No. 16-936

IN THE

Supreme Court of the United States

CLYDE ARMORY INC.,

Petitioner,

v.

FN HERSTAL S.A.,

Respondent.

On Petition For a Writ Of Certiorari To The United States Court of Appeals For The Eleventh Circuit

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

The brief in opposition does not offer a compelling reason to deny review. Instead, respondent's arguments confirm the fundamental confusion among lower courts on important issues regarding petitioner's demonstrated desire for and legal right to a jury trial. Nor has respondent demonstrated any obstacle to reaching these questions or offered a sound reason to allow this confusion to linger. This Court should grant review now to clarify the law and offer concrete, practical guidance to parties in trademark disputes.

I. WHERE A PARTY CLEARLY INTENDS TO PURSUE A JURY TRIAL, HEIGHTENED SCRUTINY APPLIES TO A DISTRICT COURT'S DENIAL OF THAT RIGHT

A. The relevant circumstances surrounding the denial of petitioner's right to jury trial are not in dispute.

There is no material dispute regarding the events that led to the district court's denial of petitioner's right to a jury trial. The parties agree that: (i) each made jury demands based on their claims for monetary relief at the outset of the case and maintained their jury demands until required to prepare a Joint *Proposed* Pretrial Order; (ii) the Joint *Proposed* Pretrial Order stated that the case would be tried to a jury without the presentation of monetary claims for relief; (iii) conducting a jury trial was a central point of discussion at the final pretrial conference; (iv) the district court permitted respondent to withdraw its agreement to hold a jury trial after the final pretrial conference; (v) the

district court denied petitioner's similar request to withdraw from its agreement not to present monetary claims for relief; and (vi) ultimately, the district court entered the final pretrial order, which ordered a bench trial without the monetary claims.[1]

In its opposition, respondent largely ignores that petitioner sought to restore its right to jury trial by moving to amend the not-entered, *proposed* pretrial order, rather than an entered, *final* pretrial order. *See, e.g.*, Opp. at 9-10. To the extent respondent fails to distinguish between *proposed* and *final* pretrial orders, it seeks a draconian rule where a litigant could be bound by any proposal made in the course of pretrial proceedings but an adversary is not.

Respondent contends that the parties did not expressly negotiate a quid pro quo exchanging monetary claims for relief for consent to a jury trial. *See id.* at 6, 16. But whether such an exchange of benefits was express or implied is inconsequential.

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[1] Contrary to respondent's characterization, the March 31, 2015, order did not "unequivocally state[] that representations parties make in the proposed pretrial order 'supersede the pleadings.'" Opp. at 9 (citing D. Ct. Doc., ECF No. 110 at 5). Language regarding "supersed[ing] the pleadings" appears only in the unsigned *Proposed* Pretrial Order–Jury form, attached to the March 31 order and designed to be eventually signed and entered as the final pretrial order by the district court judge. D.Ct. Doc., ECF No. 110-1 at 5. Nothing in the parties' Joint *Proposed* Pretrial Order itself superseded the pleadings.

The Joint *Proposed* Pretrial Order unquestionably memorialized the parties' *express* common understanding that a jury trial would be held despite the lack of claims for monetary relief.[2] Both facets of the Joint *Proposed* Pretrial Order were part-and-parcel of the parties' agreement as to how the trial was to proceed.

Moreover, that claims for monetary relief give rise to a jury trial right makes the connection between the two terms even more apparent and renders dubious respondent's claim that it saw no connection between the two.[3] Statements by petitioner during the final pretrial conference reflecting that understanding are unsurprising; at

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[2] Respondent insists that it did not "consent to a trial by jury on [p]etitioner's purely equitable claims, and when it was clear only such claims remained, [r]espondent quickly moved to strike the jury demand—which it could not have done previously, because the parties' legal claims were still technically pending." Opp. at 16, n.5. This is wrong. It was clear to respondent that both sides agreed not to seek legal relief and to conduct a jury trial when respondent signed and submitted the Joint *Proposed* Pretrial Order.

