the conspiracy claim. *Id.* at 25-26, 36, 41. The court upheld the copyright claim on the ground that there is an "exception" to the Copyright Act's territorial limitation. *Id.* at 30-32. According to the court, a "predicate act" of domestic infringement occurring before the limitations period could support recovery for profits made abroad during the limitations period. *Ibid.* The court also concluded that the Copyright Act did not pre-empt the conversion claim. *Id.* at 33-35. The court failed to address Respondents' failure to state a conversion claim under Virginia law, Respondents' failure to register the blueprints that underlay certain copyright claims, and the scope of conversion damages—issues that the parties had briefed.

4.a. Even though the majority of claims on which the jury had found Petitioners liable were

dismissed post-verdict, the Fourth Circuit sustained the "general" damages award. *Id.* at 46. According to the court, the damages award could be upheld under a "harmless error" rule because the remaining copyright and conversion claims "are predicated on the same conduct and the maximum recovery for each claim is the 'same.'" *Id.* at 45. Therefore, the court was "*reasonably* certain that the jury was not *significantly* influenced by" the three dismissed theories. *Id.* at 46 (citation and internal quotation marks omitted; emphases added). In addition, the court reasoned that joint and several liability could be upheld because the jury must have reached a "factual conclusion that [Petitioners] undertook activities jointly." *Id.* at 41 n.10.

b. Judge Diaz dissented from the panel majority's decision to uphold the "general" damages award. *Id.* at 50. In his view, "a straightforward application of" controlling Supreme Court and Fourth Circuit precedent barred that result. *Ibid.* The dissent would therefore have vacated the damages award and remanded for a new trial on damages. *Id.* at 51.

5. Petitioners sought panel or *en banc* rehearing, which the Fourth Circuit denied. *Id.* at 125. The court did correct an error in the opinion. Although the initial panel decision indicated at the outset that, "because we affirm the damages award, we do not reach [Respondents'] cross appeal," *id.* at 6 n.4, it erroneously concluded that it was "revers[ing] the district court's dismissal of its statutory conspiracy claim and remand[ing] for further proceedings." *Id.* at 61. The

court amended its initial decision to delete this latter sentence remanding the case for further proceedings on the cross appeal. *Id.* at 56.

REASONS FOR GRANTING THE PETITION

This case presents an ideal vehicle to resolve two circuit splits on important questions regarding civil procedure and the extraterritorial application of the Copyright Act.

First, there is a five-way circuit split among twelve courts of appeals over what happens to a general verdict when one or more underlying theories of recovery are legally insufficient or factually unsupported. Despite this Court's numerous decisions holding that the verdict must be vacated because "it [is] impossible to say" that the invalidated theories did not impact the jury's verdict, see, *e.g.*, *Wilmington Star Mining Co.* v. *Minnie Fulton*, 205 U.S. 60, 78 (1907), only five circuits have actually followed that instruction. Seven circuits have created harmless-error exceptions. And to make matters worse, those seven circuits have developed four conflicting standards for determining when an error is harmless.

Only this Court can resolve that conflict, restore the common-sense rule that it had established over a century ago, and end the conflicting attempts to accomplish the "impossible."

Second, the courts of appeals are now divided 2-1 on whether the Copyright Act permits recovery for acts of copying undertaken abroad in the absence of any actionable violation of the Act in the United States. By permitting a copyright suit to proceed and to base damages only on acts abroad when all alleged acts in the United States fell beyond the Act's limitations period, the Fourth Circuit created another circuit split. And by doing so, the court extended the extraterritorial reach of the Copyright Act to an unprecedented degree—far beyond what Congress intended and in direct conflict with this Court's recent admonishment that "[w]hen a statute[, like the Copyright Act,] gives no clear indication of an extraterritorial application, it has none." *Morrison* v. *Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2878 (2010).

If allowed to stand, the Fourth Circuit's decision will effectively nullify Congress's intent *not* to apply the Copyright Act extraterritorially. It will also interfere with Congress's and the executive branch's efforts to work with other nations to develop and strengthen a global copyright-protection regime.

I. There Is A Five-Way Circuit Split On Upholding General Verdicts When An Underlying Theory Of Recovery Is Set Aside.

A. The Fourth Circuit's Decision Conflicts With This Court's Precedent And Exacerbates A Deeply Entrenched Circuit Split On Whether A Harmless-Error Exception Exists.

