

**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Alexandria Division**

Zhejiang Hailiang Co., Ltd.)
)
 Plaintiff/Counterclaim Defendant,)
)
 v.) Case No. 1:23-cv-1606-LMB-LRV
)
 KME Germany GmbH,)
)
 Defendant/Counterclaim Plaintiff.)
)
 _____)

**BRIEF OF PLAINTIFF ZHEJIANG HAILIANG CO., LTD. IN SUPPORT OF ITS
MOTION TO FIND CASE EXCEPTIONAL AND
AWARD ATTORNEYS' FEES AND COSTS TO PLAINTIFF**

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Pursuant to Fed. R. Civ. P. 54, Plaintiff Zhejiang Hailiang Co., Ltd. (“Hailiang” or “HME”) moves the Court to find this case to be “exceptional” under the Lanham Act, 15 U.S.C. § 1117(a), and to award Plaintiff its attorneys’ fees and costs in defending this action.

I. INTRODUCTION

A court may award attorneys’ fees to a prevailing party in “exceptional” Lanham Act cases when the totality of circumstances shows: (1) an unusual discrepancy in the merits of the parties’ positions, based on a party’s objectively unreasonable position; (2) litigation of the case in an unreasonable manner; **or** (3) a need to advance considerations of compensation and deterrence. *Verisign, Inc. v. XYZ.COM LLC*, 891 F.3d 481, 487 (4th Cir. 2018). Any one of these circumstances would entitle HME to an award of fees. Here, all three are present.

KME’s position was objectively unreasonable from the outset, and then KME doubled down as HME uncovered overwhelming evidence that (i) KME itself helped developed the HME name and logo, (ii) KME knowingly submitted false testimony to the TTAB, and (iii) there was no actual confusion (and no actual damages) and no possibility of confusion.

KME also litigated the case in an unreasonable manner by, *inter alia*, expressing no willingness to settle absent a *multimillion dollar* monetary payment by HME that lacked any basis under the facts and law, and engaging in motions practice and obstreperous conduct in discovery that failed to comply with the practices and procedures of this Court.

KME should face deterrent consequences for conducting itself inequitably before the TTAB, using the rotten fruits of that conduct to threaten suit, and litigating this meritless case with improper motivation, in order to put pressure on HME in unrelated business negotiations.¹

¹ As noted in the Court’s June 24, 2024 opinion, KME admitted that without the win at the TTAB, there would have been no basis for KME’s infringement counterclaim. Dkt. 63 at 26 n.11.

II. RELEVANT PROCEDURAL AND FACTUAL BACKGROUND

KME Germany GmbH (“KME”), as of 2019 an EU-based manufacturer of brass, copper and copper alloy products, sold its entire brass rods business and part of its copper tubes business to Hailiang via a January 28, 2019 Share Asset Purchase Agreement (“APA”). SUF ¶¶ 1-3.² KME retained its core business of flat and rolled products. SUF ¶ 1. As part of Hailiang’s acquisition, which closed on April 1, 2019 (“Closing Date”), the four KME brass entities acquired by Hailiang and the new copper tubes entity were renamed as HME. SUF ¶ 3. Hailiang did not buy KME’s SCT Copper Tubes plant in Serravalle, Italy, a matter that is still under negotiation and which – as discussed *infra* – underlies KME’s motivation for driving its baseless trademark case.

A. KME Develops and Approves the HME Name and Logo.

As early as December 2018, KME executive Franz Thiele came up with the name HME for the lines of business Hailiang was purchasing from KME. SUF ¶ 4. Also, as of December 2018, KME Germany’s Head of Marketing, Hermann Kersting, commissioned KME’s outside marketing agency to develop the HME logo that HME still uses today: **HME**. HME Reply³ at p. 3; Reese Decl., Dkt. 283-1, Ex. A, KME072965-66; 1/10/25 Hr’ng Tr., Dkt. 363, at 12. During negotiations in December 2018, KME’s CEO Ulrich Becker told Michael Jiang, Hailiang’s principal asset purchase negotiator, that Becker *agreed* with the name HME if the logo used a different style and color from KME’s logo, which it did. SUF ¶¶ 5–6.

² References to “SUF” are to the Statement of Uncontested Facts in Plaintiff’s Memorandum in Support of Motion for Summary Judgment, Dkt. 250-1.

³ References to “HME Reply” are to Plaintiff’s Reply in Support of Motion for Summary Judgment, Dkt. 279.

Thiele developed the HME logo with the knowledge or assistance of other high-level KME employees in addition to Becker and Kersting, including Kerstin Rima (KME's paralegal and veteran trademark manager), Sabine Kahmann (who then worked in KME's marketing department and now leads it), Christian Bleiker (a KME in-house attorney), and the Tammen Group (KME's outside advertising agency). HME Supp.⁴ at pp. 1-2; Dkt. 358-1, KME052689; Dkt. 358-2, KME061573; Dkt. 358-3, KME061638; Dkt. 358-4, KME060028; Dkt. 358-5, KME060030; Dkt. 358-6, KME072965; Dkt. 358-7, KME059812.

On February 21, 2019, Jiang sent the planned HME logos to Becker stating: "Attached are the HME Logo draft design for your review." Jiang Decl., Dkt. 187-2, Ex. B, HME0004886. Jiang was clearly referring to his December conversation with Becker; otherwise, Jiang's email would have given more context. *See* SUF ¶ 7. Becker never responded to Jiang's email and was not aware of anyone else at KME doing so. SUF ¶ 8. On March 20, 2019, less than two weeks before the APA Closing Date, Thiele emailed Jiang and other Hailiang employees about a *rumor* he heard from KME's IT department while working on the website transition, stating:

As I received the go from Lina to start the process to quickly design the HMEmetal.com web site of our European activities I just learned that in Osnabrück are now rumors by their IT, that KME is having now an issue with the HME Logo, *though Mr. Becker agreed to it some weeks ago*. I think we need to clarify this point with KME. We should have a confirmation from KME that they will not claim!

SUF ¶ 9 (emphasis added). Like Jiang, Thiele recalled that Becker had approved of the HME logo weeks before the Closing Date. *Id.* Becker and the current KME CEO, Claudio Pinassi, admitted they were never concerned about the use of HME on brass rods. SUF ¶ 10. Becker admitted that during this early 2019 time period, it "could very well be" that he told Thiele he

⁴ References to "HME Supp." are to HME's Supp. Brief in Support of its Motion for Summary Judgment and in Opposition to Defendant's Motion for Partial Summary Judgment, Dkt. 348.

was okay with the use of the HME mark as to brass rods. SUF ¶ 11. Ultimately, KME never communicated any objection to Hailiang before closing. SUF ¶ 13.

On March 25, 2019 (one week before closing), after seeing Thiele's email, Jiang emailed Becker about multiple closing-related issues and referred to the December conversation where Becker stated that he had no issue with the HME name and logo. Jiang's email stated in part:

Regarding the HME logo and registration, if I remember correctly, you will be fine with it if we do not use similar design and same color tone as KME. And we will take the risk of being declined in process of registration in various countries. Could you please confirm the acceptance of above.

