No. 24-1011

IN THE

Supreme Court of the United States

JEM ACCESSORIES, INC., DBA XTREME CABLES,
A NEW JERSEY CORPORATION,

Petitioner,

v.

HARMAN INTERNATIONAL INDUSTRIES, INC.,
A DELAWARE CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF FOR PETITIONER

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The first question concerns borrowing, a question of law. The courts below borrowed a four-year period from state law, and used it as the predicate for their presumptions and consequent findings. If that predicate is legally wrong—as it is—those findings must be reevaluated.

It is indisputable that borrowing conflicts with the purpose of the Lanham Act and with *Occidental Life*. The circuits vary widely on whether to borrow, and, if so, the length of the borrowing period. There is no uniformity. Harman used this variation to game the system. Contrary to the common law rule, Harman cast-off its burden of proof, which was case-dispositive. It used forum-shopping to change timely-filed claims into untimely ones. That is undisputed–and the crux of the first question. Borrowing allowed injustice. The inequity is manifest.

The second question is whether laches bars all relief for continuing wrongs, another question of law. Jem's federal registration put Harman on constructive notice of Jem's rights, and Harman had actual notice once Jem sued. Yet, Harman *expanded* its infringement. Notwithstanding acts beyond the borrowing period, Jem should have had relief for Harman's acts *within* the borrowing period and Harman's post-suit activity. Equity should be more flexible than strict statutes of limitations, not less. Again, the inequity is manifest.

COUNTERSTATEMENT OF THE CASE

Harman's factual views are irrelevant because the courts used the wrong legal lens. Borrowing wrongly shifted the burden of proof off Harman onto Jem, tainting

the entire decision. And California presumes laches after four years, which is arbitrary for a case of *national* infringement, especially vs. 2-10 years in other states.

The central fact on the first question is undisputed. Borrowing made Jem's suit timely in New York and untimely in California, despite the Lanham Act's requirement of one nationwide rule.

The operative facts for the second question are also undisputed. After Jem sued, Harman enlarged its infringement. But Jem had no legal recourse on the continuing wrongs.

These questions of borrowing and continuing wrongs are pure questions of law. This case turns on the answers to them, which decide the burden of proof and the scope of available relief.

In an attempt to misdirect the Court's attention, Harman shamefully tries to cloud these legal questions by blaming Jem.

For example, Harman blames Jem for asserting borrowing periods below. But Jem was *obligated* to. The district court and appellate panel were bound by decisions employing borrowing. *Koerner v. Grigas*, 328 F.3d 1039, 1050 (9th Cir. 2003) (a panel must follow prior panel decisions even if they contravene Supreme Court precedent). An en banc court, in contrast, can overturn a panel decision. Hence, Jem challenged the borrowing approach in a petition for en banc rehearing.

Similarly, Harman's nefarious "lying in wait" claim is baseless attorney argument. Harman does not dispute that the parties did not compete in 2016: Jem's products sold for $20 and Harman's sold for $300. Harman also does not dispute that its pricing and strategies shifted until it *did* compete. Actual confusion then arose in 2018-2019, leading Jem to sue in 2020 after concluding a major litigation threatening its financial viability. Suing 1-2 years after actual confusion is not "prejudicial" (particularly when the "prejudice" is making millions of dollars from infringements). Moreover, a "defendant must prove ***both*** an unreasonable delay ... and prejudice to itself." *Couveau v. Am. Airlines, Inc.*, 218 F.3d 1078, 1083 (9th Cir. 2000) (emphasis added). Harman's allegations of prejudice would have been insufficient had wrongful borrowing not presumed "unreasonable delay."

Nor was there any evidence whatsoever that Jem's New York suit against two infringers was to "prejudice Harman." One suit increased efficiencies. If anything, Jem risked having two major companies team up against it. The non-crime of two defendants in one suit is a frivolous basis for dismissing all claims against Harman, as Harman advocates. Harman contradicts this Court's rejection in *Burnett* of such "justice-defeating technicalities" (Pet. at 11), a case Harman cannot address. Nor does Harman dispute that its "INFINITY" claim was a pretext to pursue a California case–Harman did not provide a single document on that claim in discovery.