[3] Respondent faults petitioner for proposing the initial draft of the Joint *Proposed* Pretrial Order, which included forgoing monetary relief while conducting a jury trial. *See* Opp. at 1-2. Had respondent not agreed to a jury trial in response to the initial draft, petitioner unquestionably would have reasserted its profits claim in subsequent drafts to maintain its jury trial right.

the time of the final pretrial conference, petitioner was secure in the understanding, based on respondent's consent, that a jury trial would be held.

B. The Court should grant review to provide guidance on the appropriate care courts should exercise before rejecting a party's clear desire for a jury trial.

Nothing precludes this Court's review of whether the district court's refusal to allow petitioner to restore its right to jury trial must be reviewed with heightened scrutiny, rather than with deference. Respondent's contention that this is a cut-and-dried forfeiture case misses the point entirely. As explained above, the circumstances surrounding the Joint *Proposed* Pretrial Order hardly evinced a clear intent to abandon a jury trial. The entire point of requiring a heightened level of review over a district court's rejection of a party's attempt to preserve a jury trial is that any ambiguity should be resolved in favor of the jury trial. "[T]rial by jury is a fundamental guaranty of the rights and liberties of the people. [E]very reasonable presumption should be indulged against its waiver." *Hodges v. Easton*, 106 U.S. 408, 412 (1882). Thus, the question is whether denial of petitioner's right to a jury trial subjects that decision—*including* respondent's (misguided) forfeiture argument—to heightened scrutiny.

Contrary to respondent's contention (Opp. at 19-23), that this Court has not considered the standard of review for a denial of a right to a jury

trial under these precise circumstances weighs in favor of review, not against it. This Court has upheld the constitutional right to jury trial in a multitude of circumstances. *See* Pet. at 12-17 (collecting cases). Review of petitioner's first question presented is necessary to clarify the appropriate treatment of such a fundamental right, particularly in light of the procedural posture presented here. Indeed, the lower courts' asymmetric treatment of terms in a *proposed* pretrial order—allowing respondent's free withdrawal of its consent to a jury trial but rejecting petitioner's similar request to reinstate the jury-trial profits claim—illustrates a departure from long-settled principles. If doubts are to be resolved in favor of jury trial rights, petitioner's request should at least have been on equal footing with (not subordinate to) respondent's eleventh-hour maneuver to avoid a jury trial. This case is thus an ideal vehicle for considering the issue.

II. THIS COURT'S REVIEW IS NECESSARY TO RESOLVE WIDESPREAD DISAGREEMENT AS TO WHETHER PROFITS CLAIMS CAN GIVE RISE TO A JURY TRIAL RIGHT

The parties agree (i) that *Dairy Queen* does not stand for the proposition that "disgorgement" triggers a jury trial; (ii) that some cases view the disgorgement of profits as an equitable remedy not giving rise to such a right; and (iii) that cases outside the trademark context can be instructive in understanding *Dairy Queen*.

Nevertheless, the conclusion to be drawn from this common ground is *not* that profits never give rise to a jury trial right. Indeed, respondent reaches that conclusion only by committing the logical fallacy of equivocation—using one definition of "profits" in the minor premise of its argument, but another, far broader definition in the conclusion—and by ignoring substantial conflicting authority.

A. The lower courts are divided on this issue.

Courts have understood "profits" to mean two different things, each fitting a particular fact pattern: (i) disgorgement for defendant's unjust enrichment, or (ii) a proxy by which to measure damages. Respondent focuses on the former, while ignoring the latter. This matters, because courts in cases in which profits are sought as disgorgement tend to reject the jury trial right, while those in which profits are a proxy for damages tend to recognize it.

More particularly, respondent's argument reduces to the following syllogism:

(1) Equitable remedies do not provide a jury trial right;
(2) Profits are an equitable remedy;
(3) Therefore, profits do not provide a jury trial right.

In marshalling support for (2), respondent disregards cases in which "profits" take the latter form,[4] and relies *only* on cases in which "profits" mean disgorgement.[5] Consequently, "profits are an equitable remedy" really means "profits *as disgorgement* are an equitable remedy."