Over a century ago, this Court established a bright-line, common-sense rule based on a simple truism: it is impossible to read a juror's mind; hence, a general verdict must be reversed if one or more theories of recovery were improperly submitted to the jury. *Maryland* v. *Baldwin*, 112 U.S. 490, 493 (1884); see also App. 47 (Diaz, J., dissenting). Since then, this Court has applied that bright-line rule on numerous occasions.[2] Indeed, just a few terms ago, this

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[2] See, *e.g.*, *Wilmington Star*, 205 U.S. at 78 ("[W]e cannot maintain the [general] verdict" because "we find it impossible to say that prejudicial error did not result."); *United N.Y. & N.J. Sandy Hook Pilots Ass'n* v. *Halecki*, 358 U.S. 613, 619 (1959) ("[A] new trial will be required, for there is no way to know that the invalid claim of unseaworthiness was not the sole basis for the verdict."); *Sunkist Growers, Inc.* v. *Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19, 29-30 (1962) ("Since we hold erroneous one theory of liability upon which the general verdict may have rested—a conspiracy among petitioners and Exchange Lemon—it is unnecessary for us to explore the legality of the other theories."); *City of Columbia* v. *Omni Outdoor Advert., Inc.*, 499 U.S. 365, 384 (1991) (general verdict with erroneous underlying theory cannot stand); *Spectrum Sports, Inc.* v. *McQuillan*, 506 U.S. 447, 460-61 (1993) ("Since * * * the jury's [general] verdict did not negate the possibility that the § 2 verdict rested on the

(Continued on following page)

Court emphasized that "when it is impossible to know, *in view of the general verdict returned* whether the jury imposed liability on a permissible or an impermissible ground, the judgment *must* be reversed and the case remanded." *Exxon Shipping Co.* v. *Baker*, 554 U.S. 471, 482 n.3 (2008) (quoting *Greenbelt Coop. Publ'g Ass'n* v. *Bresler*, 398 U.S. 6, 11 (1970)) (internal quotation marks omitted; emphases added). Not once in this long line of unblemished precedent dating back to the nineteenth century did the Court apply a harmless-error exception or state the well-settled rule with any equivocation.

Notwithstanding this Court's clear direction, a 5-7 circuit split has developed over whether a general verdict must be vacated whenever an underlying theory of recovery is legally invalid or factually unsupported.

The District of Columbia, Second, Third, Sixth, and Eleventh Circuits have followed this Court's bright-line rule. In *North American Graphite Corp.* v. *Allan*, for instance, the D.C. Circuit held that "a verdict without specification as to which of the two counts it rested upon * * * *would* lead to reversal" if either were improperly submitted to the jury. 184 F.2d 387, 389 (D.C. Cir. 1950) (emphasis added); see also, *e.g.*, *Founding Church of Scientology of Washington, D.C.* v. *United States*, 409 F.2d 1146, 1164 (D.C.

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attempt to monopolize ground alone, the judgment of the Court of Appeals is reversed[.]").

Cir. 1969) ("And, of course, where a jury's general verdict may have rested upon grounds improper for First Amendment reasons, a reviewing court will not pause to speculate whether the jury's verdict was actually reached on other, and permissible, grounds." (citations omitted)).

Similarly, in *Fatovic* v. *Nederlandsch-Ameridaansche Stoomvaart, Maatschappij*, the Second Circuit held, "Since we cannot determine from the general verdict * * * whether they relied upon a proper or improper claim[,] * * * we *must* reverse the judgment and order a new trial." 275 F.2d 188, 190 (2d Cir. 1960) (emphasis added); see also, *e.g.*, *Morrissey* v. *Nat'l Mar. Union of Am.*, 544 F.2d 19, 27 (2d Cir. 1976) (explaining that the language of *Fatovic*, like the language in this Court's *Halecki* decision, see *supra* 9 n.2, is "quite absolute"); *BAII Banking Corp.* v. *UPG, Inc.*, 985 F.2d 685, 704 (2d Cir. 1993) ("The jury returned with general verdicts * * * and therefore we do not know what effect the improper submission of the * * * affirmative defense had upon its deliberations."); *O'Neill* v. *Krzeminski*, 839 F.2d 9, 12 (2d Cir. 1988) ("[I]t is not possible, in the absence of special interrogatories, to know upon which claim the jury rested its decision.").[3]

