No. 18-47

In The
Supreme Court of the United States

THOMAS MCCLARY, *et al.*,

Petitioners,

v.

COMMODORES ENTERTAINMENT CORPORATION,

Respondent.

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

RESPONSE IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the well-established federal test for determining whether a district court can exercise extraterritorial jurisdiction under the Lanham Act was correctly applied to Petitioners under the specific facts of this case.

2. Whether the record evidence supports the district court's finding that Respondent received a valid assignment of trademark rights.

PARTIES TO THE PROCEEDINGS

Petitioners, Thomas McClary and Fifth Avenue Entertainment, LLC, were the Defendants in the United States District Court for the Middle District of Florida (the "District Court") and Appellants in the United States Court of Appeals for the Eleventh Circuit (the "Circuit Court"). Respondent, Commodores Entertainment Corporation, was the Plaintiff in the District Court and Appellee in the Circuit Court.

CORPORATE DISCLOSURE STATEMENT

Respondent, Commodores Entertainment Corporation, is a Nevada corporation. It has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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INTRODUCTION

Respondent, Commodores Entertainment Corporation ("CEC" hereinafter), respectfully submits that the Petition for Writ of Certiorari (the "Petition") should be denied. The Circuit Court correctly applied longstanding, well-established federal law to the record evidence and properly held that the Lanham Act conferred jurisdiction on the District Court to enter a worldwide injunction and that CEC had standing to seek such an injunction. The Petition does not involve an unsettled question of federal law, or an issue for which there is a conflict with a decision of another circuit court. Rather, Petitioners disagree with the Circuit Court's application of well-established precedent to the record evidence. Accordingly, Petitioners failed to demonstrate a jurisdictional basis on which this Court should accept review.

The Petition presents two issues for review. The first issue relates to the District Court's jurisdiction under the Lanham Act to issue a worldwide injunction prohibiting Petitioners' use of certain trademarks. Petitioners attempt to show a split between certain circuit courts with respect to the extraterritorial application of the Lanham Act, but they ultimately agree that the Circuit Court articulated the correct legal standard. Accordingly, Petitioners' real argument is that the Circuit Court's decision was not supported by the evidence. Petitioners' dispute regarding the District Court's factual findings does not warrant review by this Court.

Petitioners' second issue claims that there was no evidence that CEC received an assignment of the trademark rights at issue in this matter. Petitioners do not even attempt to articulate a jurisdictional basis for this issue, which is purely evidentiary. Petitioners' claim is belied by the record evidence and the Circuit Court's opinion, and this evidentiary issue does not warrant review by this Court.

STATEMENT OF THE CASE

Petitioners, Thomas McClary ("McClary") and Fifth Avenue Entertainment LLC ("Fifth Avenue") seek certiorari review of the Circuit Court's opinion affirming a District Court order granting judgment as a matter of law to CEC, and converting a preliminary injunction into a permanent one against Petitioners. This dispute concerns ownership of the trademark "The Commodores," the name of a famous Grammy Award-winning rhythm and blues, funk and soul music band. *Commodores Entm't Corp. v. McClary*, 879 F.3d 1114, 1121 (11th Cir. 2018). The group has released more than forty albums, has charted seven number-one singles and numerous top-ten hits and continues to record music and play for audiences around the world. *Id.* at 1122.

The Commodores music group was formed in 1968. *Id.* The "original" members of the group are generally regarded as William King, Ronald LaPread, Thomas McClary, Walter Orange, Lionel Richie and

Milan Williams. *Id.* Throughout the 1970s, The Commodores became internationally acclaimed with hits including "Easy," "Brick House," "Three Times a Lady," and "Too Hot ta Trot." *Id.* at 1121. The six band members and their manager formed a general partnership in 1978, which was governed by a General Partnership Agreement that provided, among other things, that upon the death or withdrawal of less than a majority of the partners, the remaining partners would have the right to use the name "The Commodores." *Id.* at 1122-1123. Thereafter, the partners, including McClary, signed multiple additional agreements that confirmed that, if a member left the group, only the remaining group members retained the right to use the name "The Commodores." (*See* Dk. 360-15, pp. 10, 31; 360-16, p. 14; 361-3, p. 11).[1] In 1978, the partners also registered CEC as a Nevada corporation. *Commodores Entm't Corp.*, 879 F.3d at 1122.

