No. 21-1043

IN THE
Supreme Court of the United States

ABITRON AUSTRIA GMBH, ET AL.,
Petitioners,

v.

HETRONIC INTERNATIONAL, INC.,
Respondent.

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

BRIEF FOR THREE INTELLECTUAL PROPERTY LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF NEITHER PARTY

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INTEREST OF AMICI CURIAE[1]

Amici curiae are professors who teach and write about intellectual property law and policy. Amici have no personal stake in the outcome of this case but have an interest in contributing to the development of trademark law, especially as it relates to extraterritoriality.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

This case presents the Court with the opportunity to reconcile its two-step methodology for assessing the extraterritorial reach of U.S. statutes with its long-standing precedent of *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), in which the Court held that the Lanham Act, the federal trademark statute, could be applied extraterritorially. To address the seeming inconsistencies between *Steele* and the methodologies of *RJR Nabisco, Inc. v. European Cmty.*, 579 U.S. 325 (2016), in determining the extraterritorial reach of U.S. statutes, the Court should (1) translate Steele into the focus analysis of *RJR Nabisco* step two; (2) adjust the analysis from *Steele* to omit considerations of citizenship, emphasize the need to assess potential conflicts with foreign law, and ensure that liability and remedy provisions are separately subject to the

[1] Pursuant to Sup. Ct. R. 37.6, *amicus curiae* affirm that no part of this brief was authored by counsel for any party, person, or organization besides *amici*, and that no person or entity, other than *amicus curiae*, their members, or their counsel, has made a monetary contribution to the preparation or submission of this brief. Pursuant to Sup. Ct. R. 37.2, *amici* affirm that both parties consented to the filing of this brief.

presumption; and (3) clarify that extraterritoriality under the Lanham Act is a merits question and not a jurisdictional question.

ARGUMENT

I. The Court should reconcile the longstanding effects test of *Steele v. Bulova* with the second step of the *RJR Nabisco v. European Community* test

This case provides the Court with a key opportunity to clarify its *RJR Nabisco* test in the Lanham Act context and to calibrate it with the *Steele* effects test.

In *Steele,* the Court accepted the defendant's proposition to rely on the effects test developed within antitrust law, holding that "[i]n the light of the broad jurisdictional grant in the Lanham Act, [the Court deems] its scope to encompass petitioner's activities here. [The petitioner's] *operations and their effects* were not confined within the territorial limits of a foreign nation."[2] *Steele*, 344 U.S. at 286 (emphasis added). The appellate courts have subsequently, with various permutations, refined the effects test into the

[2] The defendant in *Steele* had argued that "[t]he existence of jurisdiction to protect foreign commerce against other types of anti-competitive acts abroad [is highlighted in antitrust cases]. The basis for jurisdiction embraces two principal aspects—personal jurisdiction over one or more of the alleged conspirators, whether domestic or foreign . . . *and the effect of the alleged acts or conduct upon the foreign commerce of the United States under the Sherman Act*." Brief for Respondent at 28, Steele, 342 U.S. at 280 ((No. 38), 1952 WL 82566) (emphasis added).

following factors: (1) whether the alleged illegal activities have effects (of varying degrees) on U.S. commerce, (2) the citizenship status of the accused infringer, and (3) whether exercising jurisdiction would create conflict with foreign law. Timothy R. Holbrook, *Is There a New Extraterritoriality in Intellectual Property?*, 44 COLUMBIA J. OF L. & ARTS 457, 465 (2021) [hereinafter Holbrook, *Extraterritoriality*]. Before the Court decided *Morrison v. National Australian Bank Ltd,* 561 U.S. 247 (2010), and *RJR Nabisco*, the courts of appeals developed a variety of interpretations of *Steele* to address the territorial limits of the Lanham Act. *See, e.g., Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406 (9th Cir. 1977); *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2005).

The courts have failed to reconsider or meaningfully reconcile these approaches with the *RJR Nabisco* framework, however. This failure has resulted in a splintering of approaches within the courts of appeals. Most importantly, the effects test espoused in *Steele* and the tests by the courts of appeals do not fit squarely into *RJR Nabisco*'s two-step framework but can be partially reconciled with it—keeping some of their features while discarding others.