SUF ¶ 14 (emphasis added).

On March 26, 2019, Jiang sent a follow up email about other aspects of the closing of the APA deal. Becker responded that day but avoided any mention of the logo. SUF ¶¶ 15–16. To close out the discussion, Jiang responded that same day, stating in relevant part:

Could you please reconfirm our conversation about always keeping 1 week's supply on site but providing 4 weeks rolling delivery schedule in advance? For the HME registration, per our discussion, we will take our own risk to proceed with registration of logo and company name, and you will not claim against us. Kindly please confirm above.

SUF ¶ 17 (emphasis added). Becker never responded, and testified that he *intentionally* chose not to voice concern about the HME name before closing because he was afraid it would delay or jeopardize the deal. SUF ¶¶ 18–19, 21. Concluding, as Becker intended, that there was no problem, Hailiang proceeded with the HME name. SUF ¶ 20.

Becker and KME manifested their approval and assisted in developing and promoting the HME name in a number of other ways, including:

- a) On March 4, 2019, Becker wrote to all employees at the KME Menden factory advising that their new employer would be called HME Copper Germany GmbH, referring over 70 times to the term HME, SUF ¶ 23;

- b) On March 14, 2019, Thiele emailed the logo to Kerstin Rima (KME paralegal and trademark manager) and Christian Bleiker (KME in-house counsel) and asked whether it was necessary to wait three months to use it; Rima replied it was not necessary to wait, but a likelihood of confusion cited by the trademark office could not be ruled out – thus confirming the agreement that KME would not object and HME would take its chances with the trademark office, HME Supp. at p. 1, KME061573;
- c) On March 29, 2019, other senior KME executives wrote *to customers* on KME letterhead, advising that the new German tubes business would be called HME Copper Germany, SUF ¶ 24;
- d) KME used KME internal lawyers to register the new company name HME Brass Italy S.P.A. with the Italian Chamber of Commerce, SUF ¶ 25;
- e) KME entered into transitional services agreements citing the HME name and including an HME entity as a party to the agreement, SUF ¶ 26.

B. KME Objects to the EU Application Months After Approving the Logo.

In April 2019, Hailiang filed a trademark application with the European Union Intellectual Property Office (“EUIPO”) for the mark **HME** (“EU Application”). On June 6, 2019, almost six months after Becker first learned of the HME name and more than two months after the Closing Date, KME’s German trademark counsel, Eva Kessler, wrote to Hailiang’s EU trademark counsel regarding the EU Application, marking the first time Hailiang learned that KME had any issue with the HME mark. The letter admitted that *KME had no issue with the HME name generally* and did not object to the entire application but asked that Hailiang limit the goods covered to track the businesses purchased from KME. SUF ¶¶ 28-29.

On July 29, 2019, KME opposed HME’s EU Application (“EU Opposition”). During ensuing settlement discussions, Rima reiterated KME’s position that it had no objection to the use of HME as to the names of the businesses acquired from KME or the goods those businesses produce, but simply wanted to clarify that HME would not be used or registered for businesses that KME was still in, such as flat and rolled products. SUF ¶¶ 31–33.

C. KME Limits its EU Opposition to Classes of Goods Not Acquired by HME.

On February 21, 2020, after some negotiation with HME, KME filed a request to limit its EU Opposition to oppose *only* as to the following goods: Copper, unwrought or semiwrought; Sheets and plates of metal; Alloys of common metal. KME did not oppose the EU Application for the remaining goods, which included, *inter alia*, “Brass, unwrought or semi-wrought” (which would include brass rods) and “Pipes of metal” (which would include copper tubes). SUF ¶¶ 34–35. This limitation of the EU Opposition is consistent with Becker’s and Pinassi’s testimony that they did not perceive a likelihood of confusion as to brass rods. SUF ¶¶ 36–38. On March 5, 2021, the HME EU Application registered for use in connection with numerous goods, including those that encompassed brass and pipes of metal. SUF ¶ 39.

D. KME Privately Admits Fault and Deception Before the TTAB.

On April 8, 2020, Hailiang filed US Trademark Application No. 888863480 for the mark **HME** (“US Application”). SUF ¶ 84. On February 17, 2021, KME opposed this application. (“US Opposition”). SUF ¶ 85. During the US Opposition, KME concealed the fact that KME selected and developed the name and mark HME. SUF ¶ 86; *see also* Reese Decl., Dkt. 283-1, Ex. A, KME072965-66; HME Supp. at p.1–2; Dkt. 358-4, KME060028; Dkt. 358-5, KME060030.

In August 2021, as Rima gathered documents and information for use in the TTAB proceeding, she “discovered” – or rather rediscovered – KME’s role in developing the HME mark, leading her to write in an internal email to Kahmann:

If we knew about the HME brand, even though it says otherwise in the contract, then *that’s our fault*. We should not have *allowed* this mark. *I assume that we will now end the proceedings in the USA very quickly.*

HME Supp. at p. 2; Dkt. 358-4, KME060028. On August 16, 2021, Rima confirmed this sentiment with the head of KME’s legal department, Jutta Heitkamp, writing:

I believe that we should not continue the US dispute under these circumstances. Especially as the costs are also not insignificant (costs of USD 15,000–35,000 can be expected, depending on how strongly Hailiang continues to defend itself), especially as I am also afraid that it will suddenly come out that KME developed the trademark and therefore the trademark was already known to KME prior to the application. Unfortunately, we don't know what the Chinese are capable of conjuring up.

Should I ask Mr. Becker about this? He's coming in to the office tomorrow.

Dkt. 358-5, KME060030 (emphasis added). Heitkamp did not disagree, but rather recalled that Becker had *agreed* to the EU HME trademark:

Morning Kerstin, One is always amazed! It's crazy what's going on at KME. The problem started with the European trademark, and **that's what Becker supposedly promised**, if I remember correctly. Therefore Becker is also the best person to talk to. He should decide that, I think. Thanks for letting me know! Best regards, Jutta

Id. (emphasis added). The next day Rima reported back to outside counsel Kessler:

I have just spoken to Mr. Becker. He has decided "**we will fight to the death.**" So keep going!

Dkt. 358-7, KME059812 (emphasis added). KME personnel clearly did not expect to have to mislead and hide facts from the TTAB because they thought the threat of legal fees in defending KME's opposition would cause HME to roll over. As Kessler expressed in her August 13, 2021 email to Rima, "[t]he aim of the objection [opposition] was to build up pressure and try to persuade Hailiang to give in after all. Unfortunately, this does not seem to have succeeded." *Id.*

E. Becker and Rima Give False Testimony before the TTAB and KME Repeated the False Narrative in this Appeal.

Despite knowing otherwise, in 2022 KME filed a brief in the TTAB proceedings in which it made the false statement that "KME Germany did not consent to Zhejiang's use of the HME mark ..." HME Reply iso Objection to Magistrate Order, Dkt. 342, at p. 8; Satt. Reply Decl. iso

Objection, Dkt. 343, ¶ 14, Ex. E at p. 35. KME also alleged before the TTAB that after acquiring certain KME lines of business, HME began using the HME mark to imitate KME, when in fact KME itself developed the mark before the acquisition for HME’s use. *See id.* at pp. 8-9 (alleging that “[i]n 2019 [HME]... began offering... products under a mark that is nearly identical to KME Germany’s KME mark.... These similarities are not a coincidence,” and that despite a written agreement to the contrary (the APA), HME “instead chose the confusingly similar HME mark.”).

