

U.S. District Court Upholds \$26 Million Jury Award in International Espionage Case Involving Copyright Infringement of Tire Blueprints

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The U.S. District Court for the Eastern District of Virginia July 21 upheld a jury award of \$26 million in damages against companies based in China and Dubai found liable in a corporate espionage case for infringing copyrights in mining tire blueprints owned by a Florida inventor and his tire manufacturing company (*In re Outsidewall Tire Litigation*, E.D. Va., No. 1:09cv1217, 7/21/10).

Espionage Conspiracy Claimed Against International Figures.

This case was brought by Jordan Fishman and his companies that included Tire Engineering & Distribution LLC and centered on conduct that began in 2005 at a Virginia hotel, where former employee Sam Vance met Surender Kandhari and John Canning, both representing Al Dobowi Ltd. and other companies from United Arab Emirates.

The court found that the jury had sufficient evidence to find that the three men discussed how the Al Dobowi companies could begin manufacturing a line of tires based on Fishman's line of "Alpha" mining tires. The jury also found evidence that Vance shortly thereafter similarly contacted representatives of Shandong Linglong Rubber Co., Ltd. and Shandong Linglong Tire Co., Ltd., which are both based in China. The jury further found that Vance retained blueprints of the Fishman tire designs without permission "even though a warning on the drawings indicated that they were confidential, and that reproduction or other use must be expressly authorized in writing," Judge T.S. Ellis III wrote. "By September 2005, Vance was working with Linglong defendants to adapt the Alpha tire blueprints into drawings for Al Dobowi defendants' new 'Infinity Mining tires' series," Ellis said. He added that "Vance, Canning, and Linglong defendants proceeded to design new tire blueprints and molds based on the Alpha tire blueprints, despite having ample notice—including several communications from plaintiff Jordan Fishman—that the blueprints contained protected intellectual property."

Jurisdiction Over Foreign Defendants.

With this factual background, “it was entirely reasonable for the jury to conclude from the evidence presented at trial that the primary purpose of that meeting was to conspire to convert plaintiffs’ property and to infringe on their trademarks and copyrights,” Ellis continued. As the claims here arose out of the May 2005 meeting at the Jefferson Hotel in Richmond, “the jury reasonably could have concluded that personal jurisdiction existed over Al Dobowi defendants,” the court said. While the Linglong defendants insisted that they were not subject to personal jurisdiction in Virginia because they were not present at that meeting, the district court stated:

Nonetheless, the evidence was plainly sufficient to prove that Linglong defendants in China participated in the conspiracy knowing that Vance would perform acts in furtherance of the conspiracy in Virginia and indeed, the evidence further showed that Linglong defendants collaborated directly with Vance to commit these acts in Virginia. Specifically, the evidence showed that Linglong defendants worked closely with Vance via e-mail and telephone while Vance was at his home office in Tazewell, Virginia. Vance’s e-mail communications reflect that he collaborated with Merry Wang and Linglong defendants’ engineering department in performing some of the work of modifying the Alpha tire blueprints so that they “would not look like the AA (Awful Alpha)” from his home office in Tazewell, Virginia, and additionally, Vance told Wang that he was working on the blueprints from Tazewell. ... The evidence in this case was plainly sufficient to show that Linglong defendants purposefully availed themselves of the benefits and protections of the Commonwealth through their participation in the conspiracy here in issue and accordingly, the motion must be denied on the personal jurisdiction issue.

Predicate-Act Doctrine Applied to Extraterritorial Conduct.

Continuing, the court rejected the defendants’ argument that the claims for civil conspiracy, trademark infringement, and conversion were preempted by Section 301 of the Copyright Act, 17 U.S.C. §301. “This contention is plainly meritless,” the court said, noting that those claims do not assert rights “equivalent to those listed in § 106 of the Copyright Act.”

The court went on to find that the defendants were entitled to a judgment as a matter of law on the charge that they infringed the registered “Mine Mauler” trademark by using the “Mine Handler” mark. Here, Ellis agreed that these two marks are not confusingly similar.

As to Fishman’s copyright infringement claim, the defendants argued that any claims not barred by the Copyright Act’s three-year limitations period were barred because they occurred in China, not in the United States. They argued that any conduct by Vance occurred in the United

States and that they produced no tires and sold to no customers in the United States.

For the district court, “the question, not yet resolved in this circuit, is whether extraterritorial exploitation of a copyright originally infringed inside the United States falls within the jurisdiction of the Copyright Act.” Citing [Subafilms, Ltd. v. MGM-Pathe Comms. Co.](#), 24 F.3d 1088 (9th Cir. 1994) and [Update Art Inc. v. Modiin Pubs., Ltd.](#)

, 843 F.2d 67 (2d Cir. 1988), it noted that Second and Ninth Circuits have held that a copyright infringement plaintiff may only recover damages for extraterritorial conduct if the plaintiff pleads and proves “an act of infringement within the United States.”

Update Art held that a plaintiff may recover for a foreign act of infringement where that foreign act “depends on the occurrence of a predicate act [of infringement] in the United States.” There, the Second Circuit found that that because the original act of illegal reproduction of a poster may have occurred in the United States before the illegal copy was exported to Israel and reprinted in a newspaper, the plaintiff had stated a valid prima facie claim for copyright infringement by the Israel newspaper.

Applying that reasoning, Ellis stated:

Contrary to defendants' assertions, this predicate-act doctrine has not been repudiated in the Ninth Circuit nor anywhere else. Indeed, the Second Circuit's rule strikes the proper balance by ensuring that domestic copyright infringers may not seek refuge for their acts of infringement within the United States by exploiting those infringing acts in foreign countries. Thus, application of the Second Circuit's rule yields the result that plaintiffs may recover for extraterritorial infringing acts that occurred within the three-year limitations period, as plaintiffs have also adequately proven that a predicate infringing act occurred within the United States. That the predicate act occurred outside the limitations period is ultimately irrelevant as plaintiffs do not seek to recover for that specific infringing act, and it is well settled that the Copyright Act's statute of limitations is a limit on the remedy only, and not on the substantive right.

Further, the court rejected the defendants' argument that Fishman did not prove the elements of a copyright infringement claim. Finally, the court upheld the \$26 million jury verdict award as reasonable, noting that “the jury reduced the award by over 25 percent from plaintiffs' request, and this reduction appears to correlate to the percentage of infringing sales that likely occurred outside the copyright infringement limitations period.”

The defendants' motion for judgment as a matter of law was denied, except as to the claim regarding infringement of the registered trademark.

The Shandong Linglong defendants were represented by Brandon Hall Elledge of Holland & Knight, McLean, Va. The AI Dobowi defendants were represented by Laura Nicolle Fellow, Brett Heather Freedson, and Shelby Jeanne Kelley of Bracewell & Guiliani Washington, D.C.

Fishman and his companies were represented by August J. Matteis Jr. and William Edgar Copley of Gilbert Oshinsky, Washington, D.C. In a [press release](#) on the firm's website, the jury award is touted as "One of the Largest Individual Copyright Infringement Awards in U.S. History." Matteis is quoted as saying: "This case should serve as a bellwether for foreign multinational corporations who believe they can act with impunity, stealing intellectual property from a small U.S. business, and then avoid the reach of our judicial system."

Read the *In re Outsidewall Tire Litigation* [opinion](#) .