Lower courts continue to decide Lanham Act cases as if the two-step test set forth in *RJR Nabisco* (particularly its second step) either simply does not exist or has had no impact on the *Steele* effects test. Holbrook, *Extraterritoriality*, *supra,* at 487-91. The

courts generally have viewed the presumption against extraterritoriality as rebutted in light of *Steele*, even though *Steele* never addressed this presumption. Holbrook, *Extraterritoriality*, *supra*, at 463. Indeed, the Court decided *Steele* during a period when it was not applying the presumption at all. William S. Dodge, *The New Presumption Against Extraterritoriality*, 133 HARV. LAW REV. 1582, 1595-98 (2020). The disconnect between *Steele* and *RJR Nabisco* has resulted in a puzzling myriad of applications and hybrid rules that are neither effects tests nor *RJR Nabisco* tests. Holbrook, *Extraterritoriality*, supra, at 487-91.

For example, the Ninth Circuit's 2018 *Trader Joe's Co. v. Hallatt* decision viewed the *RJR Nabisco* presumption as rebutted at step one in light of *Steele*. *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 966 (9th Cir. 2016). The Ninth Circuit then described step two as requiring courts to "consider 'the limits Congress has (or has not) imposed on the statute's foreign application.'" *Id.* at 966 (*citing RJR Nabisco*, 579 U.S. at 326). Yet, this is not step two of the *RJR Nabisco* test. The second step requires courts to assess whether the conduct related to the focus of the statute occurred domestically, resulting in a "permissible domestic application" of the statute even if some conduct is outside of the United States. *RJR Nabisco*, 579 U.S. at 337. Courts only reach step two if the presumption has not been rebutted. *Id.* at 346. As a result, the Ninth Circuit's approach could be viewed as step '1.5,' an analysis subsequent to the rebuttal of the presumption. *See* Holbrook, *Extraterritoriality*, supra, at 487. Other courts have followed the *Trader Joe's*

approach, thus generally ignoring the *RJR Nabisco* framework. *See, e.g., Rousselot B.V. v. St. Paul Brands, Inc.*, No. SA-CV-19-0458-DOC (ADSx), 2019 WL 6825763, at *7 (C.D. Cal. July 24, 2019); *BLK Enter., LLC v. Unix Packaging, Inc.*, No. 2:18-CV-02151-SVW-KS, 2018 WL 5993844, at *5 (C.D. Cal. June 14, 2018); *IMAPizza, LLC v. At Pizza Ltd.*, 965 F.3d 871, 879 (D.C. Cir. 2020)).

In this case, the Tenth Circuit also eschewed the "focus test" of *RJR Nabisco* in favor of a two-part test, including whether there is "substantial effect" on U.S. commerce. *Hetronic Int'l Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016, 1037 (2021), *cert. granted sub nom. Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 143 S. Ct. 398 (2022) ("requiring that the defendant's conduct has a substantial effect on U.S. commerce aligns the test for Lanham Act extraterritoriality with both the Supreme Court's antitrust jurisprudence and general principles of foreign relations law.") If the Court in *RJR Nabisco* intended to create a uniform framework for evaluating the territorial reach of all federal statutes, lower courts have not paid heed. Holbrook, *Extraterritoriality*, supra, at 504.

This case affords the Court the opportunity to reconcile *Steele* with the current *RJR Nabisco* framework in the following three ways.

First, the Court should clarify that the interpretation of the territorial scope must occur at the level of an individual statutory provision within the same overall statute. At issue here is the potential extraterritorial application of 15 U.S.C. § 1117, the

Lanham Act's provision concerning monetary remedies for the violation of particular rights created by the Act. As the Court's analyses in both *Morrison* and *RJR Nabisco* demonstrate, the extraterritoriality analysis should be conducted as to the specific provision(s) that are at issue and not for the entire Lanham Act. In cases of general remedies provisions, such as § 1117, the Court should recognize the link with the underlying violation of other statutory provisions and analyze the territorial scope of the remedies provision in light of the particular linked rights violation provision.[3]