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[3] In *Morrissey*, the Second Circuit also noted that the decisions applying a harmless-error exception—"when the appellate court was fairly convinced that the jury proceeded only on the sound ground"—may not "have been soundly decided." 544 F.2d at 27 ("*Assuming* these cases to have been soundly decided * * * * *"

(Continued on following page)

In *Wilburn* v. *Maritrans GP Inc.*, the Third Circuit held, "Where a jury has returned a general verdict and one theory of liability is not sustained by the evidence or legally sound, the verdict *cannot* stand because the court cannot determine whether the jury based its verdict on an improper ground." 139 F.3d 350, 361 (3d Cir. 1998) (emphasis added); see also *Albergo* v. *Reading Co.*, 372 F.2d 83, 85-86 (3d Cir. 1966) ("The form of [a general] verdict makes it impossible for us to determine whether it rested on the [unsupported] claim, the [remaining] claim, or both.").

In *Virtual Maintenance, Inc.* v. *Prime Computer, Inc.*, the Sixth Circuit denied a petition for rehearing asking the court to adopt a harmless-error exception. 11 F.3d 660, 667 (6th Cir. 1993). In doing so, the Sixth Circuit made clear that it was bound to follow this Court's "longstanding civil general verdict rule"

(emphasis added)). Although there is later, contradictory Second Circuit authority citing *Morrissey* for the proposition that there is a harmless-error exception, it does not address *Morrissey*'s statements (1) that the language used by this Court and controlling Second Circuit precedent requiring vacatur is "quite absolute" and (2) that *Morrissey* did not adopt the harmless-error exception, but only discussed it in the alternative "[a]ssuming" that it is "sound[ ]." See *Bruneau ex rel. Schofield* v. *S. Kortright Cent. Sch. Dist.*, 163 F.3d 749, 759-60 (2d Cir. 1998), abrogated on other grounds, *Fitzgerald* v. *Barnstable Sch. Comm.*, 555 U.S. 246 (2009). In any event, the older decisions, including *Fatovic*, represent the controlling view of the Second Circuit. *Lee* v. *Comm'r*, 155 F.3d 584, 587 (2d Cir. 1998) (holding that "one panel of this circuit will not overrule another; panels are to be overruled only by the court *en banc*" (citations omitted)).

set forth in *Wilmington Star*, *Sunkist*, *Halecki*, and *Maryland* and noted that this rule was a "principle to which this circuit has consistently adhered." *Id.* Hence, the Sixth Circuit reaffirmed its prior holding: "Because the jury returned a general verdict when one of the theories of liability was legally incorrect, we *must* reverse." *Virtual Maint., Inc.* v. *Prime Computer, Inc.*, 957 F.2d 1318, 1326 (6th Cir. 1992), judgment vacated on other grounds, 506 U.S. 910, reaffirmed in relevant part, 11 F.3d at 667 (emphasis added); see also, *e.g.*, *Doherty* v. *Am. Motors Corp.*, 728 F.2d 334, 344 (6th Cir. 1984) (general verdict "cannot stand" when an underlying theory is set aside because "it is impossible to determine whether [the jury] based recovery on [the erroneous theory] or one of the other theories of recovery").

Finally, relying on this Court's decision in *Halecki* and its own precedents, the Eleventh Circuit reiterated that "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) (citations omitted; emphases added); see also, *e.g.*, *Maccabees Mut. Life Ins. Co.* v. *Morton*, 941 F.2d 1181, 1184 (11th Cir. 1991) ("Because the jury returned a general verdict, this court *must* affirm that *all* three theories were properly submitted to the jury to sustain the court below. Failure of any one *mandates* a new trial in the district court." (citation

and internal quotation marks omitted; emphases added)).

