

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 THE INTERNATIONAL  
TRADEMARK ASSOCIATION AS  
AMICUS CURIAE  
IN SUPPORT OF NEITHER PARTY**

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## INTERESTS OF THE AMICUS CURIAE

The International Trademark Association (“INTA”)<sup>1</sup> is a not-for-profit global organization dedicated to the support and advancement of trademarks and related intellectual property. Founded in 1878 as the United States Trademark Association, INTA has more than 7,200 member organizations from 191 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist in the creation, registration, protection, and enforcement of trademarks.

INTA was founded, in part, to encourage the enactment of federal trademark legislation following invalidation on constitutional grounds of the United States’ first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with major trademark and related legislation. INTA has participated as amicus curiae in numerous cases

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel for a party. No party or counsel for a party, nor any other person or entity other than amicus curiae, its members, and its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3(a), both Petitioners and Respondent have consented to the filing of this brief.

involving significant Lanham Act issues in this Court<sup>2</sup> and in other courts across the country. Moreover, INTA's members are frequent participants in litigation, both in courts and in administrative proceedings before the United States Patent and Trademark Office and the Trademark Trial and Appeal Board, with respect to the Lanham Act. INTA has also participated as an amicus curiae, or on a

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<sup>2</sup> Cases in which INTA has filed amicus briefs in this Court include: *U.S. Patent & Trademark Office v. Booking.com B.V.*, 140 S. Ct. 2298 (2020); *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492 (2020); *Peter v. NantKwest, Inc.*, 140 S. Ct. 365 (2019); *Iancu v. Brunetti*, 139 S. Ct. 2294 (2019); *Mission Prod. Holdings, Inc. v. Tempnology, LLC*, 139 S. Ct. 1652 (2019); *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881 (2019); *Matal v. Tam*, 137 S. Ct. 1744 (U.S. 2017); *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907 (U.S. 2015); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (U.S. 2015); *Pom Wonderful LLC v. Coca-Cola Co.*, 573 U.S. 102 (2014); *Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

similar basis, in trademark cases before the Court of Justice of the European Union, the Grand Board of Appeal of the European Union Intellectual Property Office, and tribunals in other countries. INTA members find themselves on both sides of trademark litigation. As a result, INTA and its members have a deep and powerful interest in the development of clear, consistent, and equitable principles of trademark law worldwide.

### **SUMMARY OF THE ARGUMENT**

The Lanham Act may be applied to stop foreign conduct that causes substantial impact in the United States within the focus of the Lanham Act, especially where the defendant is a U.S. citizen. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285-86 (1952). But this does not mean that the Lanham Act has unlimited worldwide application against foreign actors who are not U.S. citizens. Indeed, the Act reaches foreign conduct only to the extent it causes substantial injury in the U.S. Such foreign conduct that causes substantial impact in the U.S. exists in the boundary between “extraterritorial” and “domestic” application of the law and should be reachable whether or not the

Court holds the Lanham Act to have extraterritorial application.

Applying the test set forth in *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325 (2016), in the trademark context is not straightforward. The first step of the test requires that courts determine Congressional intent by reviewing only the text of the statute. To do so requires the Court to apply blinders and ignore *Steele* and 70 years of jurisprudence built on its rule, which Congress has ratified by its silence. In addition, *Steele* did not base its holding on only the Lanham Act. It also invoked older common law principles to support the right of a trademark owner to complain about foreign trademark infringement. And the Court relied heavily on a sovereign's right to control the conduct of its citizens, even when they travel or engage in misconduct abroad. Given that the Court relied so heavily on foundational pillars outside the Lanham Act to support its ruling in *Steele*, *RJR Nabisco* should not be read to require exclusive focus on the text of the Lanham Act.

If the Court rules that the Lanham Act does not apply extraterritorially, and proceeds to step two of the *RJR Nabisco* test, the Lanham Act still provides recourse against foreign conduct that causes substantial injury in the U.S. within the scope of the Act. Doing so would be a "permissible domestic

application” of the Act under step two of the *RJR Nabisco* framework.

Importantly, the Lanham Act’s focus is not limited to point-of-sale consumer confusion. It is broader, and provides remedies against pre-sale and post-sale confusion, injury to reputation, mistaken affiliation or sponsorship, and dilution. If a foreign actor causes substantial injury in the U.S. in these ways, then it would be a permissible domestic application of the Lanham Act to enjoin or provide compensation for these injuries.

In all events, the Court should preserve the ability under the Lanham Act for plaintiffs to obtain relief against U.S. citizens who infringe U.S. trademarks in foreign countries. There is no need to undermine this important tool, which accounts for the vast majority of Lanham Act claims that have been awarded an extraterritorial remedy.

The Court should also endorse circuit court decisions like *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956), that require “substantial impact,” rather than merely “some” impact on U.S. commerce, as a condition for an extraterritorial remedy under the Lanham Act. An empirical study reveals that requiring only “some” impact may allow an unreasonably high success rate for plaintiffs



seeking extraterritorial relief under the Lanham Act. Tim W. Dornis, *Behind the Steele Curtain: An Empirical Study of Trademark Conflicts Law, 1952-2016*, 20 VAND. J. ENT. & TECH. L. 567 (2018) (“Dornis”).

