

No. 21-1043

IN THE
Supreme Court of the United States

ABITRON AUSTRIA GMBH, *et al.*,
Petitioners,

v.

HETRONIC INTERNATIONAL, INC.,
Respondent.

**On Petition for a Writ of Certiorari to the United States
Court of Appeals for the Tenth Circuit**

SUPPLEMENTAL BRIEF OF RESPONDENT

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QUESTION PRESENTED

Whether the Lanham Act prohibits trademark infringement by a foreign corporation that—through direct sales into the United States, foreign sales that made their way into the United States and caused actual confusion here, and sales that diverted revenue from a U.S. company—had a substantial effect on U.S. commerce.

DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, counsel for Respondent Hetronic International, Inc. certifies that Hetronic International, Inc.'s parent corporation is Methode Electronics, Inc., that Hetronic International, Inc. is not a publicly traded company, and that no publicly held corporation owns more than 10% of Methode Electronic, Inc.'s stock.

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INTRODUCTION

The government asks this Court to reconsider its Lanham Act jurisprudence, overrule its repeatedly acknowledged holding that the Act applies extraterritorially, adopt a standard that Defendants never sought below, and cast aside the unanimous case law from the courts of appeals, all of which would agree with the Tenth Circuit's ruling here regarding Defendants' willful infringement.

Had this case been created in a lab, it could hardly be more ill-suited for that dubious purpose.

First, this case does not present the new question the government asks the Court to answer. The government urges this Court to decide whether the Lanham Act reaches infringing uses that "occurred outside the United States" and that are "not likely to cause consumer confusion within the United States." Gov't Br. i. But the record shows that *all* of Defendants' infringing conduct was likely to cause domestic confusion.

The government's brief reads as if the only evidence demonstrating U.S. confusion from foreign conduct were the €1.7 million in foreign sales of radio remote controls that were specifically invoiced for use on U.S. projects, and the rest of Defendants' campaign of infringement was somehow walled off from American consumers. The record contradicts that premise. When Defendants displayed their infringing products at large international trade shows, the attendees included both American and foreign customers. When Defendants marketed their infringing goods on Hetric letterhead, they sent those

letters to both prospective American and foreign customers. When Defendants offered products on their website that were identical to Hetronic's, they again misled both their American and foreign customers. And when Defendants sold infringing goods to foreigners those products routinely were used in America even when they were not expressly invoiced for American projects. All of these infringing uses posed a likelihood of confusing U.S. customers, Gov't Br. i, and in fact were *intended* to confuse those customers as part of Defendants' scheme to "attack [Hetronic] at their doorstep in the U.S." 3.Supp.App. 743-44.

As the Tenth Circuit explained after canvassing the extent to which the record revealed domestic confusion, "Defendants never tried to argue that those examples never happened or otherwise refute that portion of Hetronic's evidence." Pet.App. 38a. Nor for that matter did Defendants ask the Tenth Circuit to apply the test the government urges here. Indeed, they affirmatively argued for the substantial effects test that the Tenth Circuit applied. If the Court wishes to address a scenario where foreign infringement does not give rise to a likelihood of domestic confusion, it should do so in a case that presents that issue.

Second, on top of all that, the judgment is supported by an independent ground that is presented here on the strongest facts possible: Hetronic, an Oklahoma company and trademark holder, would have made every single sale at issue but for Defendants' willful infringement. Defendants abandoned on appeal any argument that Hetronic would not have made those sales. The government contends that the Lanham Act's

protection from diverted sales is subject to a circuit split, but any split is illusory or, at best, stale. The lone Fourth Circuit case the government invokes turned on the fact that there was no evidence of U.S. consumer confusion there—but here U.S. consumer confusion was the cornerstone of the ruling below. And no other court of appeals has adopted the Fourth Circuit’s diversion-of-sales analysis, however construed, in the intervening decade since the decision was issued.