Yet when respondent concludes that profits never provide a jury trial right, this conclusion sweeps in *both* meanings of "profits." The key term in the syllogism is thus used in two different ways, so respondent's conclusion does not hold. The only conclusion that would properly follow from these premises is: "*disgorgement* does not provide a jury trial right." But petitioner did not seek disgorgement; it sought profits as a proxy for damages.

Respondent's flawed logic also sheds light on its mischaracterization of *Dairy Queen*. Petitioner agrees that *Dairy Queen* was not a disgorgement case. But it is false to conclude that it was not a profits case under the Lanham Act. The plaintiff

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[4] *See infra* Part II.B.

[5] *See, e.g., Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A.*, 778 F.3d 1059, 1075 (9th Cir. 2015); *Gucci Am., Inc. v. Bank of China*, 768 F.3d 122, 132 (2d Cir. 2014); *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1248 (6th Cir. 1991); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 598, 605 (E.D. Va. 1997); *G.A. Modefine S.A. v. Burlington Coat Factory Warehouse Corp.*, 888 F. Supp. 44, 46 (S.D.N.Y. 1995).

sought profits, and the lower court ruled on profits. *See* Pet. 30-31. There is no reason to believe this Court misconstrued the remedy sought in the case before it.

B. Respondent ignores substantial conflicting authority.

Stripped of its logical flaw, respondent's attempt to deny that there is a substantial conflict among the lower courts on this issue is unavailing. Respondent declines to discuss the circuit court cases that do not support its position. Instead, respondent states that "*every circuit court squarely to address this issue* has held that profits under the Lanham Act are equitable and thus create no right to a jury trial." Opp. at 27 (emphasis in original). But that claim applies only to the three decisions that fit respondent's narrow framing of this issue. Tellingly, while respondent frequently cites non-trademark cases[6] to make its point about the nature of the profits remedy, it

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[6] *See City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687 (1999) (§ 1983 claim for uncompensated regulatory taking); *Curtis v. Loether*, 415 U.S. 189 (1974) (violation of Civil Rights Act of 1968); *Ross v. Bernhard*, 396 U.S. 531 (1970) (stockholders' derivative action); *Phillips v. Kaplus*, 764 F.2d 807 (11th Cir. 1985) (dissolution of partnership in connection with securities fraud); and *Local No. 92, Int'l Ass'n of Bridge, Structural & Ornamental Iron Workers, AFL-CIO v. Norris*, 383 F.2d 735 (5th Cir. 1967) (derivative suit brought under the Labor-Management Reporting and Disclosure Act).

disregards the non-trademark cases that favor petitioner's position, as well as a trademark case that does not (in respondent's view) address the issue "squarely" enough.[7]

As we have explained (Pet. 25 n.5, 26 n.7), three circuit courts take the opposite view from respondent's, all in intellectual property cases. The Third Circuit, in a patent infringement case, cited *Dairy Queen* when it held that the jury right does not depend on whether recovery is based on damages or profits. *See Kennedy v. Lakso Co.*, 414 F.2d 1249, 1253 (3d Cir. 1969) ("no distinction can be drawn which would justify recognition of the right to jury trial for 'damages' and its denial in a claim for 'profits' on the theory that 'damages' are recoverable in an action at law whereas 'profits' have their origin in equitable principles…."). Similarly, the Fifth Circuit, also in a patent infringement case, relied on *Dairy Queen* in upholding a jury trial right for a plaintiff seeking an accounting. *See Swofford v. B&W, Inc.*, 336 F.2d 406, 411 (5th Cir. 1964) ("The profits which were recoverable in equity against an infringer of a patent were compensation for the

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[7] Furthermore, respondent's citation of this Court's 1916 decision in *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.* has little relevance to determining whether there is a jury trial right for the remedy of profits under the Lanham Act—enacted some thirty years *after* the case was decided. *See* Opp. at 25 (citing *Hamilton-Brown Shoe Co.*, 240 U.S. 251, 259 (1916)).

injury the patentee had sustained from the invasion of his rights. Such profits were considered the measure of the patentee's damages."). Finally, the Ninth Circuit, in a copyright infringement case, relied on *Dairy Queen* and agreed with *Swofford* in holding that seeking profits affords the right to a jury trial. *See Sid & Marty Krofft Television Prod., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1174-75 (9th Cir. 1977).