It was also undisputed that Harman attended trade shows where Jem's usage was prominently displayed. *See* Supp. App. 1a. Jem's use was unmistakable. *Id.* Harman knew of it before adopting the identical mark for the

identical goods ***after*** Jem used the mark on the Bluetooth goods-in-suit first. And Harman admitted below that its alleged "prior use" was both in a different category and later abandoned. As to "dilution," it was in other categories too. Jem sued two other major infringers in Jem's category (JVC and Sentry): both acknowledged Jem's rights and desisted.

As to Harman's purported ignorance, it carries no legal weight because of Jem's federal registration. "[S]ecuring federal registration ... puts would-be users on constructive notice. ... the Lanham Act displaces the *Tea Rose—Rectanus* defense by charging later users with knowledge of a mark listed on the federal register." *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 439 (9th Cir. 2017). Harman, a subsidiary of Samsung, had ample resources to do a simple trademark search (and refused to disclose if it had). Allegations of "good faith" ring hollow—after Jem sued, Harman doubled down on its infringement with later launches of XTREME 3 in 2020 and XTREME 4 in 2023.

Most importantly, Harman's "facts" cannot deflect from the issues of law here.

I. The Conflict Over the Time to Sue Needs Correction

A. State-Law Borrowing Violates the Lanham Act and Precedent

1.This Court forbids borrowing when "inconsistent with the underlying policies of the federal statute." *Occidental Life Ins. Co. v. EEOC*, 432 U.S. 355, 367 (1977). Harman fails to address that mandate.

Faced with this fatal flaw, Harman absurdly restricts *Occidental Life* to EEOC cases. Opp. at 16. It cannot be cabined so narrowly.

Harman does not deny that the policy of the Lanham Act is national uniformity, which borrowing crumbles. Federal law becomes captive to fifty state laws. Since borrowing violates the Act's policy of uniformity, it violates *Occidental Life*.

Harman similarly misses the mark on pre-Lanham Act actions. Congress' adoption of equitable principles in the Act must be read in light of this Court's prior cases, which did not borrow state-law periods. Pet. at 27.

Congress jettisoned state-by-state variation. The borrowing approach cannot be reconciled with Congressional intent or *Occidental Life*.

B. The Circuits are Split on This Issue

Harman does not deny that borrowing holds the Lanham Act hostage to a patchwork of state laws in seven circuits (the Second, Third, Fourth, Sixth, Seventh, Ninth, and Eleventh), or deny the wide variation in laches periods. Worse than a circuit-split, these are *state-by-state* splits on the time to file.

Instead, Harman gainsays the circuit split. Harman is wrong.

Seven circuits use borrowing to create a presumption of laches. *Jaso*, in contrast, expressly states that the Fifth Circuit has not adopted such a presumption. *Jaso*

v. Coca Cola Co., 435 F. App'x 346, 356 n.10 (5th Cir. 2011) (unpublished) ("Nor do our cases applying laches in the context of a Lanham Act violation appear to have applied the same presumption as other circuits."). *Retractable* confirms this: it declined "to join the circuits that employ a strong presumption that any lawsuit filed outside of the statute of limitations is barred by laches." *Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 900 (5th Cir. 2016).[1]

The First and Eighth Circuits do not use borrowing to apply a presumption either. Harman has not cited one case showing otherwise.

Seven circuits use borrowing to presume laches, and at least three circuits do not. That is the very definition of a circuit split.

C. Congress Need Not Reenact the Lanham Act

Harman disingenuously claims that no provision of the Act prohibits application of state periods. Opp. at 20. But Congress specifically passed the Act to bypass state-by-state variation. Harman disregards federal trademark law's entire purpose.

Congress codified equitable principles, with no federal or state-by-state statute of limitations. It need not reaffirm what is already there. There is nothing wrong with the statute. The problem is how certain courts are applying it.

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1. *Rolex* did not apply a presumption either (its discussion of prejudice is besides the point). *Rolex Watch USA, Inc. v. BeckerTime, L.L.C.*, 96 F.4th 715, 722-723 (5th Cir. 2024).

D. Harman's Position Has Extensive Defects

Harman turns a blind eye to many additional flaws in its position.

1. Harman used forum-shopping to make timely-filed claims untimely. It never denies this. Nor does it deny that time passing from Harman's maneuvering and from judicial decision-making—including a *sua sponte* judicial stay–was unfairly counted as "Jem's delay" under the borrowing regime. Harman's silence is telling on the inequitable administration of the laws.

