

No. 21-1043

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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 THE AMERICAN INTELLECTUAL  
PROPERTY LAW ASSOCIATION AS  
*AMICUS CURIAE* IN SUPPORT  
OF NONE OF THE PARTIES**

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## INTEREST OF THE *AMICUS CURIAE*

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<sup>1</sup> This brief was not authored, in whole or in part, by counsel for a party. No party, and no counsel for a party, made a monetary contribution intended to fund the preparation or submission of this brief. Moreover, after reasonable investigation, AIPLA believes that (i) AIPLA, its Board and Amicus Committee members who voted to file this brief or authored this brief, and AIPLA’s counsel (and their law firms or employers) do not represent any party to this litigation and (ii) no person other than AIPLA, those members and AIPLA’s counsel (and their law firms or employers) made a monetary contribution intended to fund the preparation or submission of this brief. All parties provided written consent to AIPLA to file this brief.

## SUMMARY OF ARGUMENT

The fundamental issue before this Court is whether causes of action for trademark infringement in the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*, apply extraterritorially, *i.e.*, whether they can reach conduct outside of the United States.

Under this Court’s recent two-step framework for analyzing the extraterritoriality of a statute, *see Morrison v. Nat’l Australia Bank Ltd.*, 561 U.S. 247 (2010), the text of the Lanham Act rebuts the presumption against extraterritoriality. Accordingly, the Lanham Act applies extraterritorially. This Court already reached the same conclusion many years before *Morrison*. *See Steele v. Bulova Watch Co.*, 344 U.S. 280, 287 (1952).

But the Lanham Act’s extraterritorial scope is not limitless. Under the second step of the *Morrison* framework, it “turns on the limits Congress has (or has not) imposed on the statute’s foreign application ... .” *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325, 337 (2016). These limits are the limits of Congressional power, *e.g.*, “to regulate commerce with foreign Nations ... .” U.S. Const., Art. I, § 8, cl. 3.

Various tests for Lanham Act extraterritoriality proliferated in the circuits since *Steele*, *see, e.g., Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956), but they have much in common. Recast within the *Morrison* framework, they support the conclusion that foreign commerce must have a substantial effect on U.S. commerce in order to be actionable under the Lanham Act.

Finally, just because the Lanham Act applies extraterritorially and the challenged conduct may have a substantial effect on U.S. commerce does not mean that monetary and injunctive relief for the full scope of any infringements should always be awarded. Rather, remedies should be tailored to the situation, taking into account, *e.g.*, international comity.

In view of the above, this Court should remand to determine whether Petitioners' conduct had a "substantial effect" on U.S. commerce within the *Morrison* framework, and also to review the rationale for the award below.

## ARGUMENT

The Commerce Clause authorizes Congress “to regulate commerce with foreign Nations, and among the several states, and with the Indian tribes.” U.S. Const., Art. I, § 8, cl. 3.

For more than 150 years, Congress has enacted laws to make the use of spurious trademarks actionable. The Lanham Act culminates these laws. It is the “foundation of current federal trademark law.” *Matal v. Tam*, 137 S. Ct. 1744, 1752 (2017).

The Lanham Act created causes of action for trademark infringement and unfair competition. See 15 U.S.C. §§ 1114(1)(a) (registered trademark infringement), 1125(a)(1)(A) (trademark infringement and unfair competition).<sup>2</sup> A defendant infringes if its “use in commerce” of a trademark or other device “is likely to cause confusion, or to cause mistake, or to deceive” with regard to a plaintiff’s trademark. *Id.* “A district court may award a winning plaintiff injunctive relief, damages or the defendant’s ill-gotten profits.” *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S. Ct. 1492, 1494 (2020).

The fundamental issue in this case is whether these Lanham Act causes of action apply extraterritorially, *i.e.*, whether they can reach conduct outside of the United States. The Act’s text and this Court’s

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<sup>2</sup> For purposes of extraterritoriality in this case, there is no relevant distinction between these sections.

precedent establish that they can. Yet, the Lanham Act’s reach and its remedies are not limitless.

### I. THE LANHAM ACT APPLIES EXTRATERRITORIALLY

This Court’s two-step *Morrison* framework evaluates the extraterritoriality of statutes. *See, e.g., Morrison*, 561 U.S. 247 (Exchange Act § 10(b) cause of action did not apply extraterritorially); *Kiobel v. Royal Dutch Petroleum Co.*, 569 U.S. 108 (2013) (jurisdictional Alien Tort Statute did not apply extraterritorially); *RJR*, 579 U.S. 325 (RICO public causes of action applies extraterritorially); *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129, 2142 (2018) (applying *Morrison* framework to patent remedy and “domestic supply” cause of action).