F. The TTAB Relies on KME’s Falsehoods.

On September 29, 2023, the TTAB sustained the US Opposition (“TTAB Decision”). In so doing, the TTAB relied on the many falsehoods in the declarations of Becker and Rima. Becker falsely declared that he believed there was a likelihood of confusion between the parties’ marks, withholding material information concerning his and KME’s approval of the HME mark. Becker *admitted* at his deposition in this litigation that several material statements in his TTAB declaration were *false*, including that HME advertised in the same channels of trade, attended trade shows in the US, and was selling the same goods to the same customers. SUF ¶¶ 87-99.

The TTAB also relied on Rima’s false testimony that all the other goods in HME’s application that KME does not sell are “highly related [] goods . . . sold to the same buyers, have the same customer uses, and are all widely used in the commercial industries,” and relied on Rima’s false testimony that KME “provides maintenance and repair services related to metal goods.” SUF ¶ 90-92; Satt. Decl., Dkt. 186-23, ¶¶ 35-39, Ex. W (KME’s Responses to RFAs).

G. KME Sends a Cease-and-Desist Letter Prompting the Instant Litigation

On November 1, 2023, and again on November 22 – one week before the deadline for Hailiang to appeal the TTAB Decision – KME’s US trademark counsel sent Hailiang a cease-and-desist letter expressly based on its TTAB victory, demanding that HME cease all *use* of the

mark in the US under penalty of injunctive relief and damages. This was the first time KME ever raised concern as to Hailiang's use of the mark rather than the scope of registration. Indeed, KME submitted a letter from Kessler while the TTAB case was pending suggesting the same modification to the US application as had been made in the EU registration, continuing the narrative of acquiescence in the US. Dkt. 245-12, Ex. 37 to King Decl. in Opp'n to HME MSJ.

Given the impending appeal deadline and the threat posed by KME's letter, HME appealed under 15 U.S.C. § 1071(b) and asserted a claim for declaration of noninfringement. Indeed, KME admits that it was the aggressor in this litigation. KME CEO, Pinassi, testified:

A. [T]he decision to go ahead with this action was mine and the other members of the board of KME Germany. . .

Q. Is it KME Germany's position that it initiated the action against Zhejiang Hailiang for its use of the "HME" mark?

A. Yes.

1/24/25 Satt. Decl. ⁵ ¶ 46, Ex. H (Pinassi Dep. at 19:3-22, 20:12-15).

H. KME Petitions to Cancel the EU Registration in Retaliation for this Lawsuit.

After this US lawsuit began, KME performed an abrupt about-face with regard to the European registration, filing a request to cancel the same EU registration it had expressly permitted (as limited, as discussed above). *See* 1/24/25 Satt. Decl. ¶ 34. KME also filed a lawsuit in German court accusing Hailing of trademark infringement. *See id.* ¶ 35. There were no changed circumstances that could have warranted KME's change in position, other than retaliation for HME's filing of the instant declaratory judgment action and KME's continuing attempts to pressure HME into buying the Serravalle plant, as discussed below in Section II(J) and III(C).

⁵ References to "1/24/25 Satt. Decl." are to the Declaration of Janet Satterthwaite, filed herewith.

I. KME Persists in an Unreasonable Settlement Position.

Hailiang’s German counsel sent KME’s German counsel a comprehensive worldwide co-existence settlement proposal on April 12, 2024. *Id.* ¶ 4, Ex. A. Without showing the offer to its US counsel, KME rejected it with no counter. *Id.* ¶¶ 5, 9, Ex. B. KME made no other settlement overture until five months later. KME’s first written offer demanded, *inter alia*, that Hailiang phase out all use of HME and pay KME \$6.5 million. *Id.* ¶¶ 11-12, Ex. C. It did not offer to settle the German litigation, where KME is seeking injunctive relief and may also seek damages. *Id.* ¶¶ 35–36.

Knowing the weakness of KME’s case, HME countered by email on September 9, 2024, offering more non-monetary concessions than KME could have obtained through litigation, but offering no money. *Id.* ¶ 13, Ex. C. During a meeting on September 12, 2024, KME’s counsel made it clear that any settlement would have to include a ***substantial payment of money*** from HME to KME. *Id.* ¶ 15. The next day, KME’s counsel sent an email stating, in relevant part:

KME’s position that HME may not be used as a standalone name or mark is very firm. KME feels strongly about the need for certainty in this area and may be willing to discuss an acceptable new (composite) trade name for Hailiang’s business that is modified, for example, by the inclusion of additional word elements (e.g. coupled with HAILIANG or some other word), however only for specific goods, in limited regions, **and with appropriate compensation.**

Id. ¶ 16, Ex. D. KME’s counsel acknowledged that, with regard to the “monetary payment,” the parties have “very different perspectives on...value of the use of the HME name going forward.” *Id.*

The settlement conference was not successful. Thereafter, KME never wavered from its \$6.5 million demand, even after the Court compelled production of smoking-gun documents in

which KME admitted it “allowed” the mark and should withdraw the TTAB opposition. 1/24/25 Satt. Decl. at ¶ 28; Dkt. 346.

J. KME Pressures HME on Serravalle and Other Unrelated Issues.

KME wants to force HME to buy the Serravalle plant, part of which HME currently leases, and has used this litigation as leverage in that effort. KME’s pressure tactics include: (i) communicating that KME would not settle this case unless HME agreed to buy Serravalle at an exorbitant price; (ii) announcing a few weeks after this lawsuit was filed that KME will not renew HME’s lease in 2028 (with no apparent business justification); and (iii) refusing to give HME access to its own computer data, which KME hosts per a transition services agreement. The factual details and support relating to these matters are set forth in Section III(C), below.

K. Hailiang Wins Summary Judgment.

Hailing moved for summary judgment on Counts I, II, and III of its operative complaint, noting that Counts IV and V would be moot. On January 10, 2025 the Court granted summary judgment in favor of Hailiang, finding that KME: (i) engaged in inequitable conduct before the TTAB (Dkt 361); (ii) “did not act in good faith”; (iii) “acquiesced to the use of the name HME”; and (iv) had “unclean hands” (1/10/25 Hr’ng Tr., Dkt. 363, at 24:18-25:9). The Court also found that KME’s conduct was “inappropriate” and “inequitable.” *Id.* at 39:22-25.

III. ARGUMENT

In the context of patent litigation, the Supreme Court held that “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553 (2014) (stating that “exceptional” means “uncommon,” “rare,”

or “not ordinary”). District courts “may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* In determining whether to award fees, district courts may consider a nonexclusive list of factors, including frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence. *Id.* at 554 n.6. There is no precise rule or formula for determining whether to award attorneys’ fees, but instead equitable discretion should be exercised in light of the above considerations. *Id.* at 554.