In contrast to these five courts of appeals, the Fourth Circuit, along with the First, Fifth, Seventh, Eighth, Ninth, and Tenth Circuits, has not followed this Court's general-verdict rule. See *infra* I.B. Instead, they have created harmless-error exceptions, which require courts to speculate whether the jury would have rendered—or, under some of those exceptions, *could* have rendered—the same verdict had it not been instructed on the erroneous theory or theories of recovery. See *ibid.*

Not only do those exceptions conflict with this Court's precedent and the precedent of five circuits, they also conflict with each other by setting forth four irreconcilable standards for determining whether an error is harmless. Indeed, the First Circuit has recognized those splits: "Despite seemingly *unequivocal* pronouncements by the Supreme Court [in *Wilmington Star* and *Baldwin*], the law in the circuits on this point is *disparate*." *Kerkhof* v. *MCI Worldcom, Inc.*, 282 F.3d 44, 52 n.6 (1st Cir. 2002) (emphases added; citations omitted) (explaining that various circuits have adopted different harmless-error exceptions). Guidance from this Court is needed to resolve that split, too, should this Court elect to overrule its precedent.

B. The Fourth Circuit's Decision Exacerbates A Four-Way Circuit Split On Whether An Error Is Harmless Among The Seven Circuits That Apply A Harmless-Error Exception.

The Fourth Circuit's decision also conflicts with the decisions of the Seventh, Ninth, and Tenth Circuits on whether an error in submitting an erroneous or unsupported theory to the jury is harmless. In fact, among the circuits that apply some variant of the harmless-error exception, there are four distinct harmless-error tests that are outcome determinative in many cases.

The Fourth Circuit, along with the First, Fifth, and Eighth Circuits, permits courts to uphold general verdicts when they are "*reasonably* certain that the jury was not *significantly* influenced by issues erroneously submitted to it." App. 44 (quoting *Braun* v. *Flynt*, 731 F.2d 1205, 1206 (5th Cir. 1984) and citing *E.I. du Pont de Nemours & Co.* v. *Berkeley & Co.*, 620 F.2d 1247, 1258 n.8 (8th Cir. 1980); *Davis* v. *Rennie*, 264 F.3d 86, 105 (1st Cir. 2001)) (internal quotation marks omitted; emphases added).

The Tenth Circuit has adopted a much narrower harmless-error exception. Under that exception, a general verdict could stand only if a court concludes "with *absolute* certainty" that the jury did not rely on the invalid or unsupported theory. *Allen* v. *Wal-Mart Stores, Inc.*, 241 F.3d 1293, 1298 (10th Cir. 2001) (citation and internal quotation marks omitted;

emphasis added); see also, *e.g.*, *Farrell* v. *Klein Tools, Inc.*, 866 F.2d 1294, 1301 (10th Cir. 1989). Therefore, in stark contrast to the test articulated by the Fourth Circuit below, courts in the Tenth Circuit must vacate a general verdict even when "it appears *very unlikely*" that the error "*significantly* influenced the jury" or "prejudiced * * * substantial rights." *Farrell*, 866 F.2d at 1300-01 (internal quotation marks omitted; emphases added); see also, *e.g.*, *Dillard & Sons Constr., Inc.* v. *Burnup & Sims Comtec, Inc.*, 51 F.3d 910, 916 (10th Cir. 1995) (applying *Farrell*); *Adams-Arapahoe Joint Sch. Dist. No. 28-J* v. *Cont'l Ins. Co.*, 891 F.2d 772, 779-80 (10th Cir. 1989) (same).

At the other end of the spectrum, the Seventh Circuit imposes the most onerous test for vacating general verdicts. A general verdict will stand unless Petitioners satisfy their "heavy" burden and establish that "none" of the remaining theories of recovery supports the verdict. *McGrath* v. *Zenith Radio Corp.*, 651 F.2d 458, 464 (7th Cir. 1981); see also *Cross* v. *Ryan*, 124 F.2d 883, 887 (7th Cir. 1941) ("[I]f there is substantial evidence to sustain any one count in favor of each plaintiff, the general verdict must be upheld."); *Culli* v. *Marathon Petroleum Co.*, 862 F.2d 119, 123 (7th Cir. 1988) ("[W]e need only find that there was substantial evidence to support the jury's [general] verdict under at least one of the two alternative theories."). Hence, in the Seventh Circuit, "a jury's verdict is *assumed* to be based on a valid theory of liability where the court's instruction could have led to a finding of liability based on an alternative

invalid theory." *Culli*, 862 F.2d at 123 (citing *Simmons, Inc.* v. *Pinkerton's, Inc.*, 762 F.2d 591, 599 n.3 (7th Cir. 1985)) (emphasis added). This approach has been criticized as a "maverick rule precisely the opposite of that repeatedly announced by the Supreme Court." *Kern* v. *Levolor Lorentzen, Inc.*, 899 F.2d 772, 790 (9th Cir. 1990) (Kozinski, J., dissenting).