The first step is “whether the presumption against extraterritoriality has been rebutted—that is, whether the statute gives a clear, affirmative indication that it applies extraterritorially.” *RJR*, 579 U.S. at 337.

If the presumption is rebutted, the second step is to determine the statute’s scope, which “turns on the limits Congress has (or has not) imposed on the statute’s foreign application, and not on the statute’s ‘focus.’” *Id.* at 337-38. However, if the presumption is not rebutted, the second step is to determine whether there is a “domestic application” of the statute by identifying its “focus” and asking whether “the conduct relevant to the statute’s focus occurred in the United States ... .” *Id.* (quoting *Morrison*, 561 U.S. at 267, n. 9); *see also WesternGeco*, 138 S. Ct. at 2136, 2138 (the “focus” of patent § 284 remedy and §

271(f)(2) cause of action is “the act of exporting [otherwise infringing] components from the United States”).

#### A. THE LANHAM ACT REBUTS THE PRESUMPTION AGAINST EXTRATERRITORIALITY

Under the first step of the *Morrison* framework, the Lanham Act “gives a clear, affirmative indication” that it applies extraterritorially. *Morrison*, 561 U.S. at 267.

The Lanham Act created causes of action against defendants who “use in commerce” either “any reproduction, counterfeit, copy, or colorable imitation of a registered mark” or else, *e.g.*, any “word, term, name, symbol, or device” that is “likely to cause confusion, or to cause mistake, or to deceive ... .” 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A).

According to the Lanham Act, “commerce” is “all commerce which may lawfully be regulated by Congress.” 15 U.S.C. § 1127. Like a jurisdictional long-arm statute, the “sweeping reach” of the Lanham Act extends its possible effect to the limits of congressional power. *Steele*, 344 U.S. 280, 287 (1952) (applying Lanham Act extraterritorially). And congressional power includes, *e.g.*, the power “to regulate commerce with foreign Nations ... .” U.S. Const., Art. I, § 8, cl. 3. Like RICO in *RJR*, “it is hard to imagine how Congress could have more clearly indicated that it intended [the Lanham Act] to have (some) extraterritorial effect.” *RJR*, 579 U.S. at 339.

Congress codified this intent in the Lanham Act: “[t]he intent of this chapter [*i.e.*, the Lanham Act] is to regulate commerce *within the control of Congress* by *making actionable* the deceptive and misleading use of marks in *such commerce*.” 15 U.S.C. § 1127 (emphasis added). Unlike *Morrison*, where an ambiguous statutory intent mitigated extraterritoriality, this extraterritorial intent is unequivocal and expressly targeted at the Lanham Act’s causes of action. *See Morrison*, 561 U.S. at 263 (“national public interest”); 15 U.S.C. § 78b(2).

The Lanham Act’s infusion of extraterritoriality into “use in commerce” surpasses mere references to foreign or interstate commerce that this Court has held to be insufficient to trigger extraterritorial effect. *See, e.g., Morrison*, 561 U.S. at 262-63 (“foreign commerce” reference in definition of “interstate commerce” insufficient); *RJR*, 579 U.S. at 353 (reference to trade with “foreign nations” in *Pfizer Inc. v. Government of India*, 434 U.S. 308, 314-15 (1978) insufficient in itself); *N.Y. Cent. R. Co. v. Chisholm*, 268 U.S. 29 (1925) (“interstate commerce” reference insufficient).

Moreover, Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act need not expressly rebut the presumption. “While the presumption can be overcome only by a clear indication of extraterritorial effect, an express statement of extraterritoriality is not essential. ‘Assuredly context can be consulted as well.’” *RJR*, 579 U.S. at 340 (citing *Morrison*, 561 U.S. at 265). In *RJR*, for example, this Court held that the RICO public cause of action applied extraterritorially based on extended definitions of “racketeering activity” found



elsewhere. *See RJR*, 579 U.S. at 340 (finding parts of RICO cause of action under 18 U.S.C. § 1962 extraterritorial based on context from, *e.g.*, §§ 1956, 1957 and 2339B).

The remainder of the Lanham Act also supports extraterritoriality. For example, Section 44(b) recognizes the bedrock trademark treaty principle of “national treatment” and confirms that the benefits of the Lanham Act—including suing under its causes of action—extend to foreign as well as domestic entities. *See* 15 U.S.C. § 1126(b). The lack of similar language in RICO was “critical” in distinguishing the extraterritoriality of the Clayton Act’s private cause of action with RICO’s private cause of action. *RJR*, 579 U.S. at 352-53.