Third, that leaves the government to contend that this Court’s review is warranted because of the possibility that a court might award relief that interferes with another country’s trademark laws. That is a strange contention given that the test applied below takes those considerations into account, just as the test of every other circuit does. But it is particularly misplaced in this case because Defendants went to a foreign tribunal seeking to establish their ownership of the trademarks at issue and *lost*. This case poses no danger to comity; and to the extent the Court believes a future case might do so, it should wait for that dispute.

It would indeed be hard to create a case in a lab that is suited worse than this one to address even the government’s reformulated question. But this case was not created in a lab. It is the product of Defendants’ adjudicated willful infringement that harmed American customers and an American competitor, Hetronic, as Defendants sought to exploit their former role as Hetronic’s distributor. Any concerns about the Lanham Act’s application “melt away” on these extreme facts. Pet.App. 131a. The petition should be denied.

ARGUMENT

I. Review Should Be Denied Because There Is No Split Of Authority And The Decision Below Is Consistent With This Court's Precedents.

It is worth noting what the government does *not* contend. Although the government asserts that the lower courts are “confus[ed]” about how to apply *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), it does not claim that there is any split of authority on the degree of consumer confusion required to obtain relief or that the result in this case would change depending on which of the “related” tests employed by the appellate courts is used. Gov’t Br. 21. As we have explained, there is no meaningful difference in how the circuits apply *Steele*, BIO 20-26, and there is nothing “indeterminate,” Gov’t Br. 21, about how those tests apply here: Defendants lose under every one of them.

Instead, the government urges this Court to hold that the Lanham Act does not apply extraterritorially—a result that could be achieved only by overruling *Steele*. The government tries to soften its request by claiming that its approach “accords” with *Steele*, Gov’t Br. 15, and that the Court’s language in *Steele* was mere “colloquial[ism],” Gov’t Br. 12. But this Court did not speak colloquially when it “held [the Lanham Act] applied extraterritorially in *Steele*.” *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 252 (1991). That holding was based on the Act’s distinctively “sweeping reach,” which did not rely on “boilerplate commerce language,” but rather encompassed “*all* commerce which may lawfully be regulated by Congress.” *Id.* (quoting *Steele*, 344 U.S. at 285 (emphasis added)). And while the

government claims that its analysis is justified by the Court's subsequent approach in *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247 (2010), Gov't Br. 12, that decision specifically cited the Lanham Act as an example of a statute that the Court *has* "read ... to have extraterritorial effect." 561 U.S. at 271 n.11. In short, no court, least of all this Court, reads *Steele* as the government urges. That alone is reason to deny review.

II. Review Should Be Denied Because The Case Does Not Present The Government's Reformulated Question, Factually Or Legally.

Even if this Court were interested in taking up the government's question, this case does not present it.

A. The Lanham Act provides a cause of action against any person who "uses in commerce" a trademark in a manner that "is likely to cause confusion, or to cause mistake, or to deceive" as to origin or affiliation of the mark. 15 U.S.C. §1125(a). A "use in commerce" includes sale, offering for sale, and marketing of an infringing trademark in connection with any good or service. *Id.* §1127. If a violation is established, the plaintiff may recover the defendant's profits from the infringing use, which may be assessed by the jury subject to equitable adjustment by the court. *Id.* §1117(a).

B. The trial record showed that Defendants' campaign to intentionally infringe Hetronic's products was not separated into domestic infringement and foreign infringement. When Defendants infringed Hetronic's marks to generate sales, including foreign sales, they invariably did so in ways that presented a likelihood of U.S. consumer confusion.

For example, Defendants infringed when they used Hetronic letterhead to falsely inform customers that Defendants were now Hetronic and were selling genuine Hetronic products. 3.Supp.App. 747-48; 2.Supp.App. 456-57, 469, 476-77. Defendants sent those letters to American and foreign customers alike. 2.Supp.App 476; 2.Supp.App. 438-40.