Finally, the Ninth Circuit has taken yet another approach, creating a four-factor test to determine whether the error was harmless. Under that test, courts must consider

> (1) the potential for confusion of the jury; (2) whether the losing party's defenses apply to the count upon which the verdict is being sustained; (3) the strength of the evidence supporting the count relied upon to sustain the verdict; and (4) the extent to which the same disputed issues of fact apply to the various legal theories.

Id. at 777 (citing *Traver* v. *Meshriy*, 627 F.2d 934, 938-39 (9th Cir. 1980)).[4] The Ninth Circuit has observed that its exception "has been the target of vigorous and *persuasive* criticism," and it conflicts with the Tenth Circuit's "absolute certainty" standard. *Knapp*

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[4] In stark contrast to the Tenth Circuit and the circuits applying this Court's bright-line rule, the Ninth Circuit has described its analysis as a "discretionary decision." *Traver*, 627 F.2d at 938.

v. *Ernst & Whinney*, 90 F.3d 1431, 1439 (9th Cir. 1996) (citations omitted; emphasis added).[5]

Thus, as it presently stands, courts in the Tenth Circuit must be "absolutely certain" that the dismissed theory had no impact on the jury's verdict. Courts in the First, Fourth, Fifth, and Eighth Circuits need to be only "reasonably certain" there was no "significant impact." Parties in the Seventh Circuit have a "heavy" burden and must prove that none of the other theories can sustain the general verdict. And courts in the Ninth Circuit must conduct a four-prong discretionary analysis. As a result, whether a general verdict is enforceable differs across the Nation, even among those circuits that apply some variant of the harmless-error exception.

C. The Five-Way Circuit Split Has Important And Far-Reaching Consequences.

The impact of the five-way circuit split is difficult to overstate. In terms of breadth, general verdicts are the most common type of verdict used in federal trials. 9B CHARLES A. WRIGHT & ARTHUR R. MILLER, FED. PRAC. & PROC. CIV. § 2511 (3d ed. 2008). Although most jury verdicts are not disturbed, what courts should do when a general verdict cannot be

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[5] In *Kern*, now-Chief Judge Kozinski explained that the Ninth Circuit's harmless-error exception completes the "erosion" of this Court's "perfectly good rule," first set forth in *Baldwin* and reiterated "in unequivocal terms" in subsequent decisions. 899 F.2d at 790 (Kozinski, J., dissenting).

sustained because one or more theories supporting the verdict lack legal or factual foundation has the potential to arise every time a trial or appellate court sets aside one of the underlying theories. Yet the standards for upholding or vacating such verdicts are in hopeless disarray, with twelve courts of appeals taking five irreconcilable approaches.

In terms of fairness, requiring courts to determine how a jury would have decided had it been instructed that certain counts were baseless hardly inspires confidence in our adjudicatory process. Nor should it. This Court and several courts of appeals have stressed that it is an "impossible" task. See *supra* I.A. Moreover, that the degrees of certainty required for sustaining such general verdicts varies starkly across the Nation further weakens (if not eviscerates) whatever confidence litigants might have had in such an inherently flawed endeavor. As now-Chief Judge Kozinski noted in dissenting from the Ninth Circuit's deviation from this Court's precedent,

> The wisdom of this [Court's civil general-verdict] rule is beyond cavil. As one commentator said of the general verdict: "No one but the jurors can tell what was put into it and the jurors will not be heard to say. The general verdict is as inscrutable and essentially mysterious as the judgment which issued from the ancient oracle of Delphi." Edson R. Sunderland, *Verdicts, General and Special*, 29 YALE L.J. 253, 258 (1920). See also JAMES WM. MOORE & JO DESHA LUCAS,

> 5A MOORE'S FEDERAL PRACTICE ¶ 49.02 (Matthew Bender, 2d ed. 1989).

Kern, 899 F.2d at 790 (Kozinski, J., dissenting).