In *Verisign*, applying the *Octane Fitness* standard to trademark cases, the Fourth Circuit ruled that a district court may find a case exceptional and award attorneys’ fees to the prevailing party under § 1117(a) “when it determines, in light of the totality of the circumstances, that (1) there is an unusual discrepancy in the merits of the positions taken by the parties, based on the non-prevailing party’s position as either frivolous or objectively unreasonable; (2) the non-prevailing party has litigated the case in an unreasonable manner; or (3) there is otherwise the need in particular circumstances to advance considerations of compensation and deterrence.” 891 F.3d at 487. The court also “clarif[ied] that the losing party’s conduct need not have been independently sanctionable or taken in bad faith in order to merit an award of attorney fees to the prevailing party under the Lanham Act.” *Id.* at 487.

The test is disjunctive, not conjunctive: only one factor must be satisfied. *Dewberry Eng’rs Inc. v. Dewberry Grp., Inc.*, 77 F.4th 265, 294 (4th Cir. 2023), *cert. granted on other grounds*, 144 S. Ct. 2681, 219 L. Ed. 2d 1297 (2024). District courts are not constrained to follow a “precise rule or formula for making these determinations but instead equitable discretion should be exercised.” *Id.* The grant or denial of attorneys’ fees under the Lanham Act

will not be disturbed absent abuse of that discretion. *Verisign*, 891 F.3d at 487. Here, all three factors are present, and the Court should exercise its discretion to award HME its legal fees.

A. KME’s Position on the Merits was Objectively Unreasonable (Prong One).

KME’s position on the merits was unreasonable from the outset and grew even more unreasonable as the instant litigation unfolded. The “unusual discrepancy in the merits of the positions taken by the parties” manifested itself with regard to at least the following issues: (i) KME’s acquiescence and unclean hands; (ii) no actual confusion; (iii) no likelihood of confusion; and (iv) no actual damages or basis for disgorgement of profits.

1. KME’s Acquiescence and Unclean Hands.

KME knew all along that it was KME’s idea for Hailiang to call the new business HME, and that KME affirmatively consented and never objected to the HME name or logo. The Court agreed, finding that KME acquiesced. 1/10/25 Hr’ng Tr., Dkt. 363, at 24:17-22. The Court also found KME engaged in inequitable conduct before the TTAB, thus knowingly misleading the TTAB into ruling in its favor. *Id.* at p. 25:4-9. Becker himself, testifying as KME’s corporate designee, *admitted* in his July deposition that numerous statements in his sworn TTAB declaration were *false*. SUF ¶¶ 88–89.

KME sent a cease-and-desist letter to HME in November 2023, *specifically relying on its inequitable win at the TTAB*, notwithstanding that KME had acquiesced without objection to the use and registration of HME name and mark for the lines of business bought from KME since before the closing of the Asset Purchase agreement APA in 2019. When HME filed the instant appeal and declaratory judgment action in response to KME’s cease-and-desist letter, KME counterclaimed, and pressed on with absurd spins on the plain facts. For example, KME’s briefing and oral advocacy became fixated on trying to claim that Franz Thiele, a senior KME executive when he came up with the idea to call the new business HME, was some kind of rogue

actor, when the facts showed that *multiple* KME executives approved and helped develop the HME name and/or were apprised of what Thiele was doing, and Becker expressly consented. HME Supp. at pp. 1-2; SUF ¶ 6; KME Opp'n, Dkt. 247, SDF ¶ 4; KME Memo MPSJ, Dkt. 239-1, SUMF ¶¶ 22–24; KME Reply MPSJ, Dkt. 277, at pp. 5-6.

The Court *warned* KME at every hearing that KME had a “bad” case and a “problem” and that it should settle, but KME persisted. At the May 24, 2024 hearing on KME’s partial motion to dismiss, the Court said “the other issue that does concern me is the representation by the plaintiff that...it was actually KME that came up or agreed with the mark—the HME mark that is at issue in this case, that Mr. Becker may have misrepresented that situation to the TTAB.” 5/24/24 Hr’ng Tr., Dkt. 55, at 5:18-6:2. The Court also said “but, again, because clearly, at least back several years ago, I think there was no question that KME did not have a problem with the trademark itself...” *Id.* at 17:10-16. The Court further stated:

And what the defense needs to think about, I think *quite seriously*, is how well the plaintiff will be able to show that there was an acquiescence and an agreement to the mark itself, at least for a certain limited area.

Id. at 18:10-17 (emphasis added.); and,

The trouble, though, as the complaint is written, as I recall, they say your folks actually helped in coming up with the name. Now, that’s a factual issue. It may not play out. When Mr. Becker is deposed, he may say something different. The people who were present when the deal was being negotiated in Germany may have a different recollection. But I think that’s very critical issue.

Id. at 21:23-24:5.

Thus, the Court warned KME during the very first hearing that if the fact played out as alleged in the Complaint, KME had a problem on the merits.

Indeed, the facts not only played out as the Court discussed but got worse and worse for KME. HME uncovered evidence that: Kersting (KME’s head of marketing) played a part in

developing the HME logo; Rima (KME's trademark manager) gave Thiele advice in connection with registration; Thiele discussed the HME mark with Becker; and Becker told Jiang before the signing of the APA that he had no issue with the HME mark.

In contrast, no facts emerged that showed that Hailing had anything to do with the selection of the mark HME or the initial design of the logo; indeed, the logo that was finally adopted and is in use today is the exact same logo that KME commissioned from the outside marketing agency. *See* 1/10/25 Hr'ng Tr., Dkt. 363, at 7:7-20, 9:18-21. So even after being serially warned by the Court that the case would be bad for KME if these allegations played out, and as the allegations played out even worse for KME as discovery progressed, KME kept on aggressively litigating.

In later hearings, the Court *continued* to warn KME that the facts were looking very bad. The Court: "Well, isn't the real issue in this case—*because you've got a problem*, as I can see it, in the fact that there's certainly evidence that Becker and possibly Thiele...worked with the plaintiff in developing this trademark." 10/4/24 Hr'ng Tr., Dkt. 269, at 7:1-5 (emphasis added).

After pushback from KME's counsel, the Court replied:

[B]ut was [Becker] aware that plaintiff was planning to use that mark? Is there evidence in the record that he was aware? Because I thought there was a communication where they asked him some question about, it is—I'm going to be paraphrasing: is it ok to use this mark, or do you have any problem with this mark?"

Id. at 8:3-8.

Warnings like these have been found by this Court to be a factor in favor of finding a case exceptional. In *Valador, Inc. v. HTC Corporation*, the court awarded fees for the defendant, reasoning in part that Judge Ellis had warned the plaintiff that the merits looked weak. No. 1:16-cv-1162, 2018 WL 4940721, at *3 (E.D. Va. May 30, 2018), R&R adopted, *Valador, Inc.*, No.