The Court's decision in *WesternGeco LLC v. ION Geophysical Corp.*, 138 S.Ct. 2129 (2018), confirms that liability and remedies provisions should be analyzed distinctly. In *WesternGeco*, the Court applied step two to the Patent Act's damages provision, 35 U.S.C. § 284, concluding that the focus of § 284 is infringement. *Id.* at 2137. The Court then turned to relevant liability provision to assess what type of infringement occurred. *Id.* In so doing, the Court recognized that the factors that inform the territorial scope of liability provisions also inform the territorial scope of remedies provisions. Timothy R. Holbrook, *Extraterritoriality and Proximate Cause After* WesternGeco, 21 YALE J.L. & TECH. 189, 206 (2019) [hereinafter Holbrook, *WesternGeco*]. Holding someone liable for an act has effectively the same result as requiring damages for said act. *Id.*; *see WesternGeco*, 138 S.Ct. at 2142–43 (Gorsuch, J.,

[3] Section II.C, *infra*, further elaborates the importance of this distinction.

Breyer, J., dissenting) (rejecting any distinction between liability and damages because an expansive view would effectively give a U.S. intellectual property holder a monopoly over foreign markets).

Second, at step one of the *RJR Nabisco* framework, the Court should hold that the presumption against extraterritoriality has *not* been rebutted for § 1117 and the rights violation provision linked in this case, § 1114. Neither the remedies statute nor the linked rights violation statute "gives a clear, affirmative indication that it applies extraterritorially." *RJR Nabisco*, 579 U.S. at 335. *See also Morrison*, 561 U.S. at 255 ("When a statute gives no clear indication of an extraterritorial application, it has none.").

Third, at step two of the *RJR Nabisco* framework, the Court should hold that the case as presented by the respondent does not involve a domestic application of the statutes at issue, considering the statutes' "focus." *RJR Nabisco*, 579 U.S. at 337. The application of 15 U.S.C. § 1117 in this case is linked to a liability provision in 15 U.S.C. § 1114. *Hetronic Int'l*, 10 F.4th at 1033. The focus of these Lanham Act provisions is the protection of consumers in the United States from confusion and of businesses in the United States from harm caused to them from such confusion among consumers in the United States. *See generally George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992); *Synoptek, LLC v. Synaptek Corp.*, 309 F. Supp. 3d 825, 836 (C.D. Cal. 2018). There may be acts outside of the United States that generate consumer confusion, but this confusion must be among

consumers in the United States. *See generally RJR Nabisco*, 579 U.S. at 337.[4]

The Court also should reformulate the effects test and reconcile it with step two of the *RJR Nabisco* framework to account for the focus of the statute being on consumers' confusion within the United States.

For the effects test, lower courts are split on how much "effect" is required. *See Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427–29 (9th Cir. 1977) (where the Ninth Circuit used a sweeping "effects" interpretation); *Vanity Fair Mills*, 234 F.2d at 633 (where the Second Circuit used a narrow approach and treated the effects test as an elements test, rather than a factors test); *McBee*, 417 F.3d at 118 (where the First Circuit created tiers among the three factors of the effects test). Regardless of quantity, instead of focusing on the location of effects on the trademark owner, this Court should focus on the location of confusion of consumers. To combine the "focus" analysis with the effects test, the Court should analyze the effects on consumers in the United States to determine whether any confusion resulted from the petitioner's activities, as that is the focus of 15 U.S.C. § 1114 and § 1117. *See RJR Nabisco*, 579 U.S. at 337. For example, any lost sale to the respondent would be

[4] We disagree with the petitioner that the focus of the statute is use of a mark in commerce. *See* Br. for Pet. at 40-45. Use of a mark in commerce is what allows Congress to regulate trademarks, but the "object[] of the statute's solicitude" is trademark infringement as measured by consumer confusion. *Morrison*, 561 U.S. at 267.

an "effect" on it, yet this may not have resulted from any confusion of consumers in the United States.

Accordingly, when the purported illegal activities occurred outside the U.S., the legal analysis rests on Congress's foreign commerce power and whether the exercise of such power would conflict with foreign law. *See McBee*, 417 F.3d at 119.

Thus, the Court should reformulate the older *Steele* effects test and reconcile it with the modern *RJR Nabisco* framework to create a comprehensive rule for future courts to follow.