So too with Defendants' infringing displays at major international trade shows. These trade shows, which were frequently held overseas, were a major source of marketing and sales in this industry, and they were attended by both American and foreign prospective customers who saw Defendants' displays promoting their knock-off goods.¹ 10.App. 2528, 2530; 2.Supp.App. at 493-94; 3.Supp.App. 605-08.

And it is the same with Defendants' infringing use of Hetronic's trademarks on their website, which simultaneously reached and confused domestic and foreign customers. Hetronic put in substantial evidence that American customers believed that these infringing websites were Hetronic's. 2.Supp.App. 529-33; 3.Supp.App. 577-89. The confusion from these illegitimate marketing efforts by Defendants was so powerful that even Defendants' "own U.S. distributor was uncertain about the relationship between

¹ The record also contains evidence that Defendants marketed their infringing goods at international trade shows held in America. 2.Supp.App. 503-04; 10.App. 2530. Any foreign sales resulting from that infringing domestic marketing are also actionable even under the government's test.

[Defendants] and Hetronic.” Pet.App. 42a; *see also* BIO 12-13.

But it was not just foreign infringing marketing that posed a likelihood of confusing American consumers; it was also the foreign infringing sales themselves. The infringing radio remote controls that Defendants sold are intended to be mobile: they are sold to multi-national original equipment manufacturers for installation on heavy machinery like construction cranes and mining equipment sold for use around the world. As a Hetronic executive explained, “it’s a very global business ... if you sell a radio remote control in Germany, it maybe goes on a piece of equipment in Germany and that piece of equipment is destined for the United States.” 2.Supp.App. 417.

The trial record showed that Defendants’ foreign infringing sales did in fact routinely come to America, where they confused U.S. consumers. Some of those sales were expressly invoiced for U.S. use, but there was no requirement that a sale had to be invoiced as such to be used in America. For example, a Hetronic witness explained how a major foreign customer bought Defendants’ products “for going into the U.S. market” and ended up “sen[ding] the systems [for] repair [to Hetronic] here in Oklahoma City.” 3.Supp.App. 647. Yet Defendants did not produce any invoice for that customer showing a product that was invoiced for U.S. use.

C. Based on this evidence—none of which is discussed in the government’s brief—the jury was entitled to conclude that *all* of Defendants’ sales resulted from infringing uses that posed a likelihood of

confusing American consumers. Nor did Defendants offer evidence to the contrary. As the Tenth Circuit observed in citing the overall confusion created by Defendants' infringement, although Defendants sought to offer evidence that foreign customers were *also* confused by their infringement, it was undisputed that U.S. consumers were confused as well: Hetronic presented evidence "detailing instances of confusion among *U.S. consumers* ... [and] Defendants never tried to argue that those examples never happened or otherwise refute that portion of Hetronic's evidence." Pet.App. 38a, *see also* Pet.App. 42a-43a; BIO 17 & n.5. Whether these uses posed a likelihood of domestic confusion would be a fact-bound question not worthy of this Court's review, but Defendants did not dispute that these infringing uses posed a likelihood of domestic confusion in any case.

Defendants also did not object to how the jury was instructed regarding likelihood of confusion or disgorgement of profits. The jury was given standard instructions that it had to find a likelihood of confusion "among an appreciable number of people who buy or use, or consider buying and using, [Hetronic's] products" to establish infringement liability, and that it could award the profits that Defendants "gained from the infringement." 9 App. 2460, 2467 (instructions); Trial Tr. Vol 11 926-32 (Feb. 28, 2020) (no objection to instructions). That is precisely what the jury did and there is nothing erroneous, let alone cert-worthy, about that determination.