1:16-cv-1162, 2018 WL 4937057 (E.D. Va. Oct. 10, 2018). Like KME, the plaintiff in *Valador* continued pursuing a meritless case without pausing to reevaluate the merits as the facts got worse provides a further basis to find the case exceptional: “as discovery progressed, the weaknesses in plaintiff’s claims became clearer.” *Id.*, at *4. The court cited this as a factor in finding the case exceptional, as should the Court in the instant case. *See also Design Res. Inc. v. Leather Indus of Am.* 2016 WL 5477611 at *4 (M.D.N.C. Sept. 29, 2006) (“[A] party... should continue to evaluate the reasonableness of its litigation strategy as the case progresses to ensure that conduct does not cross the line from reasonable to questionable.”).

Rather than admit defeat and engage in good-faith settlement discussions, KME made increasingly preposterous attempts to explain away the fact that Thiele developed the HME name and concept.⁶ KME made equally specious attempts to spin the facts as to Becker. At the January 10, 2025 hearing on summary judgment, the Court mentioned numerous times that she found that KME had engaged in “inequitable” conduct. 1/10/25 Hr’ng Tr., Dkt. 363, at 39:24. For example, the Court asked:

[W]hy did Mr. Becker not respond during that time period *honestly* to the plaintiff when the plaintiff asked—we have at least two or three emails in the record of the plaintiff asking are there any problems with the logo any problems, and there’s no answer?

Id. at 19:14-18 (emphasis added).

⁶ As the facts belied each theory, KME serially doubled down on increasingly nonsensical arguments that Thiele acted alone, or was HME’s “agent,” or went behind KME’s back, or was a rogue actor, or did not work for KME, or did not have the right power of attorney under German law even if he did work there, or that Kersting was also a rogue agent, while never contradicting the fact that Becker himself approved of the name HME. *See, e.g.*, KME Opp’n, Dkt. 247, SDF ¶ 4; KME Memo MPSJ, Dkt. 239-1, SUMF ¶¶ 22–24; KME Reply MPSJ, Dkt. 277, at p. 5-6; KME Supp. Opp’n, Dkt. 352, at pp. 2–3.

KME persisted in its argument that Becker's silence meant nothing, even in the face of uncontradicted testimony from Hailing's Michael Jiang that he expressly approved of the HME name, SUF ¶¶ 5–6; Jiang Decl., Dkt. 187, ¶¶ 18, 21, and Becker's admission that he deliberately remained silent to induce HME to close the deal, SUF ¶¶ 19–21, and federal appellate case law that such conduct clearly constitutes acquiescence, *see Profitness Physical Therapy Center v. Pro-Fit Orthopedic and Sports Phys. Therapy P.C.*, 314 F.3d 62, 69-69 (2d Cir. 2002) (finding, as in this case, that acquiescence based on Plaintiff's silence in response to Defendant's query to confirm that the new proposed name was acceptable). Notably, after KME's documents refreshed Jiang's recollection that Becker specifically approved the HME name, Becker did not refute this testimony with a counter-declaration. HME Reply at p. 9.

Under facts remarkably similar to the instant case, in *Arrow Electronics, Inc. v. Arrow Partnership LLC*, the parties had a longstanding, cooperative relationship during which the plaintiff never expressed any concern about the defendant's mark (just as KME never had an issue beyond scope). *Arrow*, No. 15–cv–02370–RBJ, 2017 WL 713914, at *7 (D. Colo. Jan 17, 2017). After “knowingly and peacefully coexist[ing] for years without trademark concerns,” the plaintiff suddenly sued. *Id.*, at *3. Based on this, the court found the case to be exceptional even though the trademark claims were not objectively frivolous. Like KME, the plaintiff in *Arrow* argued the personnel at issue had no authority to bind the company. *Id.*, at *7. The court rejected this argument and found the plaintiff was objectively unreasonable in continuing to prosecute the case after developing enough information to know that the case should not have been filed. *Id.*, at *7-8.

2. No Actual Confusion.

As in *Valador*, KME persisted in claiming actual confusion in pleadings and at summary judgment when there was no evidence of this. *See, e.g., Valador*, 2018 WL 4940721, at *5

(Plaintiff’s attempt to offer “questionable, deficient evidence of actual confusion” demonstrated the “blatant lack of substantive merit” to plaintiff’s claims as the case progressed.).

KME failed to name any supposed confusion witnesses in its initial disclosures or its witness list. KME America’s VP of Sales (and 30(b)(6) witness) Brian Riley admitted that he had “no idea” why customers were supposedly “confused” and could not say that confusion was because of the HME name. SUF ¶ 81. Neither Riley nor Michael Casella (KME product manager in charge of selling brass rods) could name any confused customers. SUF ¶¶ 81-82. KME also failed to conduct a survey, despite the Court having told KME that they were going to need to provide one. SUF ¶ 83; 5/24/24 Hr’ng Tr., Dkt. 55, at 12:10–16, 27:12–13.

KME was fully aware that there was no actual confusion, and its witnesses admitted that they were not aware of any confusion arising from the HME name, yet KME falsely claimed in its summary judgment papers to have actual confusion, preposterously asserting that a tiny handful of irrelevant emails were somehow proof of confusion. *See* KME Opp’n, Dkt. 247, at 22; HME Reply, Dkt. 279 at 12.

3. No Likelihood of Confusion

KME developed no facts to refute the Court’s assumption, and the truth, that the customers in this highly specialized B2B business really could not possibly be confused under the circumstances. KME Opp’n, Dkt. 247, at p. 23 (“Hailiang’s arguments regarding customer sophistication are disputed in terms of how [*not whether*] their sophistication impacts their purchasing decisions.”) (annotation added); *see also* 5/24/24 Hr’ng Tr. 12:13-13:3; 1/10/25 Hr’ng Tr., Dkt. 363, at 23:20-25. Indeed, Pinassi and Becker both admitted there was no risk of confusion as to brass rods, SUF ¶ 10; and Riley admitted in his deposition that no one was confused and there were no overlapping goods, and KME thus could not have lost any sales to HME. SUF ¶ 67.

a. Customers Do Not Overlap and are Sophisticated.

There are no customers who purchase from both HME and KME, other than a handful of large general metal distributors. SUF ¶ 70. KME admits that, like HME, it sells only to highly sophisticated industrial customers who are seeking specialized products at high dollar values. SUF ¶ 71. At both HME and KME, each customer works directly with a sales agent to obtain a quote and make an order. SUF ¶ 72. The customers' purchasing decisions, which each require serial personal interactions with the sales agent, are based on what plant the goods come from (regardless of who owns it or what brand it is currently using), the price, and delivery time. SUF ¶¶ 78-79.

b. HME's Business in the US and Lack of Overlap with KME.

HME took over KME's entire brass rods business and part of its copper tubes business. KME conceded that HME has never used the HME mark or trading name for any other business, products, or services outside of the lines of business acquired from KME. 1/10/25 Hr'ng Tr., Dkt. 363, at 16:4-19. HME does not currently, and has never in the last five years, engaged in any advertising or attended trade shows in the United States. SUF ¶ 94. In the US, HME only sells brass rods, namely, rod, bars, wires and profiles. SUF ¶ 49.⁷

In contrast to HME's detailed evidence and declarations explaining why the goods are unrelated and are used by different types of customers, KME provided no declarations or evidence in support of its conclusory claim that the goods are related because they are made of metal and are used in industrial and machining applications. KME Opp'n, Dkt. 247, at p. 17. (Indeed, KME provided *no fact witness declarations*, but only those of counsel, in *any* summary judgment pleadings.)