II. The Court should take the opportunity to refine its methodology for assessing the extraterritoriality of the Lanham Act by rejecting citizenship as a factor, emphasizing comity concerns, and treating liability and remedies distinctly

The variations of the test developed by the circuits diverge from the *Steele* foundation and produce disparate outcomes across the nation while not following *RJR Nabisco*. *See* Margaret Chon, *Kondo-Ing Steele v. Bulova: The Lanham Act's Extraterritorial Reach Via the Effects Test*, 25 B.U. J. SCI. & TECH. L. 530, 540-41 (2019). As explained in Section I, the Court has an opportunity to reformulate the effects test and make it compatible with the *RJR Nabisco* two-step test. The new test should abandon the nationality factors but retain comity factors—such as the actual or potential conflict with rights existing under foreign laws. Additionally, the Court should

make clear that the presumption applies separately to statutory provisions governing remedies.

A. The nationality factor should be removed from the extraterritoriality framework

The Court should remove the nationality of the alleged infringer as a factor of the effects test. The rationale for including the nationality of the alleged infringer was that Congress has the ability to regulate "the conduct of its own citizens", *Steele*, 344 U.S. at 285-86; however, this rationale is irrelevant to the extraterritoriality framework in this case and should be restrained for the following reasons.

First, while Congress has undeniably the ability to regulate conduct of U.S. citizens even when the conduct is abroad (Restatement (Fourth) of Foreign Relations Law § 410 (2018)), courts cannot assume that the fact that Congress may regulate conduct by U.S. nationals abroad necessarily means that Congress must or intends to do so every time. The same presumption against extraterritoriality should apply, and, unless Congress clearly, affirmatively indicates that it intends to regulate U.S. citizens' conduct abroad, *RJR Nabisco*, *supra,* at 337, courts should not impute non-existent Congressional intent in the *RJR Nabisco* analysis. In the case of the Lanham Act provisions at issue, nothing indicates that Congress intended that they apply extraterritorially, including based on the infringers' U.S. nationality. Ergo nothing justifies using the nationality of the alleged infringer as a factor.

Second, using citizenship as a threshold creates a forum-shopping issue. By providing extensive protections for U.S. trademark owners whose right is primarily being offended abroad by U.S. infringers, right holders could easily circumvent foreign judicial proceedings and seek one-stop remedies at home.

Furthermore, this approach has the danger of causing international friction. The nationality factor could contribute to the exportation of trademark rights from the U.S. to other countries. Marketa Trimble, *The Territorial Discrepancy Between Intellectual Property Rights Infringement Claims and Remedies*, 23:2 LEWIS & CLARK L. REV. 501, 540 (2019). It opens the door for regulating foreign commercial activities that may never touch the U.S. border. The Court should refrain from deploying citizenship as a hook for entirely foreign activities. It is a form of interference with a foreign nation's ability to regulate its own commerce, which would be unreasonable especially when such activities pose a minor effect on U.S. commerce.

Even though the present case involves only foreign defendants, this erroneous test magnifies the danger of unwarranted judicial interference and warrants the Court's review as part of its reformulation of the effects test within the *RJR Nabisco* framework.

B. The Court's extraterritoriality methodology should consider comity expressly

In establishing the two-step methodology in *RJR Nabisco*, the Court has inconsistently addressed the

relevance of potential conflicts with foreign law. In *Morrison*, the Court discounted potential conflicts, noting "[t]he canon or presumption applies regardless of whether there is a risk of conflict between the American statute and a foreign law." *Morrison*, 561 U.S. at 255. In contrast, the Court in *RJR Nabisco* noted that when "such a risk [of conflicts] is evident, the need to enforce the presumption is at its apex." *RJR Nabisco*, 579 U.S. at 348.

The Court in *Steele* expressly considered a potential conflict with Mexican law. *Steele*, 344 U.S. at 289 ("[T]here is thus no conflict which might afford petitioner a pretext that such relief would impugn foreign law."). Each circuit that has interpreted *Steele* has continued to include a conflict analysis, while the courts in patent and copyright cases have failed to even mention such concerns. Holbrook, *Extraterritoriality*, 507-08.