The Tenth Circuit’s affirmance of the \$90 million profits award should be reversed and remanded. First, it was error to conclude that, because Respondent proved that about \$2 million of infringing sales (constituting about 3% of Petitioners’ worldwide revenue) caused a “substantial impact” on U.S. commerce, it was therefore entitled to recover the remainder of Petitioners’ profits worldwide, including portions for which a “substantial impact” had not yet been established. Second, the Tenth Circuit also erred in affirming based on the diversion-of-sales theory, which wrongly presumes that, because the Lanham Act applies extraterritorially, Petitioner had no right to make any foreign sales. Even if the Lanham Act applies extraterritorially under *Steele*, Respondent still only has the right to enjoin foreign sales that cause substantial injury in the U.S. Without the right to stop those sales that do not have a “substantial impact” within the focus of the Lanham Act in the U.S., there was no predicate for a diversion-of-sales award.

Remand is appropriate, however, to allow both sides to offer evidence under a correct application of the law. This would permit Respondent to show that the foreign conduct caused more domestic injury than the 3% shown on the current record. And, of course, Petitioners would have the right to introduce evidence that foreign sales caused little or no domestic injury within the focus of the Lanham Act.

## ARGUMENT

### 1. THE LANHAM ACT PASSES THE FIRST STEP OF *RJR NABISCO* AND REBUTS THE PRESUMPTION AGAINST EXTRATERRITORIALITY.

#### 1.1 *Steele v. Bulova* applied the Lanham Act extraterritorially against a U.S. citizen.

The first step of the *RJR Nabisco* test requires the Court to “ask whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially.” *RJR Nabisco*, 579 U.S. at 337. This Court has already answered that question. In *Steele v. Bulova Watch Co.*, the Court held that:

In the light of the broad jurisdictional grant in the Lanham Act, we deem its scope to

encompass petitioner's activities here. His operations and their effects were not confined within the territorial limits of a foreign nation. He bought component parts of his wares in the United States, and spurious 'Bulovas' filtered through the Mexican border into this country; his competing goods could well reflect adversely on Bulova Watch Company's trade reputation in markets cultivated by advertising here as well as abroad.

344 U.S. at 286.

Congress has power to regulate "commerce with foreign nations . . ." U.S. CONST. art. 1, § 8, cl. 3. The Lanham Act relies on this constitutional authority when it says that "commerce" means "all commerce which may lawfully be regulated by Congress" and includes in its statement of purpose "to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations." *Steele*, 344 U.S. at 283-84 (citing 15 U.S.C. § 1127). The statement of purpose is executed in 15 U.S.C. § 1126(a), which relates to registration of trademarks pursuant to international treaties. *See, e.g.*, 15 U.S.C. § 1127 (defining "use in commerce" of a service to

include services rendered “in the United States and a foreign country”).

The Court in *Steele* also emphasized that the defendant was a U.S. citizen: “Petitioner concedes, as he must, that Congress in prescribing standards of conduct for American citizens may project the impact of its laws beyond the territorial boundaries of the United States.” *Steele*, 344 U.S. at 282. The Court also relied on the absence of conflict with rights under Mexican law, observing that the Mexican courts had invalidated Steele’s Mexican trademark registration for ‘Bulova.’ *Id.* at 289.

This Court has twice reaffirmed its holding in *Steele* that the Lanham Act has extraterritorial scope. First, in *E.E.O.C. v. Arabian Am. Oil Co.*, this Court explained that, unlike Title VII of the Civil Rights Act of 1964, the Lanham Act could properly be interpreted as applying abroad. 499 U.S. 244, 252-53 (1991). More recently, in *Morrison v. National Australia Bank Ltd.*, this Court acknowledged its prior understanding of *Steele*, observing that the Court in *Aramco* “read [*Steele*] as interpreting . . . the Lanham Act[] to have extraterritorial effect.” 561 U.S. 247, 271 n.11 (2010).

Subsequent circuit court decisions reflect the universal understanding and expectation that *Steele* settled the question of whether the Lanham Act

applies to extraterritorial conduct. *See, e.g., Trader Joe's Company v. Hallatt*, 835 F.3d 960, 966 (9th Cir. 2016) (*Steele* gives “clear, affirmative indication that [the Lanham Act] applies extraterritorially”); *McBee v. Delicia*, 417 F.3d 107 (1st Cir. 2005) (*Steele* concluded that “the Lanham Act can, in appropriate cases, be applied extraterritorially.”); *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733 (2d Cir. 1994) (per *Steele*, courts have jurisdiction to enforce the Lanham Act extraterritorially to prevent harm to United States commerce.)

This case is therefore distinguishable from recent extraterritoriality cases, like *Morrison* or *RJR Nabisco*, where there were no prior Supreme Court rulings interpreting the subject statute as having extraterritorial application. Here, the Court does not write on a clean slate. A ruling that the Lanham Act does not apply extraterritorially would be inconsistent with *Steele* and unravel 70 years of circuit court law upon which trademark owners have come to rely.

**1.2 Despite the “extraterritorial” label, neither *Steele* nor its progeny confer unlimited worldwide application of the Lanham Act.**

*Steele*’s holding that the Lanham Act applied extraterritorially has never been understood to confer unlimited worldwide application of the Act. In *Vanity Fair*, the Second Circuit was the first federal court of appeals to apply the *Steele* factors:

[T]he [*Steele*] Court stressed three factors: (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 . . . .