Moreover, Section 44(b) extends the benefits of the Lanham Act to foreign entities “to the extent necessary to give effect” to provisions of trademark treaties and conventions “in addition to the rights to which any owner of a mark is otherwise entitled” under the Lanham Act. 15 U.S.C. § 1126(b); *see also Havana Club Holding, S.A. v. Galleon S.A.*, 203 F.3d 116, 128 (2d Cir. 2000) (“Congress intended the Lanham Act [t]o carry out by statute our international commitments ... .”) (quoting S. Rep. No. 79-1333 (1946)).

These benefits have included recognizing a foreign entity’s Lanham Act cause of action based on Article 6bis of the Paris Convention, which prohibits infringement of a well-known foreign mark, despite no “domestic use of the mark” being alleged. *Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc. et al.*, 391 F.3d 1088, 1094, 1098-99 (9th Cir. 2000); *cf. ITC Ltd. v.*

*Punchgini, Inc.*, 482 F.3d 135, 142 (2d Cir. 2007); see also J. McCarthy, Trademarks and Unfair Competition § 29:2, at 29-6 (5th ed. 2022) (McCarthy); L. Lockridge, *Honoring International Obligations in U.S. Trademark Law: How the Lanham Act Protects Well-Known Foreign Marks*, 84 St. John’s L. Rev. 1347; *Bacardi Corp. of Am. v. Domenech*, 311 U.S. 150 (1940) (prior to the Lanham Act, General Inter-American Convention for Trade Mark and Commercial Protection held to be self-executing and applied “to protect the foreign trade marks which fall within the treaty’s purview”).

Some benefits of the Lanham Act are actually *better* for foreign entities. For example, Section 44(e) allows a foreign entity to obtain a U.S. trademark registration with just a “*bona fide* intention to use the mark in commerce” rather than the actual “use in commerce” that is otherwise required. 15 U.S.C. § 1126(e).

All these provisions support the Lanham Act’s extraterritorial applicability.

**B. THIS COURT ALREADY CONCLUDED THAT THE LANHAM ACT HAS EXTRATERRITORIAL EFFECT**

In *Steele v. Bulova*, this Court already concluded that the Lanham Act has extraterritorial effect based on the “sweeping reach” of “commerce” in the Lanham Act. *Steele*, 344 U.S. at 286-87. The plaintiff, Bulova Watch Co. (“Bulova”), sold “BULOVA” watches worldwide and registered “BULOVA” trademarks in many jurisdictions—including the United States but not

Mexico. The lead defendant, Sidney Steele, “conducted a watch business in Mexico City where, without Bulova’s authorization and with the purpose of deceiving the buying public, he stamped the name ‘Bulova’ on watches there assembled and sold.” *Id.* at 281. Steele also registered “BULOVA” as a trademark for watches in Mexico. *Ibid.* However, the Supreme Court of Mexico nullified Steele’s Mexican trademark registration prior to this Court’s decision. *See Steele*, 344 U.S. at 285; *see also* Part III, *infra*.

Recognizing “that the legislation of Congress will not extend beyond the boundaries of the United States unless a contrary legislative intent appears,” *i.e.*, the presumption against extraterritoriality, this Court concluded that Steele’s “activities, when viewed as a whole, fall within the jurisdictional scope of the Lanham Act.” *Steele*, 344 U.S. at 285 (citations omitted).

Following *Steele*, this Court reasserted that the Lanham Act’s “broad jurisdictional grant”<sup>3</sup> and its “sweeping reach into all commerce which may be lawfully be regulated by Congress” makes it an exemplar of extraterritorial applicability. *E.E.O.C. v. Arabian Am. Oil Co.*, 499 U.S. 244, 252 (1991) (“*Aramco*”) (concluding that Title VII cause of action did not rebut the

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<sup>3</sup> *Morrison* concluded that extraterritoriality is a merits question, not a jurisdictional, question. *Morrison*, 561 U.S. at 253-54. But the difference was inconsequential in *Morrison*. *Ibid.* It is also inconsequential here.

presumption against extraterritoriality) (citing *Steele*, 344 U.S. at 286).<sup>4</sup>

*Steele* remains good law. *Morrison* and its progeny have not overruled or otherwise limited it. In fact, *Morrison* acknowledged *Steele* as “interpreting [the Lanham Act] to have extraterritorial effect.” *Morrison*, 561 U.S. at 271, n. 11 (citing *Aramco*, 499 U.S. at 252).

Other precedent also supports the Lanham Act’s extraterritoriality. For example, a lack of U.S. commerce by the plaintiff is not always fatal (*i.e.*, foreign commerce may be sufficient) to a Lanham Act cause of action. *See, e.g., Grupo Gigante*, 391 F.3d at 1088; *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016). It would be anomalous if a plaintiff’s foreign commerce sufficed for a Lanham Act cause of action, but a defendant’s foreign commerce could never lead to liability.