Petitioners incorrectly assert that the original Commodores ceased performing together in 1982. Only Lionel Richie left the group in 1982. *Id.* at 1122. The other members remained in the group and continued performing. *Id.* By his own admission, McClary split from the band in 1984. *Id.* at 1123. The remaining members continued to perform and tour, but it is undisputed that McClary did not perform with the Commodores from 1985 through 2010. *Id.* After McClary's departure, The Commodores hired J.D. Nicholas ("Nicholas"), who later became a member of the

[1] Record citations are to the District Court docket unless otherwise indicated.

group. *Id.* In 1986, The Commodores received its only Grammy for the single "Nightshift." *Id.* McClary had no part in writing, performing or arranging on the song "Nightshift," and did not receive the Grammy with the group. *Id.*

Over time, other members left the group, leaving William King ("King") and Walter Orange ("Orange") as the only remaining original members. *Id.* Both King and Orange testified at trial that they transferred their common-law trademark rights in The Commodores' name and logo (the "Commodore Marks") to CEC, which CEC then registered with the United States Patent and Trademark Office and licensed the name to the group. *Id.* at 1136, 1123. Since 1988, The Commodores, comprised of King, Orange and Nicholas, have continued to record and perform around the world. (Dk. 380, pp. 39, 146; Dk. 382, p. 60).

After leaving The Commodores, McClary pursued a solo career separate from The Commodores. *Commodores Entm't Corp.*, 879 F.3d at 1124. In 2013, almost 30 years after he split from the group, McClary formed the group "Commodores Featuring Thomas McClary." *Id.* He and his wife also established Fifth Avenue, which is the manager of "Commodores Featuring Thomas McClary." *Id.* McClary's group began performing under the names "Commodores Featuring Thomas McClary" and "The 2014 Commodores." *Id.* CEC learned that McClary was using the name "Commodores Featuring Thomas McClary" in connection with a scheduled performance in Westhampton Beach, New York after King received a call from a friend who

believed The Commodores would be performing. *Id.* CEC demanded McClary stop using the name The Commodores and the Commodore Marks. *Id.* When he refused, this litigation followed.

Following a pre-trial hearing, the District Court entered a preliminary injunction, which specifically enjoined Petitioners from using the Commodore Marks, including performing and marketing the group with the name "Commodores Featuring Thomas McClary" or "The 2014 Commodores." (Appendix C, A. 112-132). Two days after entry of the preliminary injunction, Fifth Avenue applied for a Community Trade Mark ("CTM") for "The Commodores" in the European Union. (Dk. 163-1). Also after the injunction was entered, CEC learned that McClary and his band were advertising and marketing upcoming performances in Europe, and asked the District Court to clarify the extraterritorial reach of the preliminary injunction. (Dk. 136). The District Court held that the injunction had extraterritorial application because McClary is a United States citizen, Fifth Avenue is a United States entity, and use of the mark overseas would have a substantial negative impact on CEC, an American corporation. (Appendix D, A. 135-136). Petitioners appealed the preliminary injunction, including the extraterritorial application, and the Circuit Court affirmed. *Commodores Entm't Corp. v. McClary*, 648 Fed. Appx. 771, 777 (11th Cir. 2016).

The case was bifurcated by the District Court, and proceeded to trial on the issue of trademark ownership of the Commodore Marks. Petitioners moved for

judgment as a matter of law at the close of CEC's case, which was denied. After the presentation of all evidence, the District Court entered judgment as a matter of law in favor of CEC, finding that CEC owned the Commodore Marks and converting the preliminary injunction into a permanent injunction. (Appendix B, A. 98-111). Petitioners again appealed to the Circuit Court, and the Circuit Court again affirmed on January 9, 2018. *Commodores Entm't*, 879 F.3d at 1142. Petitioners sought rehearing and rehearing *en banc*, which were denied on April 4, 2018. (Appendix E, A. 140-142). Petitioners timely filed their Petition for Writ of Certiorari on July 3, 2018.

REASONS FOR DENYING THE WRIT

I. THE CIRCUIT COURT APPLIED THE CORRECT STANDARD IN DETERMINING THAT THE LANHAM ACT CONFERRED JURISDICTION ON THE DISTRICT COURT TO ISSUE A WORLDWIDE INJUNCTION.