⁷ HME Ibertubos, in Spain, ships a very small amount of Copper Capillary Tubes to the US, mostly to Hailiang's non HME Texas affiliate. 2nd Gerlach Decl., Dkt. 280, ¶ 27.

c. KME's goods are different from HME's goods.

KME sells only the following KME branded items in the United States: copper strips, copper plates, copper sheets, copper roundbars, brass circles, brass plates and brass sheets. SUF ¶ 53. HME sells brass rods, bars, wires and profiles. SUF ¶ 49. The distinctions lie primarily in the shape of the goods, as well as the manufacturing process and applications which then lends itself to different customer profiles. Extruded products (HME's brass rods, wires, bars, profiles, tubes) are solid products used in applications requiring strength, durability and machinability. SUF ¶ 69.

Conversely, KME's goods (brass and copper sheets, strips, circles, plates, roundbars) are thin, flat products used in applications requiring surface area and flexibility. Brass rod businesses and brass sheet/strip businesses generally cater to different industries, applications, and end users. Brass rods are typically used in industries where strength and machinability are critical, while brass sheets and strips serve industries where flexibility, electrical conductivity, and surface coverage are needed. SUF ¶ 69.

Indeed, KME exited the brass rods business *because* it wanted to focus on an entirely different business. SUF ¶ 66. All of KME's witnesses *admitted* that KME does not sell any products that are comparable or alternatives to any HME products in the US, nor is there a single product that a customer could source from both companies. SUF ¶ 67.

4. No Actual Damages or Basis for Disgorgement

KME asserted a counterclaim for monetary damages and offered an expert report calculating these damages at no less than \$11 million. 1/24/25 Satt. Decl. ¶ 29. As discussed further, below, **KME demanded \$6.5 million in settlement** (along with overreaching non-monetary relief). There is no dispute, however, that KME sought only *disgorgement* and not actual damages, knowing that there was no possibility of actual lost sales. 1/10/25 Hr'ng Tr.,

Dkt. 363, at 27:4-17, 32:3-10. Therefore, KME would have had to persuade the Court in its discretion to award this equitable relief of disgorgement of profits.

A district court's grant of profit disgorgement is "subject to the principles of equity," 15 U.S.C. § 1117(a), and is ultimately a matter of the court's discretion," considering the following factors:

- (1) whether the defendant had the intent to confuse or deceive,
- (2) whether sales have been diverted,
- (3) the adequacy of other remedies,
- (4) any unreasonable delay by the plaintiff in asserting his rights,
- (5) the public interest in making the misconduct unprofitable, and
- (6) whether it is a case of palming off.

Dewberry, 77 F.4th at 289 and 293.

None of these factors is present in this case. HME clearly had no intent to confuse or deceive. KME could not possibly suspect – let alone prove – otherwise, as evidenced by the fact that Hailiang joined KME in a written notice to customers and others explaining the transition and using the "HME" name. If Hailiang had wanted to deceive customers into thinking there was no changing of the guard, and the products were still coming from KME, Hailiang would not have participated in or condoned the sending of that notice. In addition, no sales were diverted; KME is not entitled to any other remedies; KME acquiesced as to the adoption and use of HME, which is worse than mere delay; there is no public interest at stake, and there is no case for palming off.

Accordingly, due to KME's objectively unreasonable stances, there is a huge discrepancy between the parties' positions on all of the above, key issues, including acquiescence, unclean hands, likelihood of confusion, and damages.

B. KME's Conduct in the Litigation was Unreasonable (Prong Two).

KME's conduct in pursuing frivolous arguments and basing those arguments on factual misrepresentations, as discussed above, warrants a finding that KME's conduct in the litigation

was unreasonable. *See Hello I Am Elliot, Inc. v. Sine*, 19 Civ. 6905 (PAE), 2021 WL 1191971 at *6 (S.D.N.Y. Mar. 30, 2021), citing, *Pirri v. Cheek*, 851 Fed. App'x 183, 187 (Fed. Cir. Mar. 22, 2021) (affirming fee award where plaintiff's arguments were "objectively unreasonable, baseless, or frivolous" and often founded on "outlandish allegations based on factual misrepresentations").

KME's conduct in the litigation was unreasonable in several additional ways. **First**, KME was unreasonable in settlement negotiations and the settlement conference. **Second**, KME frivolously insisted on designating non-confidential materials as confidential, disregarding HME's objections and Court policy. **Third**, KME produced over 22,000 pages of key documents *only hours* before the close of discovery, leaving KME free to misconstrue their meaning and import because HME could not question KME's witnesses about them. **Fourth**, KME produced a privilege log in which at least 20% of the documents were facially nonprivileged, leading to the Court to rule that KME waived the attorney-client privilege.

1. KME Refused to Engage in Reasonable Settlement Negotiations.

Courts look to the reasonableness of settlement negotiations as a factor in making a case exceptional. *See, e.g., Bell v. Oakland Community Pools Project, Inc.*, Case No. 19-cv-01308-JST, 2020 WL 13695114 (N.D. Cal. Oct. 14, 2020) (finding case exceptional where plaintiff sought a "disproportionate amount to settle his claims," suggesting motive other than protecting his copyrights or "stimulat[ing] artistic creativity for the general public good"); *AF Holdings LLC v. Navasca*, No. C-12-2396 EMC, 2013 WL 3815677, at *2 (N.D. Cal. July 22, 2013) (finding improper motive where plaintiff "does not appear to have been motivated to file suit in order to protect the copyrighted work at issue" but rather "to coerce settlements").

There is ample basis to find that KME did not engage in reasonable settlement negotiations. Hailiang proposed a comprehensive worldwide co-existence settlement proposal on April 12, 2024. 1/24/25 Satt. Decl. ¶ 4, Ex. A. KME rejected the offer without a counter and

made no other settlement overture for five months. Then, in September, KME's proposal demanded that Hailiang phase out all use of HME and pay KME \$6.5 million. It did not offer a global resolution or to settle the German litigation, where KME may also seek damages. 1/24/25 Satt. Decl. ¶¶ 11-12, Ex. C.

The settlement conference was unsuccessful. Thereafter, KME never amended its settlement position, even after being compelled to produce smoking-gun documents in which KME admitted it "allowed" the mark and should withdraw the TTAB Opposition. 1/24/25 Satt. Decl. ¶ 28; Dkt. 346.

The merits of the case clearly favored HME, as played out in summary judgment. As such, KME's settlement position was outlandish. HME was willing to settle broadly along the lines that KME had proposed in the 2019 co-existence agreement and which were consistent with KME's acquiescence. 1/24/25 Satt. Decl. ¶ 13, Ex. C; Satt. Decl., Dkt. 186-5, Ex. E.