More recently, the First Circuit had occasion to address the issue in a trademark case. *See Visible Sys. Corp. v. Unisys Corp.*, 551 F.3d 65 (1st Cir. 2008). While it did not ultimately reach the question whether there is ever a jury trial rights for a profits claim, its characterization of the issue belies respondent's categorical rule:

> This circuit, like others, has recognized three rationales for awarding to the plaintiff an accounting of the defendant's profits: '(1) as a rough measure of the harm to plaintiff, (2) to avoid unjust enrichment of the defendant, or (3) if necessary to protect the plaintiff by deterring a willful infringer….' The first rationale for an accounting is as a proxy for legal damages….In our view, this proxy rationale may well present the strongest argument under the Seventh Amendment….

Id. at 79-80, 80 n.1. Therefore, only by asking the question unduly narrowly can respondent evade the contrary views of *four* other circuits.

Moreover, a significant number of district courts have held that trademark profits claims are legal, thus affording a right to a jury trial. They most often recognize that, while profits might be sought as disgorgement or unjust enrichment, they can also be sought as a proxy for damages, particularly where damages are difficult to prove. Contrary to respondent's dismissive characterization, these are not outdated or outliers. *See, e.g., Ferring Pharms., Inc. v. Braintree Labs., Inc.*, 2016 U.S. Dist. LEXIS 172227, at *4-5 (D. Mass. Dec. 13, 2016); *SharkNinja Op. LLC v. Dyson Inc.*, 2016 U.S. Dist. LEXIS 144842, at *13 (D. Mass. Oct. 19, 2016); *Daisy Grp., Ltd. v. Newport News, Inc.*, 999 F. Supp. 548, 552 (S.D.N.Y. 1998); *Ideal World Mktg. v. Duracell, Inc.*, 997 F. Supp. 334, 338 (E.D.N.Y. 1998); *Grove Fresh Distribs. v. New England Apple Prods. Co.*, 1991 U.S. Dist. LEXIS 258, at * 9 (N.D. Ill. Aug. 27, 1991); *Oxford Indus. Inc. v. Hartmarx Corp.*, 15 U.S.P.Q.2d 1648, 1654 (N.D. Ill. 1990).

Still other cases, including one respondent cites, expressly leave open the possibility of a jury trial right where profits are a proxy for damages. *See, e.g., Empresa Cubana Del Tabaco v. Culbro Corp.*, 123 F. Supp. 2d 203, 206 (S.D.N.Y. 2000) (cited at Opp. 25); *Black & Decker Corp. v. Positec USA Inc.*, 118 F. Supp. 3d 1056, 1068 (N.D. Ill. 2015).

In sum, respondent's assertion that this issue is settled would come as a surprise to the bevy of lower

courts that continue to struggle with it. This Court can and should resolve the persistent conflict on this important issue.

C. The profits issue was fully pressed below and calls out for review.

Respondent argues that this Court should not decide the profits issue in this case because "[t]he Supreme Court does 'not decide in the first instance issues not decided below.'" Opp. at 24 (quoting *Zivotofsky v. Clinton*, 566 U.S. 189, 201 (2012)). But that proposition is not an absolute bar to consideration, and nothing prevents this Court from addressing this important issue. "Ordinarily, this Court does not decide questions *not raised* or resolved in the lower court. But . . . the rule is not inflexible. . . . It is only in exceptional cases . . . that questions *not pressed* or passed upon below are reviewed." *Youakim v. Miller*, 425 U.S. 231, 234 (1976) (emphases added) (internal quotation marks and citations omitted). The profits issue most certainly was raised below. Although the district court and the Eleventh Circuit did not reach the issue, it was fully briefed by the parties and the record is more than sufficient to preserve the issue for review.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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