This Court should make clear that consideration of comity should be included in an assessment of whether to apply a domestic statute extraterritorially in all cases. As the Court has indicated, "comity is not just a vague political concern favoring international cooperation when it is in our interest to do so"; instead, "it is a principle under which judicial decisions reflect the systemic value of reciprocal tolerance and goodwill." *Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court*, 482 U.S. 522, 555 (1987). All of the Supreme Court cases addressing the presumption against extraterritoriality specifically recognize that one reason for the presumption is to avoid such conflicts. *E.g. EEOC v. Arabian Am. Oil Co.*, 499 U.S.

244, 248 (1991) [hereinafter *ARAMCO*]. In this era of increasingly globalized trademark goodwill, courts should account for comity concerns in the trademark law's extraterritorial analysis. *See* Dodge, *supra*, at 2078.

In this case, the Court has an opportunity to clarify that express consideration of potential conflicts and considerations of comity, when present, should inform the decision of whether to apply the Lanham Act extraterritorially. The lower courts have all embraced such an approach for trademark law, although they have varied as to whether it is part of the extraterritoriality assessment or a prudential limit. *Trader Joe's Co.* 835 F.3d at 972-973 (comity is required analysis); *McBee*, 417 F.3d at 121 (comity is a prudential concern). The Tenth Circuit decision below referred to the conflicts with foreign intellectual property rights as a collateral matter after the two-step analysis is satisfied.

Comity analysis should be an express consideration in the extraterritoriality framework and serve as a check on overreaching by U.S. law. Holbrook, *supra,* at 507-09; Maggie Gardner, RJR Nabisco *and the Runaway Canon*, 102 VA. L. REV. ONLINE 149, n.30 (2016) ("Once a judge has determined that Congress intended a statute to apply extraterritorially, she should assume it does apply extraterritorially, at least up to the limits of international law.").

Comity concerns merit a nuanced, case-by-case analysis. A conflict with foreign laws would be most

evident "when the particular [intellectual property] rights do not even exist in the target country, the same [intellectual property] is owned there by another person or entity, or exceptions and limitations to the IP rights exist in the target country that would make the acts non-infringing or otherwise permissible in the target country." Trimble, *supra*, at 540. National intellectual property laws instantiate important underlying national policies, with which other countries should not interfere casually. Holbrook, *Extraterritoriality*, *supra,* at 491.

Assessing conflicts with foreign law may pose difficulties for courts and litigants, but such concerns should be outweighed by the Court's interest in avoiding interference with the sovereignty of other nations and promoting "harmony [of laws] needed in today's highly interdependent commercial world." *F. Hoffmann-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164–65 (2004). Indeed, as the extraterritorial application of U.S. laws should be deemed exceptional, it is incumbent on the parties to provide assessments of the law in the relevant jurisdiction(s) to inform a court's analysis. This issue is of particular importance when assessing whether remedies under U.S. law should be available for foreign activity, especially because foreign courts may refuse to recognize and enforce the remedy, thus diminishing or defeating the intellectual property protection intended by the court that awarded the remedies. Trimble, *supra*, at 543.

This Court could revisit and illuminate the application of comity factors through the facts here. The Tenth Circuit upheld a $90 million monetary

award without analyzing if the same intellectual property right exists under German law, if the infringement is actionable under German law, or if the same profits that result in remedies could be subject to German law. Rather, the Tenth Circuit identified the recoverable damages containing 97% foreign sales in Europe, disregarding potential conflict concerns. Courts ought to be more responsive to the increasing need for collaboration in the international intellectual property law system by deferring to other countries' policies and minimizing any conflicts that may raise.

In considering comity factors, this Court should remand for the district court to assess whether there are conflicts between U.S. and German trademark rights and the potential territorially overlapping remedies available for trademark infringement.

C. The remedies awarded are an improper extraterritorial extension of the Lanham Act

The remedies awarded by Tenth Circuit are an improper extraterritorial expansion of the Lanham Act's monetary remedies provision because the case does not provide circumstances where an extraterritorial remedy would be justifiable. *See generally* Trimble, *supra.*

Under the Lanham Act, plaintiffs may recover the defendant's profits from infringing sales and other damages sustained for violation of trademark rights. 15 U.S.C. § 1117(a). Congress stated nothing about the territorial scope of the remedies within §1117(a) itself, leaving it to the courts to interpret its territorial scope.

