

No. 21-1043

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IN THE  
**Supreme Court of the United States**

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ABITRON AUSTRIA GMBH, *et al.*,

*Petitioners,*

*v.*

HETRONIC INTERNATIONAL, INC.,

*Respondent.*

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ON WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE TENTH CIRCUIT

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**BRIEF OF AMICUS CURIAE INTELLECTUAL  
PROPERTY OWNERS ASSOCIATION IN  
SUPPORT OF NEITHER PARTY**

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## INTEREST OF THE AMICUS CURIAE

Amicus curiae Intellectual Property Owners Association (IPO) is an international trade association representing diverse companies and individuals worldwide in all industries and fields of technology that own, or are interested in intellectual property rights.<sup>1</sup> Founded in 1972, IPO's membership includes more than 175 companies and more than 12,000 individuals involved in the Association either through their companies, or as inventors, authors, executives, law firms, or attorney members. IPO's corporate members own tens of thousands of trademarks and rely on the federal trademark system to protect those valuable assets.

Uniquely, IPO represents the interests of all owners of intellectual property, and its mission is to promote high quality and enforceable intellectual property rights and predictable legal systems for all industries and technologies. IPO offers a wide array of services, including supporting member interests relating to legislative and international issues, analyzing current intellectual property issues, providing information and educational services, and disseminating information to the public on the importance of intellectual property. IPO advocates for effective, affordable, and balanced intellectual property rights before both Congress and the United States Patent and Trademark Office, and has filed amicus curiae briefs in this Court and other courts on significant issues of

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<sup>1</sup> No counsel of record for any party authored this brief in whole or in part, and no person or entity other than amicus curiae made a monetary contribution to the preparation or submission of this brief. All parties have consented to the filing of this brief.

intellectual property law. IPO's Board of Directors has approved the filing of this brief.<sup>2</sup>

### INTRODUCTION AND SUMMARY OF THE ARGUMENT

This case presents a question of significant practical importance to IPO's members and to all owners of intellectual property—namely, the extent to which the Lanham Act can be applied on an extraterritorial basis.

Beyond the court of appeals' general description of the record and those found in the parties' briefs, IPO is not familiar with the details of the parties' respective trademarks and products, nor with the evidence on which the district court and the court of appeals relied. Accordingly, IPO does not take a position on the ultimate question of whether the holding of extraterritoriality in this case is correct. Instead, one of IPO's purposes in filing this amicus brief is to emphasize that the Lanham Act rebuts the general presumption against extraterritorial applications of United States law. IPO therefore respectfully disagrees with the Solicitor General's arguments to the contrary.<sup>3</sup>

Additionally, consistency among the federal courts of appeals is important to all trademark owners, especially in the increasingly global economy and

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<sup>2</sup> IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting; IPO board members are listed in the attached Appendix.

<sup>3</sup> Brief for the United States as Amicus Curiae Supporting Petitioners, *Abitron Austria GmbH v. Hetronic Int'l, Inc.*, No. 21-1043 (U.S. Sept. 23, 2022).

in considering enforcement issues that arise during international trademark infringement disputes. IPO is concerned about possibly overbroad applications of the Lanham Act to reach conduct by foreign citizens occurring exclusively outside of the United States. IPO respectfully urges the Court to resolve the current conflict and adopt a test for extraterritoriality requiring a substantial effect on United States commerce. Because IPO also considers the citizenship of defendants important, it favors adoption of the Second Circuit's test in *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956), which takes into account both of these considerations, as well as the issue of whether an extraterritorial application of the Lanham Act would conflict with foreign trademark law. *See id.* at 642.

## ARGUMENT

### I. The Lanham Act Rebutts the General Presumption Against Extraterritorial Applications of United States Law

This Court has long recognized a presumption against the extraterritorial application of United States law. *See Blackmer v. United States*, 284 U.S. 421, 437 (1932); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949). Consistent with that presumption, the Court acknowledged in *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), that “the legislation of Congress will not extend beyond the boundaries of the United States unless a contrary legislative intent appears.” *Id.* at 285.