### **C. THE LANHAM ACT SHOULD NOT BE TRUNCATED AT THE US BORDER**

Writing for the Court in *Bourjois v. Katzel*, Justice Holmes stated that a trademark “deals with a delicate matter that may be of great value but that is easily destroyed, and therefore should be protected

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<sup>4</sup> In *Aramco*, the United States attempted to equate the “broad jurisdictional grant in the Lanham Act” and its extraterritorial applicability with provisions in Title VII, but the Court disagreed. *See Aramco*, 499 U.S. at 252 (rejecting comparison); *see also id.*, Brief for United States at 12 (citing *Steele*, 344 U.S. at 286).

with corresponding care.” *Bourjois & Co. v. Katzel*, 260 U.S. 689, 692 (1923).

Especially in an era of increasing global commerce, the Lanham Act should not be truncated at the U.S. border. Because trademarks are delicate and valuable, the Lanham Act must have the flexibility to protect trademark owners not only domestically, but also abroad when necessary and consistent with Constitutional authority.

Some “first to file” jurisdictions, as is China, require obtaining a local trademark registration before any rights will accrue, regardless of actual use in that jurisdiction. Such trademark regimes can give rise to “trademark squatting,” where a third party beats a trademark owner to the local trademark office and then obtains the exclusive right to use that trademark. The third party would then have the exclusive right to export to, *e.g.*, the U.S. In this situation, a U.S. trademark owner would be relegated to either seeking to stop products as they enter the U.S. or recapturing its rights in a Chinese court proceeding. Both options are fraught with difficulty, especially if intermediaries are involved.

Other jurisdictions may have less developed trademark regimes that do not yet recognize, *e.g.*, trade dress or other nontraditional marks. And still other jurisdictions may be unwilling to protect trademarks.

Since the first federal trademark laws were enacted more than 150 years ago, they have always applied to foreign commerce. In fact, after the *Trade-Mark Cases* invalidated the first federal trademark law based on an alleged overreach into intrastate

commerce, the subsequent Trademark Act of 1881 *only* applied to foreign commerce and commerce with the Indian tribes. *See Trade-Mark Cases*, 100 U.S. 82, 96 (1879); *see also* Trade-Mark Act of Mar. 3, 1881, ch. 138, 21 Stat. 502 (creating action in equity “to enjoin the wrongful use of [a trademark] used in foreign commerce or commerce with Indian tribes” but not interstate commerce). During this time, international intellectual property treaties such as the Paris Convention were drafted, and “national treatment” provisions put the onus on the U.S. to enact better trademark laws lest American traders be disadvantaged in international commerce. And by 1905, when the next trademark act was enacted, Congress had recognized the interplay of foreign and domestic commerce and expanded the law to also include “interstate” commerce. Trade-Mark Act of Feb. 20, 1905, ch. 592, § 1.

Based on the need to protect the public from spurious knockoffs, the private interest in protecting trademark rights, and the longstanding relationship between trademarks and foreign commerce, the Lanham Act should be given some extraterritorial effect.

## II. THE LANHAM ACT DOES NOT APPLY TO ALL FOREIGN COMMERCE

Although Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act apply extraterritorially, they do not apply to “literally all commerce occurring abroad.” *RJR*, 579 U.S. at 344; *see also* Pet. App. 23a (“In other words, just because a statute *can* apply extraterritorially doesn’t mean that it always will.”).

**A. THE LANHAM ACT APPLIES ONLY TO FOREIGN COMMERCE HAVING A SUBSTANTIAL EFFECT ON U.S. COMMERCE**

The second step of the *Morrison* framework for extraterritorial statutes is to determine the statute's scope. *See RJR*, 579 U.S. at 337. This “turns on the limits Congress has (or has not) imposed on the statute's foreign application ... .” *Ibid.*

As stated previously, the outer limits of Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act are the limits of congressional power, *i.e.*, “all commerce which may lawfully be regulated by Congress.” 15 U.S.C. § 1127. Through the Commerce Clause, for example, Congress may lawfully “regulate commerce with foreign Nations, and among the several states, and with the Indian tribes.” U.S. Const., Art. I, § 8, cl. 3.<sup>5</sup> This includes regulating economic “activity that substantially affects interstate commerce.” *United States v. Lopez*, 514 U.S. 549, 559 (1995). This also includes regulating foreign commerce having a “substantial effect” on U.S. commerce. *See, e.g., United States v. Park*, 938 F.3d 354, 371 (D.C. Cir. 2019);

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<sup>5</sup> The United States has acceded to many treaties relating to trademarks. *See, e.g.*, the Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as revised July 14, 1967, 21 U.S.T. 1583; General Inter-American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994. Accordingly, another Constitutional ground for Congress to regulate under the Lanham Act is the treaty power effectuated via the Necessary and Proper Clause. *See* U.S. Const., Art. I, § 8, cl. 18.