2. Harman is silent on the common law rule regarding a defendant's burden. Borrowing's presumption flatly contradicts this Court's directive that laches may not be used to shift the burden of proof. Pet. at 22. Shifting it was case-dispositive here.

3. Harman does not deny that shifting the burden cannot be squared with accepted principles for interpreting the Lanham Act's text. Pet. at 22-23.

4. Harman does not rebut that judicial grafting of presumptive periods onto the Act violates the separation of powers. Pet. at 23-24.

5. Harman does not dispute that short borrowed statutes can thwart the legislative purpose of an effective remedy. Pet. at 21. The 1-2 or 4 years of "delay" here is a far cry from the cases of this Court which involved delays of 20-30 years.

6. Harman does not address the vagueness of what constitutes an "analogous" state statute, and the varying definitions thereof. Pet. at 21.

7. And Harman misapplies *Holmberg* as "approving of the use of state statutes of limitations in assessing whether laches should apply." Opp. at 16 citing *Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946). In fact, *Holmberg* stated that "[w]e do not have the duty ... to approximate ... State law." *Id.* at 395. "Traditionally and for good reasons, statutes of limitation are not controlling measures of equitable relief." *Id.* "[A] suit in equity may lie though a comparable cause of action at law would be barred." *Id.*

E. This is an Excellent Vehicle to Address the First Question

Whether courts may borrow to create presumptions of laches is a pure issue of law. And this is an ideal case to address it. The critical, uncontested, fact, is that Harman made Jem's claims untimely by moving them to California. Had this case continued in Manhattan—where Jem has its showroom and sued years before New York's six-year period lapsed—laches could not have been found. But prejudice was presumed under California's four-year period, and the case was dismissed. Appx5a-6a n.2. That presumption, and the entire analysis based thereon, was legal error flowing from the borrowing approach.

How can there be a viable case in New York but not in California–for the identical claims and conduct? The approach is built on quicksand.

Harman exploited borrowing's variability to profit from forum-shopping. It evaded its burden under the common law rule, turning the rule on its head to presume laches.

The presumption is fatally flawed. Without correction, inequity will persist under a statute founded on equitable principles. 15 U.S.C. §1115(b)(9). Petitioner urges the Court to grant certiorari to address the first question.

II. Laches Should Not Bar Relief for Continuing Wrongs

Harman ducks the second question with a straw man. The issue is whether laches under the Lanham Act bars all relief for recent and continuing wrongs–i.e., all recent and post-suit monetary and injunctive relief. Some circuits wield a rigid approach in which continuing wrongs are irrelevant, and relief is barred. Others take a more appropriate flexible approach in which relief may be available.

A. The Circuits are Split

Harman's denial of this circuit split is again wrong.

Firstly, Harman disregards monetary relief. The Fifth Circuit explicitly holds that "'trademark infringement is a continuing wrong ... thus, a plaintiff may be entitled to ... those damages incurred after the suit was filed.'" *Abraham v. Alpha Chi Omega*, 796 F. Supp. 2d 837, 857 (N.D. Tex. 2011) (citation omitted), *aff'd Abraham v. Alpha Chi Omega*, 708 F.3d 614 (5th Cir. 2013).

That damages were denied under particular facts does not change *Abraham's* principle that they *can* be awarded. *Id. See also*, *Ray Communs., Inc. v. Clear Channel Communs., Inc.*, 673 F.3d 294, 307 (4th Cir. 2012) ("[L]aches *may* act as a bar to both monetary and injunctive relief under certain circumstances, but that ... is not automatic.").

In contrast, the Ninth, Seventh, and Federal Circuits bar monetary relief for continuing wrongs. Pet. at 24-25. They hold that it would "swallow" the laches defense. Thus, Harman does not cite any appellate decisions there allowing monetary relief after finding laches. Opp. at 21-22. There is plainly a split.

Secondly, the circuits' diverging views on injunctions is well-known. Harman's first-cited case (Opp. at 22) *acknowledges* the split. *Oriental Fin. Grp., Inc. v. Cooperativa De Ahorro Crédito Oriental*, 698 F.3d 9, 20 (1st Cir. 2012). And Harman's cites conflict with the Sixth Circuit's categorical rule that "laches ... does not bar injunctive relief." *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2000).[2] The inter-circuit variance cannot be reconciled.

Harman's claim of no circuit split is, again, hollow.