Trimble, *supra*, at 543. Theoretically, there is a substantial congruence between the territorial scope of remedies sought for the intellectual property infringement and the territorial scope of law applied to the claim. *See* Graeme Dinwoodie, *Scope of Injunctions*, in CONFLICT OF LAWS IN INTELLECTUAL PROPERTY: THE CLIP PRINCIPLES AND COMMENTARY 2:604.C02 (2013). Yet discrepancies between the territorial scope of the claims and remedies oftentimes occur. *E.g., Google LLC v. Equustek Solutions, Inc.*, No. 5:17-cv-04207-EJD, 2017 WL 500834 (N.D. Cal. Nov. 2, 2017); *Google Inc. v. Equustek Solutions Inc.*, [2017] 1 S.C.R. 824 (Can.) (where the Canadian and U.S. courts disagreed and deadlocked on the proper territorial scope of a remedy).

Courts should be cautious when granting remedies that reach beyond the U.S. borders. The dissent in *WesternGeco* cautioned against the risk of allowing improper extraterritorial remedies in the patent area because it "would effectively allow U.S. patent owners to use American courts to extend their monopolies to foreign markets." 138 S. Ct. at 2139 (Gorsuch, J., dissenting); *see also* Holbrook*, WesternGeco*, supra, at 204 ("Whether the foreign activity triggers liability or damages is a distinction without a difference….") In the same vein, the court should exercise the same level of prudence in granting Lanham Act remedies.

Absent a clear statement that remedies should apply extraterritorially, remedies may be available in three circumstances. First, courts may award extraterritorial remedies when the rights violation provision expressly reaches extraterritorially. If a

court interprets the territorial scope of such provision as extraterritorial, the remedies provision will typically also extend extraterritorially in order to offer redress for the harm. Trimble, *supra*, at 523. If the facts of a case support the extraterritorial application of the rights violation provision in such a case, the court may award remedies that, as to their territorial scope, match the territorial scope of the substantive provision. This situation was the case in *WesternGeco*, where the relevant patent infringement provision contemplated extraterritorial reach. Holbrook, *WesternGeco, supra,* at 220. In the present case before the Court, the Lanham Act rights violation provision does not reach extraterritorially, as argued in Section I; therefore, this situation does not apply.

Second, courts might award extraterritorial remedies when plaintiffs bring claims in U.S. courts for infringement of foreign intellectual property rights by foreign activity. Trimble, *supra*, at 525. In such cases, parties bring claims that cover a foreign country or countries, typically but not necessarily along with claims that cover the United States. Generally, parties should plead infringement under foreign law. Nevertheless, if parties do not plead foreign law nor object, a court may decide to apply U.S. law to the claims raised for activities in foreign countries. Trimble, *supra*, at 515. Either way, if a rights violation is found in such cases outside the United States, the court will award remedies that cover the jurisdictions for which it adjudicated the violation of the foreign and U.S. rights. But that is not the case here.

Third, courts award extraterritorial remedies when such remedies are necessary to vindicate the violation of the rights in the United States and/or to protect U.S. rights from further violations. Trimble, *supra*, at 526. In *L.A. News Service v. Reuters*, 149 F.3d 987 (9th Cir. 1998) and 340 F.3d 926 (9th Cir. 2003), the Ninth Circuit awarded foreign profits to the copyright owner on the theory that the initial infringement that took place in the United States (reproduction and one act of distribution) was a predicate act to further activities (further distribution and performance) that took place abroad, even though outside the reach of the U.S. Copyright Act. This approach is similar to the "diversion of foreign sales" relied upon by the courts below in this case.

However, the *Reuters* court's rationales are inapplicable to the present case. In *Reuters*, the court reasoned that an intellectual property rights holder was entitled to recover extraterritorial profits when those damages flowed from the exploitation abroad of the domestic infringing acts. This contrasts with the present case where the infringement is completed entirely outside the United States with no predicate act of domestic infringement.

None of the three circumstances in which courts might award extraterritorial remedies apply in the present case.