Petitioners seek certiorari review of the Circuit Court's opinion (the "Opinion") affirming entry of a worldwide injunction preventing Petitioners from using the Commodore Marks. Petitioners argue that Congress has not defined the extraterritorial limits of the Lanham Act, but also acknowledge that the courts have developed authority regarding the Lanham Act's extraterritorial reach, beginning with this Court's decision in *Steele v. Bulova Watch Co., Inc.*, 344 U.S. 280 (1952). Petitioners further acknowledge that *Steele*

"was certainly not a radical departure from the jurisprudence of its time, nor should it be seen as radical today." (Petition, p. 12). Although Petitioners argue that the law regarding the extraterritorial reach of the Lanham Act is "still unclear," the Opinion is based on well-established principles set forth in *Steele* and its progeny that were applied by the District Court.

Steele addressed whether a United States district court has jurisdiction to award relief to an American corporation against trademark infringement in a foreign country by a United States citizen. *Steele*, 344 U.S. at 281. This Court recognized that the Lanham Act confers *broad* jurisdictional powers upon the courts of the United States, and that Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, though some of the acts are done outside the territorial limits of the United States. *Id.* at 286 (quoting *Branch v. Federal Trade Commission*, 141 F.2d 31, 35 (7th Cir. 1944)). The Court considered a number of factors, including: (1) that the parties were United States citizens; (2) that the petitioner's operations and effects were not confined within a foreign nation; and (3) that there was no interference with the sovereignty of another nation. *Steele*, 344 U.S. at 286-287, 289. Accordingly, this Court held that the Lanham Act conferred jurisdiction to enjoin infringing actions in Mexico. *Id.* at 289.

Although Petitioners argue that there is a split between the circuit courts as to the extraterritorial reach of the Lanham Act, all of the circuit courts identified by Petitioners utilize the same basic balancing test,

weighing the three factors identified in *Steele.* Each circuit court identified by Petitioners considers: (1) the citizenship of the parties involved; (2) the effect on United States commerce; and (3) whether exercising jurisdiction will interfere with the sovereignty of another nation. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956); *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250-251 (4th Cir. 1994); *Am. Rice, Inc. v. Arkansas Rice Growers Co-op. Ass'n*, 701 F.2d 408, 414 (5th Cir. 1983); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977).

The only minor difference among the standards enunciated by the circuit courts relates to the extent to which they require an impact on United States commerce to exercise jurisdiction. Most circuit courts that have considered the issue hold that the alleged violations of the Lanham Act must have a "substantial" or "significant" effect on United States commerce. *See Vanity Fair Mills, Inc.*, 234 F.2d at 642; *Scanvec Amiable Ltd. v. Chang*, 80 Fed. Appx. 171, 181 (3d Cir. 2003); *Nintendo of Am., Inc.*, 34 F.3d at 249; *Groeneveld Transport Efficiency, Inc. v. Lubecore Intern., Inc.*, 730 F.3d 494, 537 (6th Cir. 2013); *Intern. Café, S.A.L. v. Hard Rock Café Intern. (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001); *Aerogroup Intern., Inc. v. Marlboro Footworks, Ltd.*, 152 F.3d 948, at *2 (Fed. Cir. 1998). The First Circuit holds that there must be a "substantial effect" to exercise jurisdiction over a foreign individual or entity, but that a lesser effect may be sufficient to exercise jurisdiction over a United

States individual or entity. *See McBee v. Delica Co., Ltd.*, 417 F.3d 107, 118 (1st Cir. 2005). The Fifth Circuit requires "more than an insignificant effect on United States Commerce." *Am. Rice, Inc.*, 701 F.2d at 414. The Ninth Circuit requires an effect on commerce that is "sufficiently great to present a cognizable injury to plaintiffs under the Lanham Act." *Love v. Associated Newspapers, Ltd.*, 611 F.3d 601, 613 (9th Cir. 2010).

The minor differences as to the degree of impact necessary to exercise jurisdiction do not constitute a conflict on a matter sufficiently important to warrant certiorari review. All of the courts balance the same three factors that this Court identified in *Steele*, and the weight given to any one factor will necessarily depend on the strength of the other factors.

Further, granting certiorari to define the degree of impact on United States commerce necessary to confer jurisdiction will not secure the relief sought by Petitioners. Here, the Circuit Court held that the most stringent standard applied, requiring a "substantial effect" on United States commerce. *Commodores Entm't Corp.*, 879 F.3d at 1139. Petitioners agree that this is the appropriate standard, noting that the Circuit Court "appears to begin on good footing" in identifying the legal standard. (Petition, p. 19).