*United States v. Durham*, 902 F.3d 1180, 1192-93 (10th Cir. 2018) (“substantial effect”); *United States v. Pendleton*, 658 F.3d 299, 311 (3rd Cir. 2011); *United States v. Bollinger*, 798 F.3d 201, 208 (4th Cir. 2015) (“demonstrabl[e] [e]ffect[]”); *United States v. Baston*, 818 F.3d 651, 668 (11th Cir. 2016) (“substantial effect”); see also A. Colangelo, *The Foreign Commerce Clause*, 96 VA. L. REV. 949 (2010) (evaluating “substantial effect” and Foreign Commerce Clause).

*RJR* identified limits on congressional power to regulate foreign commerce. *RJR*, 579 U.S. at 344. Despite being extraterritorial, RICO causes of action in *RJR* did not reach “literally all commerce occurring abroad.” *Ibid.* Instead, one of the subjects of RICO, the RICO enterprise, was required to “engage in, or affect in some significant way, commerce directly involving the United States—*e.g.*, commerce between the United States and a foreign country. Enterprises whose activities lack that anchor to U.S. commerce cannot sustain a RICO violation.” *Ibid.*

Like RICO, the Lanham Act does not reach all foreign commerce. In 70 years since *Steele*, the circuits applied various tests to determine what foreign commerce the Lanham Act does reach.<sup>6</sup>

For example, the Second Circuit considers three factors: “(1) whether the defendant's conduct had a substantial effect on U.S. commerce; (2) whether the

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<sup>6</sup> Despite this proliferation, the tests have much in common. Indeed, no one alleges a true circuit split. See, *e.g.*, *Brief for Petitioners* at 17 (the circuits are “fractured” but not split); *Brief for United States* at 21 (the circuits have an “array of related” tests).



defendant was a United States citizen; and (3) whether there was a conflict with trademark rights established under the relevant foreign law.” *Vanity Fair Mills*, 234 F.2d at 642.

Recast in view of *Morrison*, two of these factors should fall out of the merits analysis: (a) as discussed in Part II-B *infra*, extraterritoriality should not depend on U.S. citizenship, and (b) as discussed in Part III *infra*, international comity is better addressed during consideration of the remedy. What remains is the “effect” factor, and as discussed in Part II-C *infra*, most circuits focus on foreign commerce that has a “substantial effect” on U.S. commerce.

**B. THE LANHAM ACT’S EXTRATERRITORIALITY DOES NOT DEPEND ON A DEFENDANT’S U.S. CITIZENSHIP**

Some circuit tests for Lanham Act extraterritoriality have assigned varying weight to a defendant’s U.S. citizenship. *Compare Vanity Fair*, 234 F.2d at 642 (absence of U.S. citizenship “might well be determinative” of extraterritoriality) *with McBee v. Delica Co.*, 417 F.3d 107, 117 (1st Cir. 2005) (U.S. citizenship only lowers the requisite showing of effects on “commerce”). But any dissonance is insignificant under the *Morrison* framework.

In *RJR*, the petitioner argued that the RICO enterprise (one of the subjects of the RICO cause of action) could not be a foreign enterprise because the “focus” of RICO was domestic enterprises. *RJR*, 579 U.S. at 342 (quoting *Morrison*, 561 U.S., at 267, n. 9). But RICO, like the Lanham Act, applies extraterritorially and, therefore, the “focus” was not relevant under the

*Morrison* framework. *Ibid.* Like the RICO cause of action in *RJR*, under the Lanham Act “we do not need to determine which transnational (or wholly foreign) patterns of [infringement] it applies to; it applies to all of them, regardless of whether they are connected to a ‘foreign’ or ‘domestic’ [infringer].” *Id.*

*Steele* also did not depend on the defendant’s U.S. citizenship. It was relevant in *Steele* because defendant’s U.S. citizenship assuaged international comity concerns (discussed in Part III, *infra*). It was not critical to the merits. *See, e.g., Steele*, 344 U.S. at 286 (“With respect to [an extraterritorial] exercise of authority [on a citizen] there is no question of international law, but solely of the purport of the municipal law which establishes the duty of the citizen in relation to his own government.”) (citing *Skiriotes v. State of Florida*, 313 U.S. 69, 73 (1941)).

Moreover, the Court focused on how Steele’s conduct affected U.S. commerce, not just Steele’s U.S. citizenship:

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.