The government nonetheless faults the Tenth Circuit for asking whether Defendants' infringement had a

“substantial effect” on U.S. commerce rather than whether the damages award was based on infringing uses that posed a likelihood of U.S. confusion. For all the reasons given above, those two questions yield the same affirmative answer in this case. And given that Defendants affirmatively argued for the substantial effects test, Appellants’ CA10 Br. 24, this case is an exceptionally poor vehicle to consider the applicability of a different test. Thus, at bottom, the government’s reformulated question asks this Court to address a legal test that Defendants never sought below and whose dispositive facts they never disputed. If the Court wishes to consider a case where foreign conduct fails to create any likelihood of domestic confusion, it should wait for that case to materialize.

III. Review Should Be Denied Because The Judgment Rests On An Alternative Ground.

This case is also ill-suited for review because the judgment rests on another independent ground: Hetronic, an American company and trademark holder, would have made every single sale at issue but for Defendants’ willful infringement. Defendants have abandoned their contention to the contrary. Pet.App. 45a n.9 (explaining that Defendants waived their argument that “Hetronic failed to prove lost sales”). As such, the facts here could hardly be more extreme for establishing the application of the Lanham Act. Not only is there copious evidence that Defendants’ sales, foreign and domestic, created a likelihood of confusing American consumers, but the victim of that willful infringement was an American trademark holder who otherwise would have made those sales.

The government contends that the Lanham Act's application to diverted sales is itself subject to a circuit split. Gov't Br. 20-21. But every circuit to have addressed the question recognizes that diversion-of-sales is a legitimate basis for imposing Lanham Act liability. In contending that the Tenth and Fourth Circuit are nonetheless "squarely" split, Gov't Br. 20, the government invokes a single Fourth Circuit case holding that diverted sales were not enough "*absent* confusion" by U.S. consumers. *Tire Eng'g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 311 (4th Cir. 2012) (emphasis added). Here that confusion was documented in spades. And no other court of appeals has adopted the Fourth Circuit's diversion-of-sales analysis, however construed, in the ten years and counting since that decision was issued.

Undaunted, the government suggests that the interests of the Lanham Act are not served by allowing recovery on a diversion-of-sales theory. Gov't Br. 18-19. That assertion is belied by the many decisions from this Court recognizing that a core purpose of the Lanham Act is to ensure that U.S. trademark holders can capitalize on the goodwill their marks generate. *See, e.g., Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985); *United States Pat. & Trademark Off. v. Booking.com B. V.*, 140 S. Ct. 2298, 2302 (2020); *Matal v. Tam*, 137 S. Ct. 1744, 1752 (2017); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 774 (1992); *Inwood Lab'ys, Inc. v. Ives Lab'ys, Inc.*, 456 U.S. 844, 854 n.14 (1982). Nothing in the Tenth

Circuit’s analysis of diverted sales departs from these cases or otherwise warrants review by this Court.

IV. Review Should Be Denied Because This Case Does Not Present Any Comity Issue.

The government also contends that review is warranted because “the court of appeals’ decision could undermine [the] system of international trademark protection.” Gov’t Br. 19-20. Not so. The rule of decision that the Tenth Circuit applied—like that of its sister appellate courts—expressly considers whether applying the Act to the conduct at issue “would create a conflict with trademark rights established under the relevant foreign law.” Pet.App. 30a. The appellate courts have been using that standard or equivalent ones for decades without any apparent harm to the “system of international trademark protection,” nor has the government identified any such harm. Indeed, the government’s proposed standard—which apparently employs a sole criterion of likelihood of confusion by American consumers—would seem *more* likely than the Tenth Circuit’s approach to generate conflicts with international law.

Regardless, *this* case provides no basis to explore that issue. Here, Defendants took the extraordinary step of going to a foreign tribunal in the middle of these proceedings seeking a ruling that they were the owners of the trademarks in question. They lost; and lost again on appeal; and then lost again on subsequent appeal to Europe’s highest court for these matters, the European Court of Justice. BIO 11. Comity would be furthered, not frustrated, by denying review in this case.

CONCLUSION

The petition should be denied.

Respectfully submitted,

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