Indeed, after hearing the shocking revelation during January 10, 2024 hearing that instead of simply moving ahead with the coexistence agreement in line with what the parties had been discussing in in 2019, KME was demanding *millions in damages*, the Court allowed HME to file this motion. 1/10/25 Hr'ng Tr., Dkt. 363, at 26:8-33:10. When the Court was reminded on January 10 that KME has suffered *no actual damages* in the form of sales lost to HME, but that KME had nevertheless demanded millions (*id.* at 26:4-17), the Court pointedly asked KME's counsel if KME had in fact demanded millions in settlement. *Id.* at 31:17-22.

KME's counsel did not deny KME's settlement position or that KME suffered no actual damages, but responded that KME was entitled to a disgorgement of profits. 1/10/25 Hr'ng Tr., Dkt. 363, at 27:4-17, 31:17-32:10. It was far from reasonable, however, for KME to base its settlement position on this purported expectation. As discussed above in Section III(A)(4), no

factual basis exists in this case to support disgorgement of profits. Even if disgorgement was possible, KME's \$6.5 million demand was \$500,000 more than HME's total US profits. 1/24/25 Satt. Decl. ¶ 33.

KME's damages expert calculated that HME's profits were no less than \$11 million. *Id.* ¶ 29. But that calculation included \$5 million of profits by HME Copper Germany as to sale of copper tubes. *Id.* ¶ 33. Once it became clear that those sales in fact occurred in the EU, not the US,⁸ damages for those sales were not within the reach of the Lanham Act. HME Reply at pp. 15-16. Thus, even if KME could make out a claim on the merits for disgorgement – which it could not – the profits award would not have exceeded \$6 million.

After HME explained this to KME's counsel, (1/24/25 Satt. Decl. ¶ 32), KME refused to deduct the copper tubes from the calculation, and instead tried to submit irrelevant and inadmissible evidence at summary judgment to contradict the plain fact that there were no sales by HME Copper Germany in the US for the past several years. On HME's motion, the Court struck this evidence (Dkt. 351), but *still* KME did not relent or change its position. Therefore, KME's demand for \$6.5 million was not a compromise, but was rather \$500,000 more than the total amount of profits attributable to HME's actual US sales of brass rods.

Throughout this litigation, the Court repeatedly signaled to KME that it has a bad case and should settle. Yet KME never offered a reasonable settlement proposal. As discussed in

⁸ HME Copper Germany does not sell any copper tubes in the United States. Two US customers source one specific type of tube from HME Copper Germany, pick it up in Germany, and ship it to the US themselves. SUF ¶ 50. HME's counsel initially developed the incorrect impression that HME was shipping these goods to the US, and therefore produced in discovery the related invoices. However, the confusion was cleared up in connection with the July 25, 2024 deposition of Martin Gerlach, who confirmed that HME Copper Germany's customers pick up the goods themselves and export them back to the US. *See* Gerlach Tr. 61:13-65:17, attached as Ex. E to 1/25/24 Satt. Decl. KME was aware of this from Mr. Gerlach's July 25, 2024 deposition.

Section III(C) below, this is because KME had improper, ulterior motives in pursuing this litigation other than protecting its mark and protecting the public from confusion.

2. KME Did not Respect this Court's Policy on Filing under Seal

KME also grossly over designated nonconfidential information, including every single page of every single KME deposition (10/4/24 Hr'ng Tr., Dkt. 269, at 2:23-3:7) and refused after being asked several times by HME to de-designate its depositions, forcing HME to file a huge amount of obviously nonconfidential information under seal at summary judgment and causing the parties to be summoned to Court on October 4, 2024. *Id.* at 4:15-22. The Court noted that the bigger problem was on the KME side. *Id.* at 4:18-19. Indeed, the Court admonished KME's counsel: "And, Mr. Howenstine, I don't know how much time you've spent working with local counsel, but certainly Mr. Reilly knows this court's view as well as the Fourth Circuit's view on this issue. And, quite frankly, there should have been a much more robust approach to this absolute requirement that materials that are filed in court for court matters are to be as open as possible." *Id.* at 13:13-19.

3. KME's Vexatious Document Production and Privilege Claims

KME produced reams of largely irrelevant web pages and brochures early in discovery, but KME was shockingly late in producing the key emails and documents that really mattered in this case. Only a few hours before the close of discovery, KME produced 22,667 pages of documents (*see* Dkt. 233) at p. 15, depriving HME of the ability to use them in any depositions and giving HME less than a week to review them before trial exhibits were due. *See Valador*, at 2018 WL 4940721, at *7 ("[P]laintiff's belated disclosure appeared to be 'knowingly too late' and suggests a lack of candor, either out of a misguided attempt at gamesmanship or due to plaintiff's awareness of the substantive weakness of its case.").

KME then failed to claw back those documents until HME had already relied on some of them (*see* Dkt. 172 at p. 3), failing to react to the fact that they had produced hundreds of privileged documents for weeks, after multiple opportunities to know this has occurred, which the Court found “fascinating” and “shocking.” 11/22/24 Hr’ng Tr., Dkt. 347, at 6:19-20, 8:25-9:6. Then KME clawed back documents without providing a privilege log, and when it did provide a log, 20% of the documents listed were facially nonprivileged, wasting the Court’s and HME’s time and leading to the severe sanction of waiver of all privilege. *Id.* at 6:19-7:10; 17:7-15; 22:3-6.

C. KME’s Improper Motive and Bad Faith Tactics Demonstrate a Need For Compensation and Deterrence (Third Prong).

The Supreme Court in *Octane Fitness* suggested district courts consider several “nonexclusive” factors, including “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *LendingTree, LLC v. Zillow, Inc.*, 54 F. Supp. 3d 444, 456 (W.D.N.C. 2014), quoting *Octane Fitness*, 572 U.S. at 554, n.6.

A lawsuit “driven by an improper motive may be exceptional.” *See Hello I Am Elliot, Inc. v. Sine*, 19 Civ. 6905 (PAE), 2021 WL 1191971, at *6 (S.D.N.Y. Mar. 30, 2021). A party is “improperly motivated where it asserts claims not because of their inherent merit, but rather because the party seeks to knowingly gamble on an unreasonable legal theory in order to achieve a secondary gain.” *Id.*, quoting *Agence Fr. Presse v. Morel*, 10-cv-2730 (AJN), 2015 WL 13021413, at *5 (S.D.N.Y. Mar. 23, 2015).

Here, the Court repeatedly asked why the parties could not settle, warning KME that it

had a “bad case.”⁹ The Court’s puzzlement as to why the case did not settle was well founded, because as a matter of a pure trademark dispute, the path to a co-existence agreement was clear. But, the Court was not aware that this case is not really about the trademark.

The parties have a complicated, ongoing relationship. The original KME manufacturing facility at Serravalle, Italy housed both the Italian brass rods business (KME Brass Italy) and the copper tubes business (SCT Copper Tubes). Although Plaintiff bought the company that used to be KME Brass Italy (now HME Brass Italy), it did not buy SCT Copper Tubes and does not own the facility. *See* 2d Jiang Decl.¹⁰ ¶ 16. Rather, HME Brass Italy rents from a KME entity that acts as landlord, with the two businesses operating in adjacent buildings prominently displaying the respective logos:



⁹ *See, e.g.*, 10/4/24 Hr’ng Tr., Dkt. 269, at 7:1-12 and 9:18-19; Nov, 22, 2024 hearing, Dkt 347, at 3:1-6 and 4:17-18 “It’s a very, very bad case and I don’t know why it won’t settle.”