*Steele*, 344 U.S. at 256. The Court also cited prior cases involving defendants without U.S. citizenship. See, e.g., *Vacuum Oil Co. v. Eagle Oil Co.*, 154 F. 867 (C.C.D.N.J. 1907), *aff'd*, , 162 F. 671 (3d Cir. 1908); *Morris v. Altstedter*, 156 N.Y.S. 1103 (Sup. Ct.), *aff'd*, 158 N.Y.S. 1123 (App. Div. 2016).

Moreover, in distinguishing *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909), where a U.S. defendant was found not liable under the Sherman Act based on acts committed abroad, *Steele* reinforced its focus on conduct not citizenship: “[u]nlawful effects in this country, absent in the posture of [*American Banana*], are often decisive.” *Steele*, 344 U.S. 256-57.<sup>7</sup>

Accordingly, *RJR* and *Steele* control, regardless of the defendant’s citizenship.

**C. MOST CIRCUITS ALREADY LIMIT THE LANHAM ACT’S REACH TO FOREIGN COMMERCE THAT HAS A SUBSTANTIAL EFFECT ON U.S. COMMERCE**

As mentioned previously, many circuits are already aligned on the effect on U.S. commerce needed

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<sup>7</sup> U.S. citizenship may still be relevant when a U.S. court asserts jurisdiction over a defendant based on U.S. nationality. See, e.g., *Blackmer v. United States*, 284 U.S. 421, 438-41 (1932); see also *McBee*, 417 F.3d at 110 (“a separate constitutional basis for jurisdiction exists for control of activities, even foreign activities, of an American citizen.”). But here, none of the defendants are U.S. nationals.

to trigger Lanham Act liability. The Eleventh and Federal Circuits have adopted the Second Circuit's *Vanity Fair* test verbatim, and therefore the Second, Eleventh, and Federal Circuits all require a "substantial" effect on U.S. commerce. See *Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l, (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001) (describing the three-factor analysis as the "Bulova test" but citing *Vanity Fair*); *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 152 F.3d 948, 1998 WL 169251, at \*2 (Fed. Cir. 1998) (per curiam) (unpublished). The First Circuit also looks for a "substantial effect" when reviewing "foreign activities of foreign defendants." *McBee*, 417 F.3d at 111. And the Tenth Circuit applied the *McBee* test below. See Pet. App. at 42a.

The Fourth and Fifth Circuits have also adopted the *Vanity Fair* test, but the Fourth Circuit asks whether the conduct had a "significant effect." *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994). And the Fifth Circuit only requires "some effect" on U.S. commerce. *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408, 414 n.8 (5th Cir. 1983). In the context of the *Morrison* framework, "some" effect is likely insufficient; while a "substantial" or "significant" effect should be sufficient.

Finally, while the Ninth Circuit only requires "some effect" on U.S. commerce, additional factors amplify that effect:

- (1) the alleged violations ... create some effect on American foreign commerce;
- (2) the effect [is] sufficiently great to present a cognizable injury to the plaintiffs 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 Co. v. Hallatt*, 835 F.3d 960, 966 (9th Cir. 2016) (quoting *Timberlane Lumber Co. v. Bank of Am. Nat'l Trust & Savings Ass'n*, 549 F.2d 597 (9th Cir. 1976)). Combined, these factors point toward a “substantial” effect just like many other circuits.

*Steele* provides an example of “significant” or “substantial” effect. In *Steele*, this Court’s opinion did not identify any instances of Steele selling his watches directly into the United States (*i.e.*, direct foreign to U.S. commerce). However, Steele “bought component parts of his wares in the United States, and spurious ‘Bulovas’ filtered through the Mexican border” into the United States. *Steele*, 344 U.S. at 286.<sup>8</sup> In addition, “Bulova’s Texas sales representative received numerous complaints from retail jewelers in the Mexican border area whose customers brought in for repair defective ‘Bulovas’ which upon inspection often turned out not to be products of that company.” *Id.* at 285. This situation was enough to find extraterritorial liability.

To trigger Lanham Act liability for infringement, two events must occur, with both potentially occurring outside the United States: (1) a “use in commerce” (*e.g.*, a foreign defendant places a trademark

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<sup>8</sup> The dissent states that “the only alleged acts of infringement occurred in Mexico. The acts complained of were the stamping of the name ‘Bulova’ on watches and the subsequent sale of the watches. *Steele*, 344 U.S. at 290 (Reed., J., dissenting).”

on goods abroad and “the goods are sold or transported in commerce” abroad), and (2) a “likelihood of confusion” between the trademark and the trademark of another occurs abroad (*e.g.*, in the minds of foreign consumers).<sup>9</sup> In order to pass Constitutional muster and be actionable under the Lanham Act, these events must have a substantial effect on U.S. commerce. Thus, a categorical restriction of either event to the territorial confines of the United States would be an improper “domestic application” of an extraterritorial statute under *Morrison*.<sup>10</sup> See *Brief for United States* at 9-19 (urging “domestic application” of the Lanham Act based on domestic “use in commerce” and domestic “likelihood of confusion”).