Nevertheless, the Court also confirmed in *Steele* that “the United States is not debarred by any rule of international law from governing the conduct

of [its] own citizens upon the high seas or even in foreign countries,” and that the activities of the defendants in that case “when viewed as a whole, fall within the jurisdictional scope of the Lanham Act.” *Id.* The Court further affirmed an extraterritorial application of the Act based on the following “significant facts” concerning the lead defendant and his commercial activities: (1) the lead defendant was a United States citizen; (2) that defendant’s use of a federally registered mark owned by the plaintiff in the United States, which the lead defendant stamped on watches assembled in Mexico, in part from components purchased in the United States; (3) the lead defendant sold the watches to purchasers who transported them into the United States; (4) the plaintiff’s sales representative in the United States “received numerous complaints from retail jewelers in the Mexican border area” about customers bringing in for repair defective watches bearing the plaintiff’s mark, “which upon inspection often turned out not to be products of that company”; and (5) there was no conflict with the laws of Mexico—the plaintiff’s litigation in Mexico against the defendants had concluded, and the Supreme Court of Mexico had affirmed the administrative nullification of the lead defendant’s trademark registration in that country. *Id.* at 284–85.

Accordingly, IPO considers it settled law that the Lanham Act *can* be applied on an extraterritorial basis; and specifically, the Act’s jurisdictional scope *can* reach the commercial activity of United States citizens, including in foreign jurisdictions. *See also* 15 U.S.C. § 1127 (defining commerce for purposes of the Lanham Act as “all commerce which may lawfully be regulated by Congress”). IPO also considers it settled law that not all infringement and unfair competition occurring outside the borders of the United



States is actionable under the Act. Consequently, extraterritorial applications of the Act should be the exception, rather than the rule. Of particular concern to IPO's members, an overly expansive approach to extraterritoriality could expose United States citizens and companies to retaliation by the courts of other countries.

An overly expansive conception of extraterritoriality also could create a snowball effect by producing financial windfalls for prevailing plaintiffs. Notably, the estimated \$100 million jury award to Respondent in this case has received much attention, based on the apparent fact that only an estimated 3% of the Petitioners' infringing sales occurred in the United States. The parties and the Solicitor General alike frequently characterize that recovery as an award of "damages." *See* Pet. App. 8a, 114a; Brief for the United States as Amicus Curiae, *Abitron Austria GmbH* (I), 7, 9, 17, 18, 20, 21. In fact, however, the primary component of the monetary relief actually entered by the district court was the equitable remedy of an accounting of the Petitioners' profits, rather than the legal remedy of an award of actual damages as compensation for the Respondent's actual losses. Pet. App. 64a, 160a.

The district court's threshold holding of extraterritoriality in this case opened the accounting floodgates by sweeping in the Petitioners' profits from their sales of goods bearing infringing marks only in Europe, which consisted of an estimated 97% of the sales, and which IPO considers inappropriate for inclusion in such an accounting. The jury's accounting apparently also included profits arising from the Petitioners' sales directly into the United States, which IPO does consider appropriate.

IPO acknowledges that the multiple goals of the accounting remedy do not necessitate a direct nexus between losses suffered by a plaintiff, on the one hand, and profits enjoyed by a defendant, on the other. *See generally W. E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970) (“An accounting should be granted if the defendant is unjustly enriched, if the plaintiff sustained damages from the infringement, or if an accounting is necessary to deter a willful infringer from doing so again.”). Nevertheless, much of the accounting in this case appears to have an attenuated connection to the direct effects of the Petitioners’ misconduct in the United States. The equitable nature of the accounting remedy means that “[i]f the court shall find that the amount of the recovery based on profits is ... excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case,” 15 U.S.C. § 1117, and it is possible equity was not achieved here.

## **II. The Court Should Resolve the Conflict Among the Federal Courts of Appeals and Adopt the Second Circuit’s Test for Extraterritoriality in *Vanity Fair***

Although the Court has considered the extraterritoriality of other federal legislation over the years, seven decades have elapsed since it last substantively considered the proper reach of the Lanham Act. *See Steele*, 344 U.S. at 282–85. During that time, technology has significantly advanced, the world has become an interconnected global economy, and the federal circuits have split on the Act’s potential extraterritoriality. The continued circuit splits have left IPO members, intellectual property owners, and businesses confused, lacking certainty, and facing the

noted concerns about retaliation by the courts of other countries, windfalls to prevailing plaintiffs, and forum shopping between the circuits. Those circumstances are exacerbated by the myriad varied, modified, and divergent tests now extant in the circuits to evaluate the Act's possible extraterritorial reach.

The Second Circuit's three-factor *Vanity Fair* test is based on *Steele*, most closely follows the factors outlined by the Court in *Steele*, and is the most widely adopted test among the circuit courts of appeals. See *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956). The three factors of the *Vanity Fair* test are whether:

- (1) the defendant's conduct had a substantial effect on United States commerce;
- (2) the defendant was a United States citizen and the United States has a broad power to regulate the conduct of its citizens in foreign countries;
- and (3) there was no conflict with trade-mark rights established under the foreign law ....