This case illustrates the problems with applying a harmless-error exception, particularly the one established by the Fourth Circuit. Three of the five claims that formed the basis of the jury's $26 million general-damages verdict were set aside. Among the dismissed claims, two were for infringement of registered and unregistered trademarks. Respondents sought damages based on Petitioners' profits from supplying similarly shaped and branded tires to Respondents' customers, a hallmark of trademark damages. Therefore, the entire damages award could have rested on those dismissed claims. And it is beyond peradventure that a sizable portion of the award could have been for subsequently dismissed trademark-infringement claims. The Fourth Circuit also set aside the sole count (conspiracy) that supported the jury's finding of joint and several liability.

So it is highly unlikely that the jurors would have awarded the exact same amount with joint and several liability had the court properly instructed them that the *majority* of the claims—including the sole count supporting joint and several liability—is unsupported by the evidence or invalid as a matter of law. Yet the Fourth Circuit still upheld the general verdict because it was "*reasonably* certain that the jury was not *significantly* influenced by issues

erroneously submitted to it[.]" App. 46 (citation and internal quotation marks omitted; emphases added).

Significantly, the Fourth Circuit did not—because it could not—say that it was *absolutely* certain or even that it was reasonably certain that the erroneously submitted theories did not have *some* influence on the jury. Thus, reversal would likely have resulted in the Tenth Circuit as well as the District of Columbia, Second, Third, Sixth, and Eleventh Circuits. It may also have resulted in reversal in other circuits applying various species of the harmless-error exception. And, as Judge Diaz noted in his dissent, reversal would certainly have resulted under a "straightforward application" of this Court's decisions in *Baldwin* and *Sunkist*, which the Fourth Circuit had previously followed. App. 47, 50 (Diaz, J., dissenting).[6]

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[6] Even if this Court were to adopt the version of the harmless-error exception that requires courts to be only "reasonably certain" that the invalidated claim(s) did not have a "significant impact," reversal would still be required because the Fourth Circuit misapplied it in various respects. For example, one would have to be "reasonably certain" that the jury had thought that Respondents' registered and unregistered trademarks were worthless, notwithstanding Respondents' arguments to the contrary. See, *e.g.*, *Ratner* v. *Sioux Nat. Gas Corp.*, 770 F.2d 512, 519 n.9 (5th Cir. 1985) (remanding for new trial under the reasonable-certainty standard). Similarly, the jury based its finding of copyright liability on nineteen mining-tire blueprints, only fourteen of which were actually registered. Unregistered designs cannot, however, form the basis of copyright liability. See 17 U.S.C. § 411(a); *Reed Elsevier, Inc.* v. *Muchnick*, 130

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II. The Fourth Circuit's Unprecedented Extraterritorial Application Of The Copyright Act Conflicts With Decisions Of Two Other Circuits And A Recent Decision Of This Court, And It Significantly Interferes With Congress's Scheme For International Enforcement Of Copyrights.

The Fourth Circuit's decision also creates an entirely new circuit split with the Second and Ninth Circuits and, for the first time, applies the Copyright Act extraterritorially absent any domestic violation of the Act that could support the lawsuit. That decision also conflicts with this Court's presumption that federal statutes do not apply extraterritorially absent clear congressional intent. And it interferes with Congress's efforts to establish a framework with other nations to protect copyrights internationally.

A. The Fourth Circuit's Novel Extraterritorial Application Of The Copyright Act Conflicts With Decisions Of The Second And Ninth Circuits.

"It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *Morrison*, 130 S. Ct. at 2877 (citation and internal quotation marks

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S. Ct. 1237, 1241 (2010). The parties fully briefed this latter issue, which Petitioners had raised before the trial court. The Fourth Circuit did not address it.

omitted). "It is well established that copyright laws generally do not have extraterritorial application." *Update Art, Inc.* v. *Modiin Publ'g, Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988); see also, *e.g.*, *Palmer* v. *Braun*, 376 F.3d 1254, 1258 (11th Cir. 2004) (citations omitted); App. 26; 3 DAVID NIMMER & MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 12.04[A][3][a], at 12-86 n.82 (1991) (discussing "the undisputed axiom that United States copyright law has no extraterritorial application").

In very limited circumstances, the Second and Ninth Circuits allow plaintiffs to recover copyright damages sustained from exploitation of the copyright abroad—but *only* if those damages flow from a domestic violation of the Copyright Act that itself can support a claim and damages. This "predicate-act" doctrine originated in *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, where Judge Learned Hand held that a plaintiff who prevails in a copyright infringement suit that can be brought based on a domestic violation of the Act "acquire[s] an equitable interest" or "constructive trust" with respect to the overseas exploitation of that domestic violation. 106 F.2d 45, 52 (2d Cir. 1939) (Hand, J.), aff'd, 309 U.S. 390 (1940).