III. The Court should clarify that extraterritoriality is a merits question and not a jurisdictional question

This case provides a prime opportunity for the Court to clarify that the territorial scope of the Lanham Act is a question to be decided on the merits and is not a question of subject matter jurisdiction. While neither of the parties have raised this issue, the Court is free to assess its jurisdiction, including whether the issue before it is jurisdictional in nature. *See NetworkIP, LLC v. F.C.C.*, 548 F.3d 116, 120 (D.C. Cir. 2008).

Addressing this question is important because of a recent circuit split. The U.S. Court of Appeals for the Ninth Circuit was the first circuit to break with the view that extraterritoriality is a question of subject matter jurisdiction and to decide the question on the merits. *Trader Joe's v. Hallatt*, 835 F.3d 960, 975, 977–78 (9th Cir. 2016). Since then, it has been joined by the Tenth Circuit, in the opinion in this case. *Hetronic*, 10 F.4th at 1040-41. These decisions, while correct in light of recent caselaw, are arguably inconsistent with this Court's precedent in *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

Whether the extraterritorial scope of a statute is to be assessed in the context of a jurisdictional analysis or an assessment of the merits is not simply a minor housekeeping matter; instead, as this Court recognized in *Arbaugh v. Y & H Corp.*, there are "consequences" to treating a requirement as "a determinant of subject-matter jurisdiction, rather than an element of [the plaintiff's] claim element of

[the plaintiff's] claim for relief." 546 U.S. 500, 513-14 (2006). The categorization has impacts including waive-ability of the issue,[5] the plausibility standard in pleading,[6] and the preclusive effect of a decision. Chon, *supra,* at 548-50.

In *Steele*, this Court framed the question of the territorial scope of the Lanham Act as "whether a United States District Court has *jurisdiction* to award relief to an American corporation against acts of trade-mark infringement and unfair competition consummated in a foreign country by a citizen and resident of the United States." *Steele*, 344 U.S. at 281 (emphasis added). Similarly, the Court phrased the extraterritorial reach of Title VII in jurisdictional terms in *ARAMCO*, 499 at 249.

For decades, lower courts had faithfully followed the *Steele* analysis, treating the territorial scope of the Lanham Act as an issue of subject matter jurisdiction. *E.g.*, *Paulsson Geophysical Servs., Inc. v. Sigmar*, 529 F.3d 303, 309 (5th Cir. 2008); *McBee*, 417 F.3d at 120; *Liberty Toy Co. v. Fred Silber Co.*, No. 97-3177, 1998 WL 385469, at *6 (6th Cir. 1998); *Nintendo of Am., Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246, 250-51 (4th Cir. 1994); *Am. Rice, Inc. v. Arkansas Rice Growers Co-op. Ass'n*, 701 F.2d 408, 417 (5th Cir. 1983); *Vanity Fair Mills,* 234 F.2d at 642 (2d Cir. 1956). The Ninth and Tenth Circuits' recent decisions to diverge from *Steele*

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[5] Fed. R. Civ. Pro. 12(h)(3) ("If the Court determines at any time that it lacks subject matter jurisdiction, the court must dismiss the action.")

[6] *Ashcroft v. Iqbal*, 556 U.S. 662 (2009); *Bell Atlantic Corp. v. Twombly*, 550 U.S. 516 (2007).

and their sibling circuits are significant and correctly treated the matter as a merits question.

Three reasons support treating the territorial scope of the Lanham Act as a matter of the merits rather than one of subject matter jurisdiction.

First, as this Court made clear in *Morrison* "to ask what conduct [a U.S. statute] reaches is to ask what conduct [the statute] prohibits, which is a merits question. Subject-matter jurisdiction, by contrast, refers to a tribunal's power to hear a case. […] It presents an issue quite separate from the question whether the allegations the plaintiff makes entitle him to relief." 561 U.S. at 254 (internal quotations and citations omitted). Following this lead, in *Trader Joe's Co. v. Hallatt,* the Ninth Circuit decided the Lanham Act extraterritoriality question on the merits, specifically rejecting the prior subject matter characterization in both *Steele* and previous Ninth Circuit cases. 835 F.3d at 975, 977–78. And in the instant case, the U.S. Court of Appeals for the Tenth Circuit also relied on the *Morrison* language quoted above, concluding that its "rationale holds true for the Lanham Act." *Hetronic*, 10 F.4th at 1040.