234 F.2d at 642.

The court further emphasized that:

[W]e think that the rationale of the [*Steele*] Court was so thoroughly based on the power of the United States to govern ‘the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed’

that the absence of one of the above factors might well be determinative and that the absence of both is certainly fatal.

*Id.* at 642-43 (quoting *Steele*, 344 U.S. at 285), *e.g.*, *Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189, 192 n.4 (2d Cir. 1998) (“Indeed, we have never applied the Lanham Act to extraterritorial conduct absent a substantial effect on United States commerce.”). Although, as explained below, the circuit tests have evolved differently over time, all courts have limited the Lanham Act’s extraterritorial reach.

Put simply, neither *Steele* nor any other court has held that the Lanham Act has unlimited worldwide application. Instead, the Act only applies extraterritorially where the foreign conduct causes a substantial impact on U.S. commerce, and that impact is within the focus of the Lanham Act. This limitation on the scope of the Lanham Act not only comports with the requirements of *RJR Nabisco*, it is also essential to avoid globalizing U.S. trademark law.

**1.3 *RJR Nabisco's* focus on only the statutory text ignores other foundations for *Steele's* assertion of extraterritorial application of trademark rights.**

The *Steele* Court did not rely solely on the language of the Lanham Act to support its extraterritorial application, but also on analyses employed by courts to determine the extraterritoriality of non-statutory and common law trademark rights. The non-statutory foundation for *Steele's* extraterritoriality analysis distinguishes that case from *RJR Nabisco* and *Morrison*, where there were no non-statutory or common law rights that could have been invoked. In those circumstances, it made sense to focus on statutory text when evaluating Congressional intent.

In *Steele*, after acknowledging the sweeping reach of the Act covering “all commerce which may lawfully be regulated by Congress,” the Court observed that Bulova could likewise have been awarded relief based on the use-based analysis used by courts “prior to the advent of the broadened commerce provisions of the Lanham Act.” *Steele*, 344 U.S. at 287 (“Even when most jealously read, that Act’s sweeping reach into ‘all commerce which may lawfully be regulated by Congress’ **does not constrict prior law or deprive courts of**



**jurisdiction previously exercised.”**) (Emphasis added). This analysis of pre-Lanham Act authority served as the basis for the *Steele* Court’s grant of extraterritorial rights under the Lanham Act. *George W. Luft Co. v. Zande Cosmetic Co.*, 142 F.2d 536, 541 (2d Cir. 1944) (enjoining defendants from using the disputed trademark in foreign jurisdictions where both parties were doing business); *Vacuum Oil Co. v. Eagle Oil Co.*, 154 F. 867, 876 (C.C.N.J. 1907) (“the arm of the court [was not] too short to reach and stop” defendant from fraudulently using the plaintiff’s trademark in Germany and enjoining defendant’s conduct).

In contrast, the rights asserted in *RJR Nabisco* and *Morrison* were first created by statute, leaving the Court with no pre-statutory roadmap to consider. *RJR Nabisco*, 579 U.S. at 351-53 (rejecting consideration of general tort law principles or judicial interpretations of “similar” statutes to inform the scope of the RICO Act); *Morrison*, 561 U.S. at 267 (declining to consider judicial interpretations of the Securities and Exchange Act of 1934 as relevant to extraterritoriality analysis). There, reliance on the statutory text alone was warranted.

But trademark laws do not fit this schema. Focus on the text of the Lanham Act alone as a basis for reviewing or reversing *Steele* would ignore the

practical realities of U.S. trademark law. Pre-statutory trademark rights exist separately from, and are typically asserted alongside, trademark rights arising under the Lanham Act. 3 J. Thomas McCarthy on Trademarks and Unfair Competition § 22:2 (5th ed. 2022) (“Courts have uniformly held that the federal Lanham Act does not occupy the whole field of trademark and unfair competition law in such a way that it would preempt parallel state law.”). The scope of these pre-statutory rights, and the remedies available for their violation, are not governed by the language of the Lanham Act. As a result, modern courts, relying on pre-*Steele* doctrine, have found pre-statutory trademark rights to be protectable beyond U.S. borders, so long as Plaintiff has an established market abroad. *Three Degrees Enters., Inc. v. Three Degrees Worldwide, Inc.*, 22 U.S.P.Q.2d 1357, 1360 (3d Cir. 1991) (citing *Luft*, 142 F.2d 536); *see also* Dornis at 623-628 (2018) (discussing *Trademark Universality—‘Common Law Style’*”).

In short, because *Steele* invoked common law principles that predated the Lanham Act, *RJR Nabisco’s* focus on the statutory text, were it to be applied here in the same way, would ignore well-established sources of authority supporting the extraterritorial reach of U.S. trademark rights. And because these non-statutory foundations are built into *Steele’s* analysis, they should not be overlooked here.

**1.4 Congress has ratified (by acquiescence) the assertion in *Steele* (and the circuit courts) that the Lanham Act has extraterritorial effect.**

Congressional silence regarding the extraterritorial scope of the Lanham Act in the years since *Steele* shows that Congress agrees with, and has implicitly ratified, *Steele*'s interpretation of the Act.