When the Ninth Circuit later adopted the predicate-act doctrine, it also made clear that "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) (emphases added). For both circuits, recovery for acts undertaken abroad is available only for damages caused by an actionable violation of the Act in the United States. Thus, a plaintiff may recover such damages only when the U.S. violation occurs within the limitations period. That is because "[t]his domestic act must be one that would have been *actionable* even if the subsequent foreign distribution that stemmed from that use never took place." *Subafilms, Ltd.* v. *MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (*en banc*) (emphasis added); *L.A. News*, 149 F.3d at 991-92 (quoting *Subafilms* for the requirement that there be an allegation of an "actionable" domestic infringement).

Although the Fourth Circuit claimed to join those decisions in adopting the predicate-act doctrine, App. 30, it in fact created an entirely unprecedented and conflicting rule. Respondents commenced this lawsuit more than three years after learning of the alleged domestic infringement—thereby falling outside the Copyright Act's statute of limitations. *Id.* at 32. Because there is no actionable domestic infringement within the limitations period that could support the extraterritorial damages, neither the Second nor Ninth Circuits would have permitted recovery for damages based on later extraterritorial acts.[7] But the Fourth Circuit allowed the copyright

[7] Indeed, prior to this case, every court that has authorized recovery for acts abroad has rested such recovery on a claim arising from an actionable, domestic act of infringement within

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claims to proceed and permitted recovery of damages calculated on extraterritorial conduct alone. And it did so even while acknowledging that its holding is entirely unprecedented: "in each of the cases in which a court has invoked the predicate-act doctrine, the plaintiff would have been eligible to receive a damages award based *solely* on a domestic infringement." App. 32 (emphasis added).

Attempting to deny any circuit split, the Fourth Circuit relied on a passage in *L.A. News* that purportedly supports the notion "that a plaintiff may collect damages from extraterritorial conduct, even if the statute of limitations bars an award based on domestic infringement." App. 32 (citing *L.A. News*, 149 F.3d at 992). But that passage actually says the exact opposite—thus, reinforcing that a circuit split exists.

Specifically, the Ninth Circuit *rejected* the argument that the predicate-act doctrine "would permit plaintiffs to circumvent the statute of limitation[s] by

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the limitations period. See *L.A. News*, 149 F.3d at 990; *L.A. News Serv.* v. *Reuters Television Int'l, Ltd.*, 942 F. Supp. 1265, 1268-69 (C.D. Cal. 1996), aff'd in part, rev'd in part, 149 F.3d 987 (9th Cir. 1998); *Update Art*, 843 F.2d at 73; *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 7 F. Supp. 837, 838-39 (S.D.N.Y. 1934) (reciting facts establishing that *Sheldon* action was brought within limitations period for domestic act of infringement), rev'd on other grounds, 81 F.2d 49 (2d Cir. 1936); *Burns* v. *Imagine Films Entm't, Inc.*, No. 92-CV-2438, 2001 WL 34059379, at *3 (W.D.N.Y. Aug. 23, 2001); *Compaq Computer Corp.* v. *Ergonome, Inc.*, No. Civ.A. H-97-1026, 2001 WL 34104826, at *5 (S.D. Tex. June 27, 2001).

recovering damages for distribution abroad occurring many years after the infringing act in the United States." *L.A. News*, 149 F.3d at 992.[8] As the Ninth Circuit explained, the statute of limitations applies in two ways to limit recovery under the predicate-act doctrine. A plaintiff must commence a copyright action within three years after a claim for domestic infringement accrued. *Ibid.* (citing 17 U.S.C. § 507(b)) ("A claim accrues when an act of infringement occurs, not when consequent damages is suffered."). A plaintiff may recover the resulting damages suffered during the three years prior to commencing that action, even if those damages were incurred abroad. *Ibid.* Thus, the Ninth Circuit instructed that "a party becomes liable for extraterritorial damages *only* when an act of infringement

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[8] In an earlier *en banc* decision, the Ninth Circuit was equally clear:

> In these cases, liability is * * * [based] on the theory that the infringing use would have been actionable *even if* the subsequent foreign distribution that stemmed from that use never took place. See, *e.g.*, [*Famous Music Corp.* v. *Seeco Records, Inc.*, 201 F. Supp. 560, 569 (S.D.N.Y. 1961)] ("[T]hat a copyright has no extraterritorial effect[ ] does not solve th[e] problem of [whether liability should attach for preparing within the United States tapes that were part of a] manufacture [completed abroad] since plaintiffs seek to hold defendant for what it did *here* rather than what it did abroad." (emphasis and alterations in original)).