In some cases, foreign “use in commerce” and/or foreign “likelihood of confusion” may lack a “substantial effect” on U.S. commerce. For example, a purely foreign sale by one foreign company to another that has no effect on U.S. commerce would not be within the Lanham Act’s scope. Yet, foreign situs of one or both of two events should not categorically preclude extraterritorial application of the Lanham Act.

It follows that trademark infringement liability under, *e.g.*, a diversion of sales theory (*i.e.*, foreign-to-foreign commerce with a substantial effect on U.S. commerce), as was raised below, should not be cate-

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<sup>9</sup> Also, unlike tangible “actual confusion,” “likelihood of confusion” is an intangible hypothetical that more easily transcends geographic borders.

<sup>10</sup> Of course, a trademark owner may seek relief based both on a “domestic application” and extraterritorial applicability.

gorically excluded simply because the “use in commerce” was abroad, and/or the “likelihood of confusion” occurred abroad. Diverted sales can have a substantial effect on U.S. commerce.<sup>11</sup> *See, e.g., Love v. Assoc. Newspapers, Ltd.*, 611 F.3d 601, 613 (9th Cir. 2010) (“The [effect-on-U.S.-commerce] criteria may be met even where all of the challenged transactions occurred abroad, and where ‘injury would seem to be limited to the deception of consumers’ abroad, as long as ‘there is monetary injury in the United States’ to an American plaintiff.”). Here, the court below concluded that there was a substantial effect on U.S. commerce, and applied the diversion of sales theory.

The Solicitor General argues that *Tire Eng’g & Distrib., LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012) (per curiam), conflicts with the decision below to apply the diversion of sales theory. *See Brief for United States* at 20. But *Tire Engineering* found “compelling the reasons underpinning use” of the diversion of sales theory. *Tire Eng’g*, 682 F.3d at 311. It just declined to apply the diversion of sales theory because the plaintiffs lacked “a pervasive system of domestic operations,” *i.e.*, there was no substantial effect on U.S. commerce. *Id.*

### III. INFRINGEMENT REMEDIES SHOULD BE SEPARATELY ASSESSED

While the Lanham Act may give rise to liability for foreign commerce having a substantial effect on

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<sup>11</sup> This is especially true, *e.g.*, in a two-supplier market and/or where one infringing supplier’s goods are of poor quality.

U.S. commerce, not all of the corresponding injury necessarily warrants monetary relief.

Under the Lanham Act, if liability is established, the plaintiff “shall be entitled” to recover “defendant’s profits” and “*any* damages sustained by the plaintiff.” 15 U.S.C. § 1117(a) (emphasis added). “[A]ny” is an express disavowal of limitations on damages, and neither remedy has a territoriality limitation in the statute. *See Romag*, 140 S. Ct. at 1495 (refusing to incorporate a willfulness limitation into Section 35(a) of the Lanham Act, noting that the Court does not “usually read into statutes words that aren’t there.”).

Accordingly, monetary relief is far-reaching under the Lanham Act. Yet, it is not unlimited. For example, it is “subject to principles of equity.” 15 U.S.C. § 1117(a). “In the context of this statute, [principles of equity] more naturally suggests fundamental rules that apply more systematically across claims and practices areas.” *Romag*, 140 S. Ct. at 1496.

International comity is one such fundamental rule. In *Steele*, international comity concerns were mitigated because the lead defendant’s registration of “BULOVA” in Mexico was cancelled in an official proceeding brought by Bulova. *See Steele*, 344 U.S. at 285. Here, the European Union Intellectual Property Office rejected Petitioners’ request to cancel Respondent’s European trademark registration for “HETRONIC” on the ground that Petitioner owned the mark. Petitioners appealed to the European General Court but the denial was affirmed. Petitioners then appealed to the European Court of Justice, which declined to hear another appeal. International comity concerns have been mitigated here as they



were in *Steele*. It may not be in other situations, and in those situations a court may entirely deny relief even if there is liability.

Any monetary relief must also be “compensation not a penalty,” and judges are expressly given wide discretion to tailor monetary relief to the facts at hand. *See* 15 U.S.C. § 1117. That being said, while the remedy is not limited to what occurs in the United States, in cases like this involving products made solely outside the United States, any such monetary relief should ordinarily be based on infringing products sold in the United States or otherwise tied or rationally related to use of the infringing mark “in commerce” as defined by the Act. Such an approach would balance the wide discretion given to judges under the Lanham Act, the extraterritorial reach of the Act, and interests of international comity and equity. Additionally, such an approach would encompass other considerations such as a “diversion of sales” theory like the one also adopted by the Tenth Circuit in finding liability. Diversion of sales is complicated and fact-intensive. A one-size-fits-all rule does not work well, and this is where a court’s broad discretion under the Lanham Act is best applied.