Congress has amended the Lanham Act at least seventeen times since *Steele* was decided in 1952. 1 McCarthy on Trademarks and Unfair Competition §§ 5:6, 5:10-5:11 (reviewing amendments since 1952). Importantly, a number of these amendments were implemented in direct response to judicial interpretations of the Act. For example, after some circuit courts began applying this Court's decision in *eBay, Inc. v. MercExchange*, 547 U.S. 388 (2006) to requests for injunctive relief in the trademark context, Congress amended the statute to reinstate the presumption of irreparable injury for trademark owners upon a showing of likelihood of confusion. 15 U.S.C. § 1116(a) (originally enacted as Trademark Modernization Act of 2020, Pub. L. No. 116-260, 134 Stat. 2200 (2020)). Similarly, in response to this Court's ruling in *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003), Congress amended the Lanham Act to clarify that a trademark dilution claim requires a

showing of likelihood of dilution. 15 U.S.C. § 1125(c) (originally enacted as Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006)). There has been no such Congressional reaction in response to *Steele*.

Congress's acquiescence to *Steele* confirms that it intended, and intends, for the Act to have extraterritorial effect. As Justice Stevens explained in his concurring opinion in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), with respect to the judicial expansion of Lanham Act § 43(a) (15 U.S.C. § 1125):

Congress has revisited this statute from time to time, and has accepted the “judicial legislation” that has created this federal cause of action. Recently, for example, in the Trademark Law Revision Act of 1988, 102 Stat. 3935, Congress codified the judicial interpretation of § 43(a), giving its imprimatur to a growing body of case law from the Circuits that had expanded the section beyond its original language.

505 U.S. 763, 783 (1992) (Stevens, J., concurring).

The case for ratification is stronger here than it was in *Two Pesos* because the start of the expansion of Section 43(a) was traced to a 1963 circuit court case (twenty-nine years previous). *Two Pesos*, 505 U.S. at

779, 779 n.7. *Steele* started the ratification clock seventy years ago, in 1952.

**2. THE LANHAM ACT PASSES THE SECOND STEP OF THE *RJR NABISCO* TEST BECAUSE PREVENTING FOREIGN CONDUCT THAT CAUSES DOMESTIC CONFUSION OR INJURES DOMESTIC REPUTATION IS A PERMISSIBLE DOMESTIC APPLICATION OF THE LANHAM ACT.**

Alternatively, if in deciding step one of the *RJR Nabisco* test the Court rules that the Lanham Act does not rebut the presumption against extraterritoriality, then it proceeds to step two and asks:

[W]hether the case involves a domestic application of the statute, and we do this by looking to the statute’s “focus.” If the conduct relevant to the statute’s focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad; but if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory.

*RJR Nabisco*, 579 U.S. at 337. This rubric raises two component questions: first, what is the relevant conduct, and second, what is the focus of the Lanham Act.

**2.1 Because *Steele* was based on reputational injury in the U.S., it reflects permissible domestic application of the Lanham Act.**

Importantly, although *Steele* is widely cited as supporting “extraterritorial” application of the Lanham Act, the Court relied heavily on the domestic impact of *Steele*’s foreign conduct. The counterfeit watches filtered back into the U.S., causing injury to Bulova’s reputation in the U.S. Moreover, the *Steele* Court did not make a broad pronouncement that the Lanham Act has extraterritorial effect in all circumstances. Instead, it held that “[i]n the light of the broad jurisdictional grant in the Lanham Act, *we deem its scope to encompass petitioner’s activities here.*” *Id.* at 286. (Emphasis added).

Accordingly, *Steele* may be interpreted in the light of the *RJR Nabisco* rubric either as a limited extraterritorial application, or as an example of “permissible domestic application” of the Lanham Act without contradicting *Steele*’s precise holding. *Compare WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2137-38 (2018) (finding, based on the

Patent Act’s focus on domestic conduct of exporting from the U.S. certain non-staple components, that a recovery of profits from the resulting foreign sales was a “permissible domestic application” under *RJR Nabisco*). The requirement of cases such as *Vanity Fair* and its variants that the foreign conduct must have a substantial impact on U.S. commerce, *see* Section 2.4, *infra*, is sufficient to confine the Lanham Act to “permissible domestic applications,” and thereby allow the Court to preserve seventy years of jurisprudence interpreting *Steele*.

## **2.2 Preventing domestic consumer confusion and reputational injury is a “permissible domestic application” of the Lanham Act.**

Both the cause and the effect of confusion are “conduct relevant to the focus” of the Lanham Act. *RJR Nabisco*, 579 U.S. at 337. A statute’s focus “is the object of its solicitude, which can include the conduct it seeks to regulate, as well as the parties *and interests it seeks to protect or vindicate.*” *WesternGeco*, 138 S. Ct. at 2137 (internal quotation marks omitted) (quoting *Morrison*, 561 U.S. at 267) (emphasis added). The “object of the [Lanham Act’s] solicitude” is the prevention of various harmful effects, including consumer confusion and injury to the trademark owner’s goodwill. Therefore the “relevant conduct” within the *RJR Nabisco*

formulation is not only the cause of the injury, but also its effect, *i.e.*, the injury (such as confusion or injury to reputation).<sup>3</sup>

It follows that if foreign conduct causes an effect within the U.S., “then the case involves a permissible domestic application even if other conduct occurred abroad.” *RJR Nabisco*, 579 U.S. at 337. However, when foreign conduct causes only foreign injury, *e.g.*, only confusion of foreign consumers, then there is no “relevant conduct” in the U.S. and application of the Lanham Act would be impermissible.