Subafilms, 24 F.3d at 1094-95.

occurs within the United States, *subjecting it to liability as an infringer*." *Ibid.* (emphases added).[9]

B. The Fourth Circuit's Decision Conflicts With This Court's Precedent And Interferes With Congressional Policy For International Copyright Enforcement.

In addition to conflicting with the Second and Ninth Circuits' predicate-act doctrine, the Fourth Circuit's decision also conflicts with this Court's precedent, including its recent decision in *Morrison*, 130 S. Ct. at 2877-78. There, this Court reiterated the long-standing rule that "[w]hen a statute gives no clear indication of an extraterritorial application, *it has none*." *Id.* at 2878 (emphasis added). This Court rejected theories of recovery allowing liability for acts abroad when the "wrongful conduct occurred in the United States" or when predicated on "significant and material conduct" in the United States. *Id.* at 2886, 2889. As the Court explained, "Rather than guess anew in each case, we apply the presumption *in all cases*, preserving a stable background against which Congress can legislate with predictable effects." *Id.* at 2881 (emphasis added).

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[9] In light of those statements, which the Fourth Circuit did not address, the court below was plainly wrong in asserting that "courts ascribed no relevance" to whether a "plaintiff would have been eligible to receive a damages award based solely on a domestic infringement." App. 32.

In contrast, the predicate-act doctrine extends the Act to extraterritorial conduct. And the Fourth Circuit's more extreme form of it permits a copyright claim to proceed even when all of the conduct within the three-year limitations period occurred abroad.

The Copyright Act, like the Securities Act at issue in *Morrison*, "gives no clear indication of an extraterritorial application." *Id.* at 2878; see also *supra* 23. In fact, Congress amended the Copyright Act in 1976 to provide for one specific extraterritorial application. See 17 U.S.C. § 602(a); *Subafilms*, 24 F.3d at 1096 (discussing the amendment). Thus, as the *en banc* Ninth Circuit observed, "Accordingly, the presumption against extraterritoriality, far from being overcome here, is doubly fortified by the language of [the] statute." *Subafilms*, 24 F.3d at 1096 (quoting *Smith* v. *United States*, 507 U.S. 197, 204 (1993) (quoting *United States* v. *Spelar*, 338 U.S. 217, 222 (1949))) (internal quotation marks omitted; alteration in original).

The Fourth Circuit's decision has therefore extended the ambit of the Copyright Act's extraterritoriality to an unprecedented degree—in conflict with the Second and Ninth Circuits—despite this Court's strengthening of the presumption against *any* extraterritorial reach of federal statutes. As this Court has observed,

> [I]t is a rare case of prohibited extraterritorial application that lacks *all* contact with the territory of the United States. But the

> presumption against extraterritorial application would be a craven watchdog indeed if it retreated to its kennel whenever *some* domestic activity is involved in the case.

Morrison, 130 S. Ct. at 2884 (emphases in original).

By extending the Copyright Act's extraterritorial reach, the Fourth Circuit acted contrary to the unambiguous intent of Congress. That is especially problematic because Congress has created a complex set of agreements, administered by the executive branch, which fit U.S. intellectual property law within a broader global enforcement framework, including the Berne Convention and the Uruguay Round Agreements Act. See generally *Golan* v. *Holder*, 132 S. Ct. 873, 877-78 (2012). Those agreements rest on each nation protecting copyright interests only within its borders, buttressed and coordinated through those separate, multilateral commitments.

Indeed, this Court stressed in *Golan* that it has "no warrant to reject the rational judgment Congress made" that "exemplary adherence to Berne would serve the objective of the Copyright Clause." *Id.* at 889. That deference to Congress on matters of U.S. foreign relations applies even more forcefully here. The Fourth Circuit had no "warrant" to ignore Congress's reasoned determination that the Copyright Act should not apply extraterritorially.

CONCLUSION

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

Respectfully submitted,

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