Despite agreeing with the standard applied by the Circuit Court, Petitioners then argue that "the Panel Decision makes an unsupported evidentiary and logical leap." (Petition, p. 19). Thus, Petitioners' real argument is not that there is a conflict between the circuits

or that the Circuit Court stated the wrong legal standard. Instead, Petitioners argue that the record evidence did not support the Circuit Court's conclusion. Petitioners' argument that the Opinion was not supported by sufficient evidence fails to set forth a basis for certiorari relief. *See* United States Supreme Court Rule 10 (emphasis added) ("A petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the ***misapplication of a properly stated rule of law***.").

In any event, the record evidence demonstrated an evidentiary basis for the worldwide injunction under the "substantial effect" standard enunciated by the Circuit Court. *Commodores Entm't Corp.*, 879 F.3d at 1139. It is undisputed that both parties are United States citizens. As the Circuit Court noted, The Commodores achieved international acclaim in the 1970s. *Commodores Entm't*, 879 F.3d at 1122. King and Orange both testified that The Commodores continue to perform in the United States and around the world. (Dk. 380, p. 146; Dk. 382, p. 60). Petitioners' group is managed in the United States, by a United States citizen (McClary). *Commodores Entm't*, 879 F.3d at 1139. The mark at issue (the name "The Commodores") is identical, and the services rendered under the Mark (musical performances) are very similar. Further, because of the evidence of actual confusion from Petitioners' use of the Commodore Marks in the United States, it was likely that use of the Commodore Marks abroad would create confusion both abroad and in the United States. *Id.* There was no record evidence that enjoining

Petitioners' conduct would interfere with the sovereignty of another nation. *Id.* at 1139-1140. Accordingly, there was sufficient record evidence to support the entry of the worldwide injunction.

Petitioners further suggest that before a court may enter a worldwide injunction, the court must conduct a hearing and accept evidence demonstrating that the foreign activity causes "substantial harm in the U.S. usually in the form of consumer confusion." (Petition, p. 22). In the instant case, the District Court held a trial, accepted evidence, and, at the close of trial, determined that there was sufficient evidence of substantial harm in the United States. Petitioner simply disagrees with the District Court's ruling on the evidence, which is not a basis for certiorari review.

Contrary to Petitioners' argument, the United States courts, including this Court, have defined the elements required to extend the protection of the Lanham Act to extraterritorial conduct. The District Court did not exceed its jurisdiction by issuing the worldwide injunction in the instant case. The Petition should be denied.

II. THE RECORD EVIDENCE SUPPORTS THE DISTRICT COURT'S FINDING THAT CEC RECEIVED A VALID ASSIGNMENT OF TRADEMARK RIGHTS.

Petitioners' second argument for certiorari review is that there was no evidence to support the District Court's finding that the remaining original band

members, King and Orange, transferred their trademark rights to CEC. This argument does not provide a basis for certiorari review, and it is patently false. The Opinion specifically identifies the evidence of the assignment, as follows:

> Finally, the record shows that King's and Orange's rights became CEC's rights by way of assignment. Although there is no evidence of a written assignment, King and Orange both repeatedly testified that they transferred their common-law rights to CEC. The preamble to the Amended and Restated Partnership Agreement of Commodores New, LLP, the partnership formed by King, Nicholas, and Orange, also states that the partners had previously agreed to "transfer ownership of the trademark and/or service mark 'COMMODORES' to Commodore Entertainment Corporation, a Nevada Corporation (the 'Corporation'), subject to the Partnership's continuing non-exclusive right to use that mark in connection with its business." As the continuing members who exerted control over the group, King and Orange owned the marks; CEC stepped into King's and Orange's shoes by virtue of the assignment. *See Carnival Brand Seafood Co. v. Carnival Brands, Inc.*, 187 F.3d 1307, 1310, 1315 (11th Cir. 1999). McClary introduced no evidence to the contrary. Thus, the district court did not err in

> granting judgment as a matter of law to CEC on the issue of trademark ownership.

Commodores Entm't Corp., 879 F.3d at 1136-1137. Therefore, CEC had standing to seek an injunction.

Because this argument is contrary to the record evidence and because this evidentiary issue does not warrant certiorari review, the Petition should be denied.

CONCLUSION

The Circuit Court properly held that the Lanham Act conferred jurisdiction on the District Court to enter a worldwide injunction and that CEC had standing to seek such an injunction. Instead of identifying an issue appropriate for certiorari review, Petitioners disagree with the Circuit Court's application of well-established precedent to the record evidence. The Petition should be denied.

Respectfully submitted,

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