Remedies are also subject to other guardrails. For example, Section 29 limits monetary relief for registered trademark infringement unless the defendant had actual or constructive notice of the registration. *See* 15 U.S.C. § 1111. And Section 32 limits monetary relief under Section 43(a)(1)(A) against “innocent” printers and others. 15 U.S.C. § 1114. Also, the trademark first sale doctrine may apply. *See, e.g., Bluetooth SIG Inc. v. FCA US LLC*, 30 F.4th 870 (9th Cir. Apr.

6, 2022) (trademark first sale doctrine applies when product is incorporated into a new product). In addition, standing, personal jurisdiction, *forum non conveniens* and other general doctrines limit the ability of courts to hear extraterritorial disputes in the first place.<sup>12</sup>

**IV. THE COURT SHOULD REMAND TO DETERMINE WHETHER THERE WAS A SUBSTANTIAL EFFECT ON U.S. COMMERCE AND TO REASSESS ANY REMEDY**

This Court should remand to reapply the *Morrison* framework, including to determine whether Petitioners’ conduct had a “substantial effect” on U.S. commerce.

This Court should also remand because the rationale for the award below is unclear. While the court below appears to have applied the diversion of sales theory, it also stated that “it’s irrelevant what proportion of Defendants’ global sales entered the United States” and awarded \$90M corresponding to all foreign sales. To the extent the court below simply con-

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<sup>12</sup> In this case, two petitioners never contested personal jurisdiction. *See* Pet. App. at 9a. The remaining petitioners do not seem to seek review of personal jurisdiction with this Court. *Id.* at 9a-19a; *see also* Supplemental Brief for Petitioners at 2-3 (in response to the Solicitor General’s suggestion to reformulate the question presented to “focus the presentations of the parties and amici,” petitioners responded that issues beyond extraterritoriality are “consequences” and “not identified as separate issues for this Court’s review.”).

flated extraterritoriality, liability, and remedy without concluding that defendants' conduct substantially affected U.S. commerce, it went too far.

Given this ambiguity, the equitable nature of the relief awarded, the fact-intensive nature of the overall inquiry and in view of this Court's anticipated clarification of the *Morrison* framework as applied to the Lanham Act, this Court should remand this case for further proceedings consistent with the requirement that the challenged conduct must have a substantial effect on U.S. commerce.<sup>13</sup>

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<sup>13</sup> A trademark owner may obtain an injunction "to prevent" a "violation" of certain Lanham Act provisions. 15 U.S.C. § 1116(a). Hetronic obtained an injunction here that the Tenth Circuit later adjusted to only apply to jurisdictions in which the Hetronic mark was "in commerce." *Steele* offered a similar injunction. Generally speaking, the equitable principles of monetary relief in the form of an accounting for lost profits also should apply to injunctions.

## CONCLUSION

Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act apply to “all commerce which may lawfully be regulated by Congress.” 15 U.S.C. § 1127. This Court already recognized this “sweeping reach” in *Steele* and applied the Lanham Act extraterritorially. *Steele*, 344 U.S. at 287.

But the Lanham Act’s reach is not limitless. Its scope only extends to the limits of congressional power. While congressional power includes the power “to regulate commerce with foreign Nations,” U.S. Const., Art. I, § 8, cl. 3, Congress cannot regulate all foreign commerce. Rather, Congress can regulate only foreign commerce that has a substantial effect on U.S. commerce.

While various tests for Lanham Act extraterritoriality have proliferated in the circuits since *Steele*, they have much in common. And after they are recast within the *Morrison* framework, their analyses comport with each other, the Lanham Act and this Court’s precedents. To find liability, the court must find that the challenged conduct had a substantial effect on U.S. commerce.

Further, just because the Lanham Act applies extraterritorially to conduct that substantially affects U.S. commerce does not mean that relief should be awarded for the full scope of activity for which defendant is liable. Rather, the remedies should be tailored to the situation.

Given the ambiguity in the opinion below regarding the scope of extraterritoriality, liability, and rem-

edy, and in view of this Court's anticipated clarification of the *Morrison* framework as applied to the Lanham Act, this Court should remand this case for further proceedings, limiting the scope of liability to those infringing acts that had a substantial effect on U.S. commerce and assessing remedies based on applicable principles of equity.

Respectfully submitted,

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