¹⁰ References to “2d Jiang Decl.” are to the Second Declaration of Michael Jiang, filed herewith.

2d Jiang Decl. ¶¶ 13-19; 21-22. KME and Hailiang are negotiating over whether Hailiang will buy the SCT facility, but they cannot agree on a price, with KME demanding about \$22.8 million USD. *Id.* ¶¶ 20, 29, Ex. A.

KME is using the trademark lawsuit as well as other hardball business practices to pressure Hailiang to buy the Serravalle facility at an exorbitant price. *See id.* ¶¶ 24-34. In addition to stubbornly pursuing a meritless trademark case after years of co-existence, KME announced a few weeks after this lawsuit was filed that it is not renewing HME's lease in 2028. *Id.* ¶¶ 34-38, Exs. C, D, E. Hailiang is not aware of any business justification for KME to do this, since KME has no other tenant lined up. *Id.* ¶ 39. Ending the lease will require closing the plant resulting in the loss of jobs and HME's multimillion dollar investment in the facility, which will eviscerate HME's workforce and hamstring its business. *Id.* ¶¶ 40-42.

KME is also exerting pressure with regards to HME's data. In connection with the APA, the parties entered into a transition services agreement pursuant to which KME hosts HME's computer data. SUF ¶ 26. KME is refusing to provide access to it, holding HME's data hostage without justification, and thus leverage the trademark case. 2d Jiang Decl. ¶¶ 24, 10-12.

Over the summer of 2024, Jiang tried to resolve the data transfer issues, the trademark disputes, and the Serravalle negotiations. During a phone call, Diva Moriani, Executive Chairman of KME Group spa, told Jiang ***KME would drop the counterclaim in the trademark case and transfer the Data KME was holding hostage only if the price for the Serravalle property was "22 million Euro [\$22.8 million USD] and not a cent less than that amount."*** 2d Jiang Decl. ¶ 24. She continued to tie these issues together in correspondence. *Id.* ¶¶ 26-33.

In early September, 2024, just as the parties were beginning to exchange settlement proposals, Moriani reached out to Jiang by phone to push for a "high management" (decision

maker) online meeting to discuss the trademark lawsuit, the data transfer dispute, and Serravalle, thus once again connecting the three matters. Given that HME had committed to attending the September 17, 2024 settlement conference, Jiang opted not to engage in a side negotiation with Moriani. *Id.* ¶¶ 32-33.

Moriani's September 2024 outreach shows KME had no intention of approaching the settlement conference in good faith because, in Moriani's mind, the case was leverage in the negotiation for Serravalle and the data transfer dispute, but those issues were *not* to be on the table at the settlement conference. 1/24/25 Satt. Decl. ¶ 19. This, coupled with KME's utterly unreasonable settlement position, supports the conclusion that KME had improper and unrelated motives for aggressively pursuing the trademark case notwithstanding the gross discrepancies in the parties' positions on the merits, and the terrible facts that HME uncovered in discovery.

The only possible explanation as to why KME developed and approved the mark in 2018-2019 and continued to express acquiescence in subsequent negotiations over the scope of HME's trademark applications, but then suddenly in 2023 sent a cease-and-desist letter threatening injunctive relief and damages, is that KME wanted leverage in unrelated business negotiations over Serravalle. Knowing that Moriani, who is chair of the KME Germany Supervisory Board and a high-level executive of the parent of KME, was driving the decisions on the trademark suit, HME tried to seek her emails and depose her in discovery. Moriani refused to consent, and KME shielded Moriani from HME's discovery efforts, forcing motion practice. Dkt. 101. To shield Moriani and her emails from discovery, KME claimed Moriani was technically employed by a different KME entity and professed that she had no relevant information and was not authorized to act on KME Germany's behalf, which is belied by her interactions with Jiang as KME

Germany's chief negotiator. *See* KME Opp'n to HME Moriani Mot. to Compel, Dkt. 68, at p. 3; 1/24/25 Satt. Decl. ¶ 41. This is further evidence of KME's unreasonable litigation conduct.

KME's conduct in *wasting this Court's time* aggressively litigating this meritless case as leverage in business negotiations on another continent is exactly the kind of behavior the fee-shifting provision of the Lanham Act was designed to deter. *See Benihana of Tokyo, LLC v. Benihana, Inc.*, No. 14-CV-224 (PAE), 2018 WL 3574864, at *9-10 (S.D.N.Y. July 25, 2018), *aff'd*, 771 Fed. App'x 71 (2d Cir. 2019) (deeming a case "exceptional" where the plaintiff's "ulterior motive" was "to force [the defendant] to expend large counsel fees ... so that [it] might ... have [plaintiff] purchase [its] assets").

IV. CONCLUSION

Rule 54(d)(2)(B)(iii) provides that a movant seeking "attorney's fees and related nontaxable expenses" must "state the amount sought or provide a fair estimate of it." HME estimates that the amount sought is \$2.07 million for US counsel, \$170,000 for German counsel's assistance with US litigation, and \$360,000 in non-taxable expenses. If the Court grants this motion, HME requests leave to submit a petition for reasonable fees and nontaxable expenses, with supporting documentation, within 14 days after an order issues declaring this an exceptional case.

For all the foregoing reasons, and based on the record established through motion practice – and in particular the parties' summary judgment papers – Plaintiff respectfully requests that the Court: (i) find this case to be exceptional under 15 U.S.C. § 1117(a), and award HME its legal fees and nontaxable costs in connection with litigating this matter; and, (ii) afford HME fourteen (14) days from the date of the Court's ruling to file a fee application detailing HME's attorneys' fees and costs.

January 24, 2025

Respectfully submitted,

ZHEJIANG HAILIANG CO. LTD.

By: /s/ Janet F. Satterthwaite

Janet F. Satterthwaite (VSB 26759)

Susan M. Sajadi (VSB 85332)

Elissa Brockbank Reese (VSB 78969)

Susan V. Metcalfe (*pro hac vice*)

Christopher L. Meazell (*pro hac vice*)

Eliza K. Hall (*pro hac vice*)

POTOMAC LAW GROUP, PLLC

1717 Pennsylvania Avenue, Suite 1025

Washington, DC 20006

Telephone: 202.486.1578

Facsimile: 202.318.7707

jsatterthwaite@potomaclaw.com

ssajadi@potomaclaw.com

smetcalfe@potomaclaw.com

ereese@potomaclaw.com

kclick@potomaclaw.com

***Attorneys for Plaintiff/Counterclaim Defendant
Zhejiang Hailiang Co. Ltd.***

CERTIFICATE OF SERVICE

I hereby certify that on January 24, 2025, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system and all counsel of record who have appeared in this case on behalf of the parties will receive the Court's notification of electronic filing.

/s/ Janet F. Satterthwaite
Janet F. Satterthwaite (VSB 26759)