Consequently, a ruling by this Court that the Lanham Act does not rebut *RJR Nabisco*’s step one presumption against extraterritoriality would not undermine the vast majority of Lanham Act decisions that grant an extraterritorial remedy where foreign conduct caused substantial trademark injury in the U.S. If a Lanham Act claim is brought to prevent domestic trademark-related injury, then it would be a “permissible domestic application” of the statute. And

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<sup>3</sup> Infringement under patent law and trademark law are fundamentally different. Under patent law, infringement exists if the claims read on the accused article. There is no requirement that customers have any awareness of the infringement. By contrast, trademark infringement requires proof of a consequence—likelihood of confusion.



this would be true even if the Lanham Act does not qualify under step one of the *RJR Nabisco* test.

### **2.3 The Solicitor General’s definition of the Lanham Act’s focus is too narrow.**

The Solicitor General largely limited her exploration of the Lanham Act’s focus to the text of Sections 32(1)(a) and 43(a)(1)(A) of the statute, concluding that they “are best construed to make actionable those uses of a trademark in commerce, whether in the United States or abroad, that are likely to have the ultimate effect of confusing or deceiving consumers in the United States.” Brief for the United States as Amicus Curiae at 11, *Abitron Austria GmbH v. Hetronic International, Inc.* (Sept. 23, 2022) (No. 21-1043) (“SG Brief”). She therefore limits the focus of the Lanham Act “to foreign conduct that produces consumer confusion in the United States.” *Id.* at 16.

#### **2.3.1 The Solicitor General ignores the broad scope of Lanham Act Protection.**

This narrow definition of the Lanham Act’s focus ignores broad judicial interpretations of the “likelihood of confusion,” that the Lanham Act supplies remedies against, far beyond point-of-sale confusion. The statutory phrase “likelihood of confusion” is not itself defined in the statute. But

courts have interpreted and construed this crucial phrase over many decades. Any definition of the Lanham Act's focus must incorporate judicial interpretations of the scope of prohibited activity. This is especially important in the international context because some types of domestic injury are more likely to be caused by foreign conduct than others, and the causal link to injury in the U.S. may be difficult to prove.

The focus of the Lanham Act extends far beyond point-of-sale confusion among consumers as to source. The statute has been extended to post-sale confusion, initial interest confusion, and reverse confusion. *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006) (recognizing existence of "initial interest confusion" caused by defendants' use of manufacturers' trademarks and metatags on defendants' websites); *Insty\*Bit, Inc. v. Poly-Tech Indus.*, 95 F.3d 663, 671 (8th Cir. 1996) ("[The] Lanham Act protects post-sale as well as point-of-sale confusion . . ."); *Banff, Ltd. v. Federated Dep't Stores, Inc.*, 841 F.2d 486, 491 (2d Cir. 1988) ("reverse confusion – perhaps the primary type of confusion involved in this case – is actionable under § 43(a) of the Lanham Act."). It also extends beyond source confusion, reaching confusion as to affiliation, connection, or sponsorship. *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 844 (D. Mass. 1964)

(enjoining use of TIFFANY for restaurants, explaining that the “risk of detracting may be a risk of an erosion of the public’s identification of this very strong mark with the plaintiff alone, thus diminishing its distinctiveness, uniqueness, effectiveness, and prestigious connotations . . .”). The Lanham Act also bars dilution of famous marks, 15 U.S.C. § 1125(c), and cybersquatting, 15 U.S.C. § 1125(d).

Injury to reputation and post-sale confusion deserve special attention in the international context. *Steele* recognizes that the Lanham Act provides a remedy for the reputational injury caused when some poor-quality watches made their way back to the U.S. and the company received complaints. Such reputational injury was deemed to be actionable under the Lanham Act, even though that phrase is not explicitly referenced in the statute. *Steele*, 344 U.S. at 286.

Many of the cases that rely on *Steele* when complaining of foreign conduct allege or prove injury to reputation.<sup>4</sup> In *Trader Joe’s Company v. Hallatt*, for

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<sup>4</sup> See, e.g., *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*, 146 F. Supp. 594, 598 (S.D.Cal.1956), *aff’d per curiam*, 245 F.2d 874 (9th Cir. 1957) (considering reputational harm to plaintiff as a factor favoring the district court’s injunction reaching conduct in Mexico); *A.V. by Versace, Inc. v. Gianni Versace, S.p.A.*, 126 F. Supp. 2d 328 (S.D.N.Y. 2001) (noting that the purpose of Lanham Act is to prevent confusion and to protect reputation); *Les Ballets*

example, the defendant bought grocery products at Trader Joe's stores in Seattle and transported them to Canada where he sold them. 836 F.3d 960, 962-63 (9th Cir. 2016). The plaintiff admitted that there was no point-of-sale confusion in Seattle and that the products did not return to the U.S. *Id.* at 970. The complaint rested primarily on allegations of reputational injury. *Id.* at 970-71. The Ninth Circuit reversed the dismissal of the claim and held that the Lanham Act properly applied. *Id.* at 977-78.

*Trader Joe's* illustrates how foreign conduct can cause injury in the U.S. even when there is no point-of-sale confusion in the U.S.