*Id.* at 642. Under this test, "the absence of one of the above factors might well be determinative," and the absence of two factors "is certainly fatal." *Id.* at 643.

The *Vanity Fair* test has been adopted by the Second, Fourth, Fifth, Eleventh, and Federal Circuits. However, the Fourth and Fifth circuits both have modified the first factor of that test. Specifically, and rather than a "substantial effect," the Fourth Circuit requires conduct to have a "significant effect" on United States commerce. See *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994). IPO considers the substantial effect requirement in the

*Vanity Fair* test and the Fourth Circuit’s significant effect requirement to be equivalent.

In contrast, the Fifth Circuit only requires “some effect” on United States commerce. *See Am. Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 701 F.2d 408, 414 n.8 (5th Cir. 1983). The Ninth Circuit also adopted a “some effect” test in antitrust litigation, *Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass’n*, 549 F.2d 597, 613 (9th Cir. 1976), which it has applied to the Lanham Act in *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427–28 (9th Cir. 1977), *Reebok Int’l, Ltd v. Marnatech Enters.*, 970 F.2d 552, 554 (9th Cir 1992), and *Trader Joe’s Co. v. Hallatt*, 835 F.3d 960, 969 (9th Cir. 2016). The Ninth Circuit’s *Timberlane* multi-factor test requires showings that: (1) the conduct “create some effect on American foreign commerce”; (2) the effect is “sufficiently great to present a cognizable injury to the plaintiff[]” under the Lanham Act; and (3) “the interests of and links to American foreign commerce [are] sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority.” *Trader Joe’s*, 835 F.3d at 969.<sup>4</sup>

In further contrast, the First Circuit has rejected the *Vanity Fair* and the *Timberlane* tests in favor of one articulated in *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2005). That test offers a complex framework and separate factors, requirements, and analysis depending upon whether the defendant is a United States citizen. *Id.* The Tenth Circuit also has adopted

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<sup>4</sup> The third factor of the *Timberlane* test includes a seven-part test, which this brief does not enumerate.

the *McBee* test in many respects. Nevertheless, that court modified the *McBee* test in this case by requiring a “substantial effect on U.S. commerce,” as well as consideration of “whether extraterritorial application of the Lanham Act would create a conflict with trademark rights established under the relevant foreign law.” Pet. App. 31a.

In light of these disparate approaches, IPO respectfully urges the Court to clarify the test for extraterritorial applications of the Lanham Act. IPO supports a test that gives great weight to the issue of whether a defendant’s conduct has a *substantial* effect on United States commerce. The Second Circuit’s *Vanity Fair* test includes this factor. 234 F.2d at 642. In contrast, tests such as that used by the Fifth Circuit, require only *some* effect, *Am. Rice*, 701 F.2d at 414 n.8, which IPO regards as an inappropriately low bar.

Additionally, based on the Court’s emphasis in *Steele* of the citizenship of the lead defendant in that case, IPO respectfully urges the Court to adopt the *Vanity Fair* test for the additional reason that it requires consideration of defendants’ citizenship. Therefore, *Vanity Fair* is more appropriate than the Ninth Circuit’s *Timberlane* test, which does not include the defendant’s citizenship as a factor. 556 F.2d at 427–28.

IPO further respectfully submits that the *Vanity Fair* test properly considers whether an extraterritorial application of the Act will conflict with foreign law. In sharp contrast, rather than considering that issue, the First Circuit’s *McBee* test for extraterritoriality holds that “comity considerations are properly analyzed not as questions of whether there is subject

matter jurisdiction, but as prudential questions of whether that jurisdiction should be exercised.” 417 F.3d at 121. IPO acknowledges that the First Circuit’s approach has some support in *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993), but that approach appears inconsistent with the Court’s later disapproval of prudential concerns in *Lexmark International, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 125–28 (2014).

### CONCLUSION

IPO respectfully requests the Court to resolve the conflict among federal courts of appeals by adopting the Second Circuit’s test for extraterritoriality in *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956), which is the test most widely adopted among the circuit courts of appeals, and which is also the test most aligned with *Steele*, requiring a substantial effect on United States commerce, consideration of the citizenship of defendants, and whether an extraterritorial application of the Lanham Act would conflict with foreign trademark law.

Respectfully submitted,

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