B. The Rigid Approach Contravenes This Court's Precedents

Harman's cites to *Menendez* and *McLean* confirm this Court's flexible approach. Despite delay, upon action

2. *See also*, *McKeon Prods. v. Howard S. Leight & Assocs.*, 15 F.4th 736, 741 n.2 (6th Cir. 2021) (questioning its rule).

to stop infringement, "[p]ersistence then in the use is not innocent; ***and the wrong is a continuing one, demanding restraint by judicial interposition*** ... ". *Menendez v. Holt*, 128 U.S. 514, 523 (1888) (emphasis added). To defeat an injunction, delay must have "continued so long and under such circumstances as to defeat the right itself." *Menendez*, 128 U.S. at 523. *McLean* likewise permits injunctive relief. *McLean v. Fleming*, 96 U.S. 245 (1877).

Although "so long" is undefined, Justice Holmes "page of history" is enlightening. Cases have allowed injunctions after *twenty years* of delay. Pet. at 21. None comport with loss of all rights after the mere 2-6 year borrowing periods prevalent in many states.

Harman confirms this striking temporal rift. Opp. at 27, citing *Ancient Egyptian Arabic Order v. Michaux*, 279 U.S. 737 (1929). *Ancient Egyptian* involved "30 years ... of inaction." *Id.* at 748. That's a far cry from Jem's suit 1-2 years after actual confusion emerged, or 4 years from Jem's first knowledge. And that first knowledge arose before the parties were competing. *See Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 462 (4th Cir. 1996) (no obligation to sue until "likelihood of confusion looms large," such as by actual confusion).

Patent and trademark precedents also support monetary relief for continuing wrongs. Harman disregards them because "they both contain a statute of limitations." Opp. at 28. But that's the point. Laches is equitable: it should be ***more flexible*** than statutes of limitations—not less. Pet. at 29. Even under California's four-year borrowing period, Jem should have been allowed to recover for the recent infringements, those within four years of suit.

Courts must account for changing facts and marketplace realities. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp., Inc.*, 590 U.S. 405, 415 (2020). Respondent disregards this. Opp. at 28. It was undisputed that Harman shifted from non-competition in 2016 to direct competition with Jem in 2018-2019. And Harman launched a new infringement, "XTREME 2" in 2018. That was under four-years-old when Jem sued in 2020 in New York, and counterclaimed in 2021 in California. Moreover, after Jem sued in New York, Harman cavalierly launched "XTREME 3" in 2020 and "XTREME 4" in 2023. The doctrine of continuing wrongs accounts for such changing facts and marketplace realities. But numerous circuits unwisely reject the doctrine.

Harman's distain for separation of powers concerns is disturbing too. Opp. at 29. The boundaries between legislative and judicial power are fundamental under our Constitution.

Damages for the recent and continuing wrongs should have been recoverable. The use of laches below, to bar all monetary and injunctive relief, was legal error.

C. This is an Excellent Vehicle to Address the Second Question

This is an excellent vehicle to decide the second question as well. Whether laches bars all relief for continuing wrongs is another pure question of law.

It is indisputable that Jem's federal registration put Harman on constructive notice of Jem's rights. And once Jem sued, Harman had actual notice. Despite notice,

Harman expanded its infringement to "XTREME 3" and "XTREME 4." Nevertheless, Jem was precluded from seeking any relief, even for the recent and ongoing infringements.

This is an optimal case to address the legal question of whether laches doctrine is powerless to address ongoing, changing circumstances, or whether it should be sufficiently flexible to address continuing wrongs.

III. Harman Fails to Dent the Vehicle

This case is an excellent vehicle. It involves: pure questions of law; a threshold issue in every trademark case; the subversion of equity's fairness and flexibility; the underlying policy of the federal trademark system; long-percolating circuit splits; a misapplication of law which was case-dispositive; the integrity of trademark doctrine; the failings innate in disregarding the Lanham Act's call for uniformity; very substantial economic stakes; and legal flaws which allow injustice. Pet. at 30-35.

Harman's response (Opp. at 30-32) does not take on *any* of these respects. Blaming the victim only evades the legal issues.

The issues of borrowing and continuing wrongs are pure questions of law. This case turns on the answers, which decide the burden of proof and the scope of available relief. The fundamental issues of timeliness and relief—issues implicated in virtually every trademark action—fully warrant this Court's review.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

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