Second, in other intellectual property cases where federal subject matter jurisdiction arose under 28 U.S.C. § 1338, courts have addressed the territorial scope of the relevant U.S. statutes not as a matter of subject matter jurisdiction but rather as a matter of prescriptive jurisdiction—a question on the merits. For example, the U.S. Court of Appeals for the Federal Circuit has held that in the absence of statutory

language to the contrary, "whether the allegedly infringing act happened in the United States is an element of the claim for patent infringement, not a prerequisite for subject matter jurisdiction." *Litecubes, LLC v. Northern Light Products, Inc.*, 523 F.3d 1353, 1366 (Fed. Cir. 2008). Similarly, the Federal Circuit and Fifth Circuit have held that the issue of applicability of the U.S. Copyright Act to the defendant's acts is an element of the claim and not a question of subject matter jurisdiction. *See id.* at 1368; *Geophysical Serv., Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785, 791 (5th Cir. 2017).

Third, this Court's analysis in *Steele* focused on section 45 of the Lanham Act, specifically, the Court's reading of Congressional intent "to regulate commerce within the control of Congress" in tandem with the statutory definition of commerce as "all commerce which may lawfully be regulated by Congress." *Steele*, 344 U.S. at 282-84 (citing to Lanham Act §§ 39, 45, 15 U.S.C. §§ 1121, 1127). The *Steele* Court's heavy reliance on these statutory provisions reflects the modern take on the prescriptive jurisdiction of Congress in foreign relations rather than traditional subject matter jurisdiction analysis, which is primarily concerned with channeling cases between federal and state judicial systems. Chon, *supra,* at 548. The language considered in *ARAMCO* was similar, addressing the reach of Congress's power under the Commerce Clause. *ARAMCO*, 499 U.S. at 248-56.

Thus, the Court is squarely presented with an opportunity to resolve this circuit split and clarify that

the issue of the Lanham Act's territorial reach should be decided as a merits question rather than a jurisdictional one.[7]

CONCLUSION

This Court decided *Steele v. Bulova* during the mid-20th century when U.S. courts were in significant retrenchment from an earlier era's strong presumption against the extraterritorial reach of national laws. *See* Dodge, *supra*, at 1595. Beginning with Judge Learned Hand's opinion in the so-called Alcoa antitrust case, *United States v. Aluminum Co. of Am. (Alcoa)*, 148 F.2d 416, 443-44 (2d Cir. 1945), courts began to insert the effects test into extraterritoriality analysis. Austen Parrish, *The Effects Test: Extraterritoriality's Fifth Business,* VAND. L. REV. 1455, 1471-78 (2008). Over time, this resulted in the undermining of the presumption against extraterritorial application of laws, even replacing it wholesale in some instances. *See* Dodge, *supra*, at 1597.

Steele therefore epitomizes a historical era in which a rule of reason analysis gradually replaced strict territorialism, whether in foreign or domestic U.S. jurisdictional analyses. *See* Chon, *supra,* at 562. ("more than a passing phenotypic resemblance exists

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[7] If the Court finds that extraterritoriality is a merits issue, then it should also clarify that any dismissals resulting from the conclusion that a statute does not have extraterritorial reach should be treated analogously to *forum non conveniens* dismissals, which typically are conditioned on the defendant(s) agreeing to waive a preclusion defense in foreign filings.

between Judge Learned Hand's articulation of the effects test in the 1945 *Alcoa* decision and the Supreme Court's personal jurisdiction 'contacts' test in *International Shoe v. State of Washington* decided in the same year."); *accord* Parrish, *supra*, at 1472.

Against this background, this Court has made clear in its recent prescriptive jurisdiction analyses that the pendulum has now swung back to a strong presumption against extraterritorial application of U.S. laws, and the *Steele* decision now requires updating.

For the foregoing reasons, the judgment below should be reversed and remanded for consideration in light of the factors detailed above.

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* The views expressed in this brief are those of the individual signatories and not those of the institutions with which they are affiliated.