### **2.3.2 The Solicitor General incorrectly limits protection to consumers and ignores the interests of trademark owners.**

The Lanham Act is not limited to protection of “consumers,” but may extend to investors, brokers, and dealers. *Beacon Mut. Ins. Co. v. OneBeacon Ins. Grp.*, 376 F.3d 8, 10 (1st Cir. 2004) (“We also hold that

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*Trockadero de Monte Carlo, Inc.*, 945 F. Supp. 563 (S.D.N.Y. 1996) (enjoining Japanese conduct despite a lack of evidence that the planned conduct would cause confusion, but where the plaintiff did allege that the Japanese performances would cause injury to its reputation).

the likelihood of confusion inquiry is not limited to actual or potential purchasers, but also includes others whose confusion threatens the trademark owner's commercial interest in the mark."); *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 300 (3d Cir. 2001) ("Investor confusion may well threaten a party's business or goodwill if it would likely deter or inhibit a company's ability to attract investors and raise capital."); *Arrowpoint Capital Corp. v. Arrowpoint Asset Mgmt., LLC*, 793 F.3d 313, 316 (3d Cir. 2015) (vacating and remanding denial of preliminary injunctions because the district court discounted evidence of actual confusion of brokers and dealers).

More fundamentally, trademark law also protects trademark owners. Trademark infringement "subverts both goals of the Lanham Act" by depriving the trademark owner of goodwill and depriving consumers of the ability to distinguish among competitors. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 855 n.14 (1982). In *Two Pesos*, Justice Stevens, concurring, observed that "Congressman Lanham, the bill's sponsor, stated: 'The purpose of [the Act] is to protect legitimate business and the consumers of the country.'" 505 U.S. at 781 (Stevens, J., concurring) (internal citations omitted). Limiting the focus of the Lanham Act to protecting consumers ignores one of the fundamental

purposes of the statute, to protect the goodwill of trademark owners symbolized by their trademarks.

**2.4 Circuit Court tests that have followed *Steele* to require a substantial impact on U.S. commerce should be preserved, but the impact should be within the focus of the Lanham Act.**

As explained above in Section 2.2, preventing foreign conduct that causes domestic injury is a permissible domestic application of the Lanham Act. Since *Steele*, courts have developed a variety of tests to assess whether a domestic impact is sufficient to warrant the statute's extraterritorial application. The parties have covered the evolution of these circuit court tests implementing *Steele*.<sup>5</sup> For its part, INTA endorses tests that require a substantial impact on U.S. commerce, and discourages reliance on cases that require only "some" effect on U.S. commerce. INTA further recognizes that *RJR Nabisco* requires that the impact occur within the focus of the Lanham Act.

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<sup>5</sup> Compare, e.g., Petition for Writ of Certiorari, at 16-22, *Abitron Austria GmbH v. Hetronic International, Inc.* (Jan. 21, 2022) (No. 21-1043) with Brief of Respondent Hetronic International, Inc., at 19-28, *Abitron Austria GmbH v. Hetronic International, Inc.* (Mar. 28, 2022) (No. 21-1043); see also SG Brief, at 20-21.

The *Vanity Fair* test, *supra*, Section 1.2, is the oldest and most widely followed of the circuit court variants. *Vanity Fair*, 234 F.2d at 642.<sup>6</sup> It, and its variants adopted by other circuits, require that the foreign conduct have “a substantial effect on U.S. commerce.” *Id.*

Other circuits have required only “some” impact on foreign commerce. *See, e.g., Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977), followed in *Am. Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 710 F.2d 408, 414 n.8 (5th Cir. 1983). The result in *American Rice* was extreme and represents an outlier<sup>7</sup> among cases considering the extraterritorial reach of the Lanham Act. There, the court enjoined defendant, a U.S. citizen, from selling in Saudi Arabia bags of rice that infringed a U.S. trademark, even though the mark was not protected in Saudi Arabia, where there was no evidence that the bags of rice returned to the U.S. and no evidence of confusion or reputational injury in the U.S. Instead, the commercial impact requirement was satisfied by

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<sup>6</sup> Dornis, at 586 (“52.20% of all opinions (83 out of 159) followed either *Vanity Fair* or one of its variants . . .”).

<sup>7</sup> Dornis, at 647 (identifying *American Rice* as “the most illustrative and drastic example of commercial effects/substantive policy detachment . . .”).

evidence that the defendant's rice was grown, packaged in, and distributed from the U.S. *Id.* at 415.

In INTA's view, the *American Rice* test, in requiring merely some effect on U.S. commerce, allows a claim in some cases where the impact on U.S. commerce would not be sufficient, under *RJR Nabisco*, to enable the Lanham Act to supply any relief.

In contrast, the *Vanity Fair* test and its variants, which require a greater effect on U.S. commerce, are more consistent with the focus of the Lanham Act and limit the statute's reach appropriately.

Indeed, Dornis bears this proposition out. In the Second Circuit, where the *Vanity Fair* "substantial effects" test is used, remedies against conduct outside the U.S. were allowed in 48.84% of cases. Dornis, at 599. The contrast with the Fifth Circuit, which follows *American Rice* and requires only "some" effects on U.S. commerce, is extreme: extraterritorial remedies were allowed in 92.31% (12 out of 13) of the Fifth Circuit Lanham Act cases reported in the study. *Id.*

INTA also acknowledges the value of requiring that the substantial commercial impact must be within the focus of the Lanham Act, as required by the



second step in *RJR Nabisco*. Dornis indicates that courts evaluating the effects of foreign conduct consider a wide array of evidence that is not restricted to evidence of the effects, *i.e.*, the consequences flowing from the accused foreign conduct. Dornis, at 629.

The *Steele* decision seems to support this less restrictive approach insofar as it considered relevant Steele's purchase of watch parts in the U.S. as "essential steps." *Steele*, 344 U.S. at 287. But allowing consideration of domestic events that are not *consequences* of the foreign conduct, but rather preparatory steps in the U.S. that do not reflect any injury to trademark interests, is not a harm **caused by** the foreign conduct. This is where *American Rice* went wrong. The plaintiff there established "some impact" on U.S. commerce by offering evidence that the rice was grown in, packaged in, and distributed from the U.S. While these events may have been "essential steps," they are not domestic effects within the focus of the Lanham Act. Indeed, they are not "effects" caused by the foreign conduct at all. Requiring that foreign conduct have caused a "substantial" domestic impact within the focus of the Lanham Act is more likely to avoid outlier cases like *American Rice* and the Tenth Circuit decision here.

**3. IF THE COURT RULES THAT THE LANHAM ACT DOES NOT APPLY EXTRATERRITORIALLY, COURTS SHOULD RETAIN AUTHORITY TO STOP FOREIGN TRADEMARK INFRINGEMENT BY U.S. CITIZENS.**

Because this case does not involve any U.S. citizen defendants, this Court need not—and, in INTA’s view, should not—disturb the authority of U.S. courts to regulate the conduct of U.S. citizens who infringe U.S. trademarks in foreign countries. *Steele* asserted that extraterritorial conduct of U.S. citizens could be regulated in a broader array of circumstances, without regard to the territorial limits of sovereignty. *Steele*, 344 U.S. at 282 (“Petitioner concedes, as he must, that Congress in prescribing standards of conduct for American citizens may project the impact of its laws beyond the territorial boundaries of the United States.”).

The *Steele* Court did not base this ruling on the text of the Lanham Act, but instead on fundamental principles of international law:

For 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 when the rights of

other nations or their nationals are not infringed.

344 U.S. at 285-6 (internal quotation marks omitted) (quoting *Skiriotes v. State of Florida*, 313 U.S. 69, 73 (1941)).

Courts applying *Steele* have frequently relied on a defendant's status as a U.S. citizen to justify the grant or denial of an extraterritorial remedy. The results of an empirical analysis<sup>8</sup> of cases that applied *Steele* between 1952 and 2016 concluded that:

The majority of disputes (68.43%) featured at least one US national or entity on the defendant side. . . . **Only 17.29% (23 out of 133) of the disputes featured a defendant bench comprised solely of foreign individuals or corporations.**

Dornis, at 594 (emphasis added). This is not surprising. Because a court must have personal jurisdiction over the defendant, the reach of the Lanham Act is necessarily limited to parties that have some "minimum contacts" with the forum, and this

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<sup>8</sup> The study was based on a review of 159 federal (and two state court) database-accessible opinions decided between 1952 and the end of 2016 that made substantial use of *Steele*'s three-factor test or one of the circuit court variants. Dornis, at 571.

requirement naturally biases the selection of U.S. nationals as defendants. Dornis, at 595.

This Court need not and should not limit how the Lanham Act applies to U.S. citizens' conduct in foreign countries. Because no U.S. citizens are defendants in this case, the Court need not define the limits<sup>9</sup> of such authority. Likewise, it should not do so because the statutory text analysis required by *RJR Nabisco* is inapplicable to the fundamental authority of the courts to regulate a U.S. citizen's foreign conduct. Because that authority does not derive from the statute, but rather precedes it, *see* Section 1.3, *supra*, that authority should not limit the text of the Lanham Act.

#### **4. THE TENTH CIRCUIT'S ERRORS REQUIRE REMAND.**

##### **4.1 The Tenth Circuit mistakenly prevented defendant from establishing the relative amount of domestic and foreign confusion.**

Petitioners were not allowed to cross-examine Respondent's witness to show that most of the

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<sup>9</sup> This authority may be limited for reasons not at issue here, including whether the U.S. citizen owns trademark rights in a foreign country.

purported incidents of confusion did not occur in the U.S. *Hetric Int'l, Inc. v. Hetric Germany GmbH et al.*, 10 F.4th 1016, 1041 (10th Cir. 2021).<sup>10</sup> The court ruled that, even if 97% of the confusion was wholly foreign, the 3% domestic confusion was still enough to have a substantial effect on U.S. commerce. *Id.* And it further stated that, “**it [was] irrelevant what proportion of [Petitioner Abitron’s] global sales entered the United States. . . . Besides, the Supreme Court has made clear that once a court determines that a statute applies extraterritorially to a defendant’s conduct, as we do here, that statute captures all the defendant’s illicit conduct . . .**” *Id.* at 1044

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<sup>10</sup> “For instance, Defendants insist that they should have been able to cross-examine Joseph Scheuerer to show that his testimony related primarily to foreign customers. From that testimony, Defendants sought to establish that no U.S. consumers were confused, so there couldn’t have been a substantial effect on U.S. commerce. The problem for Defendants is that this cross-examination testimony of Scheuerer wouldn’t have created a factual dispute. Hetric presented other evidence, discussed below, detailing instances of confusion among *U.S. consumers*. Defendants never tried to argue that those examples never happened or otherwise refute that portion of Hetric’s evidence. Instead, Defendants sought to show that most of the confusion occurred among foreign customers, in effect arguing that even if there was some effect on U.S. commerce, it wasn’t substantial.” *Hetric*, 10 F.4th at 1041.

(emphasis added) (internal citations omitted) (quoting *Morrison*, 561 U.S. at 267 n.9).<sup>11</sup>

Although INTA advocates preserving the scope of the Lanham Act recognized by *Steele*, it does not follow that sales wholly disconnected from any impact in the U.S. should be the basis for a damages award. The Tenth Circuit erred when it concluded that, “we ask only whether the effects of . . . [Abitron’s] foreign conduct produce substantial impacts on U.S. commerce.” *Id.* at 1044. A ruling that that there is substantial impact may give rise to extraterritorial application with respect to the conduct with a “substantial impact,” but there is no authority for a profits award beyond the demonstrated impact.

The Tenth Circuit failed to limit the recovery to the foreign conduct that caused substantial impact in the U.S. through domestic consumer confusion or deception, or damage to reputation. But given the trial court’s refusal to allow defendant to sort out the relative quantity and character of domestic versus foreign confusion or damage to reputation, a full

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<sup>11</sup> The Tenth Circuit’s reliance on this Court’s statement in *Morrison* failed to acknowledge that the quotation is *dicta* about the Securities Exchange Act that cannot conceivably support a profits award in a Lanham Act case.

exploration of all facts is necessary. Abitron should be allowed to show that some of the sales had no U.S. effect, and Hetronic should also be allowed to show that more of the sales had a substantial effect on U.S. commerce.

#### **4.2 The Tenth Circuit incorrectly allowed recovery based on a diversion-of-sales theory.**

The Tenth Circuit also ruled that Abitron's wholly foreign sales diverted sales from Hetronic, thereby causing a substantial impact within the U.S. *Hetronic*, 10 F.4th at 1044-46. This ruling expressly contradicts a prior Fourth Circuit holding on this issue, which confined the diversion-of-sales theory to actions against U.S. defendants. *Tire Engineering & Distribution, LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292, 311 (4th Cir. 2012).

The diversion-of-sales theory of recovery wrongly presumes that, because the Lanham Act applied extraterritorially, Petitioner had no right to make the foreign sales. This is incorrect. Even if the Lanham Act applies extraterritorially under *Steele*, Respondent would still only have the right to enjoin foreign sales that cause substantial injury in the U.S. Without a basis to assume that Petitioner's foreign sales were forbidden based on the Lanham Act, such

as when those sales are made by a U.S. defendant, there can be no predicate for a diversion-of-sales award.

**5. INTERPRETING THE LANHAM ACT AS OUTLINED ABOVE IS CONSISTENT WITH U.S. INTERNATIONAL TREATY OBLIGATIONS AND THE GENERAL TERRITORIALITY OF TRADEMARK RIGHTS.**

It is fundamental that trademark rights are territorial—a trademark has a separate existence in each sovereign territory where it is registered or legally recognized. The Paris Convention presupposes an international system in which trademark users seek trademark protection as defined by the countries where they operate.<sup>12</sup> Both the Paris Convention Article 6*bis* and the TRIPS Agreement<sup>13</sup> make an exception for well-known marks, which enjoy broader territorial rights. The Madrid System for the International Registration of Marks and the Madrid

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<sup>12</sup> Paris Convention for the Protection of Industrial Property art. 6(3), Sep. 28, 1979, 21 U.S.T. 1583 (“A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.”); 5 McCarthy on Trademarks and Unfair Competition § 29:1 (5th ed. 2022); *see also* SG Brief, at 23, § B.1.

<sup>13</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”) art. 16, §§ (2)-(3), Jan. 1, 1995.



Agreement provide a mechanism for trademark owners to register and manage trademark protection in each jurisdiction where they seek rights.<sup>14</sup>

As part of the presumption against extraterritorial application, there is a presumption that domestic law conforms to the U.S. international treaty obligations.<sup>15</sup>

The *Hetronic* decision risks globalizing American trademark law, allowing domestic trademark protection to serve as a springboard for regulating foreign conduct that has no likelihood of confusing consumers (or other substantial impact) in the U.S., and for subjecting foreign brand owners and companies to suit in the U.S. for conduct that did not have a substantial effect on U.S. commerce. Likewise, this interpretation, if ratified by this Court, could prompt other foreign nations to assert equally

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<sup>14</sup> Protocol Relating to the Madrid Agreement concerning the International Registration of Marks (“Madrid Protocol”), Nov. 2, 2003, 1989 U.S.T. LEXIS 241.

<sup>15</sup> Congressional Research Service, *Statutory Interpretation: Theories, Tools, and Trends, Report R45153 v 2*, at 62 & n. 624, <https://crsreports.congress.gov/product/pdf/R/R45153/2> (last updated Apr. 5, 2018) (quoting William N. Eskridge, Jr., et al., *Cases and Materials on Legislation and Regulation: Statutes and the Creation of Public Policy* 1204 (5th ed. 2014)).

expansive claims regarding the extraterritorial scope of their trademark laws.

### CONCLUSION

Although INTA supports neither party with respect to the ultimate outcome of this case, it supports reversal and remand consistent with the analysis above.

Respectfully submitted,

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