

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.*

—————◆—————  
**On Writ Of Certiorari To The  
United States Court Of Appeals  
For The Tenth Circuit**

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**BRIEF OF STUSSY, INC. AS *AMICUS CURIAE*  
IN SUPPORT OF RESPONDENT**

—————◆—————  
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**BRIEF OF STUSSY, INC. AS *AMICUS CURIAE*  
IN SUPPORT OF RESPONDENT  
CORPORATE DISCLOSURE STATEMENT**

*Amicus* Stussy, Inc. is a private, family-owned business and has no parent corporation. No publicly held corporation owns 10% or more of the corporation's stock.

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**INTEREST OF *AMICUS*<sup>1</sup>**

Stussy is a California street fashion brand (think skateboarders, DJs and youth). Since 1980, the brand has not only survived (unlike the vast majority of other street fashion brands) but has thrived. The success of the brand depends on preserving the STUSSY image in the United States, and especially worldwide, since a majority of its sales are outside the United States. Stussy's brand image comes from the quality of its products, the originality of its designs, where its products are available (the trendiest retailers such as Dover Street Market, but never Target or Wal-Mart), and limited production. All of these elements that are vital to the success, nay, the survival, of the STUSSY brand are imperiled by counterfeiting, the most extreme form of trademark infringement.

Counterfeits are offered worldwide, impacting Stussy's reputation and sales in both the United States and in foreign countries.

Stussy uses remedies in other nations whenever practical. Its trademark is registered in 168 countries. Stussy has 124 registrations in China alone. The STUSSY trademark is recorded with the customs services in China, EU, USA and elsewhere. It has two vendors tasked with taking down online counterfeits

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, the *Amicus* states that no counsel for any party authored this brief in whole or in part and that no party, counsel for a party, entity or person, aside from *Amicus* and its counsel, made any monetary contribution toward the preparation or submission of this brief.



worldwide (one uses computer algorithms; the other is human-based) and a third solely focused on taking down online counterfeits in China. Stussy uses investigators and law firms in many countries (including, for example, three firms in China alone). All of these vigorous efforts are not sufficient to stop the never-ending flow of counterfeits.

Having an effective remedy in American courts against worldwide counterfeiters is indispensable to Stussy, and in turn, to its American employees and vendors (who also create employment in the United States). The same is true for many American Small-Medium Enterprises (“SMEs”).

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## SUMMARY OF ARGUMENT<sup>2</sup>

This brief is important because it is the only brief filed to date by a SME. It is the only brief to discuss

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<sup>2</sup> The author of the brief has decades of experience with both trademark prosecution (obtaining trademark registrations) and enforcement (anti-counterfeiting and litigation). He authored a law review article about international trademark protection. John R. Sommer, *How to Get the Most Out of Madrid and Other Trademark Agreements*, 102 J. Pat. & Trademark Off. Soc’y 527 (2022). The author has presented seminars on a variety of trademark issues at INTA (one of the *amicus* in this case), bar associations and law schools around the country and in Canada, Italy and the United Kingdom. He was the Chair of the Western Anti-Counterfeiting Coalition, a group of major studios, professional sports teams, universities and other brands working to suppress counterfeiting in the United States in the 1990s when swap meets were a significant problem. He also successfully argued *Iancu v. Brunetti*, 588 U.S. \_\_\_ (2019).

how this Court's decision will affect actual litigation in United States courts and whether American brands will have any practical remedy to defend themselves against foreign counterfeiters in today's internet world should the Court narrow the Lanham Act.

There is no dispute that Congress can constitutionally legislate concerning foreign conduct. The question is whether it did so in the Lanham Act. The plain language of the statute makes it clear that Congress did. First, if there is any "use in commerce," it does not matter where the likelihood of confusion occurs. The Lanham Act does not specify *where* the confusion or counterfeiting must occur, only that there be a "use in commerce." This Court should not read a geographic limitation into the statute. Second, when jurisdiction is based upon an effect on commerce, *any* material effect on commerce is sufficient for jurisdiction. This flows from Congress' explicit desire to make the Lanham Act as broad as constitutionally permissible. The history of Congress' protection of American sales in foreign countries supports that conclusion.

Everyone agrees there has to be some limitation on extraterritorial jurisdiction. *Amicus* argues that there are three pre-existing limitations which resolve this concern. First, there must be personal jurisdiction over the foreign defendant, which will exist only if the defendant purposefully availed itself of the benefits of doing business in the United States in connection with the trademarks. Second, the judge will decide if comity applies. Third, any foreign country involved need not recognize the US judgment.

The European Union’s argument that it provides “robust” remedies for trademark owners misses the point. The EU is the exception, not the rule, when it comes to offering trademark owners an adequate forum to seek relief from infringers. The overwhelming majority of countries where counterfeiting is most widespread do not have robust remedies; that is precisely *why* there is so much counterfeiting in those countries. Under the EU’s proposed rule, SMEs will be forced to sue the same defendant in the dozens of countries where consumers purchased the counterfeits. That is simply not a practical option.

The decision of the Court of Appeals should be affirmed.

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## ARGUMENT

### **I. The Lanham Act Applies to All “Commerce” Without Geographic Limitation.**

#### **A. Congress’ Definition of Commerce.**

“Extraterritorial jurisdiction” is a convenient but somewhat misleading phrase because it really is a question about whether the defendant’s acts are a “use in commerce” or have an “effect on commerce.” In today’s world, with products flowing between countries and websites offering goods to anyone anywhere in the world, boundaries are not so clear. The proper focus should be on the actual text of the Lanham Act and what it covers.

No party disputes that Congress may constitutionally enact legislation governing activities partially or even completely outside the physical boundaries of the United States, even as to non-citizens. The sole question here is what limits on this power, if any, did Congress impose when it crafted the language in this specific statute. The analysis in this case is facilitated by Congress' explicit language: "The word 'commerce' means all commerce which may lawfully be regulated by Congress." Lanham Act, Section 45, 15 U.S.C. §1127.<sup>3</sup> This is "maximum coverage." It is impossible to draft broader language.

Congress did not use such broad language lightly. The question of federal trademark jurisdiction was explicitly on Congress' mind when it chose these words. Congress was aware of the issues relating to the scope of federal trademark jurisdiction, such as the *Trade-Mark Cases*, 100 U.S. 82 (1879). See Zvi S. Rosen, *In Search of the Trade-Mark Cases: The Nascent Treaty Power and the Turbulent Origins of Federal Trademark Law*, 83 St. John's L. Rev. 827 (2009). There was even talk about a constitutional amendment to add trademarks to the Constitution. *Id.* at 874-878. Accordingly,

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<sup>3</sup> Congress' intent when it drafted the Lanham Act is illustrated by its difference from the Trade-Mark Act of 1905 (Act of February 20, 1905). Section 16 of the 1905 Act was expressly limited to export or imports: "Any person who [sells an infringement] in commerce . . . with a foreign nation . . ." shall be liable for damages. Act of February 20, 1905, Sec. 16, 15 U.S.C. §96 (repealed). The Lanham Act uses the much broader phrase "use in commerce" in Sections 32(1) and 43(a). It is unlikely that Congress adopted the more expansive language by accident.

when Congress drafted the definition of “commerce,” it explicitly used the absolute broadest language possible. It was unnecessary for Congress to say more.

**B. All “Use in Commerce” Is Covered by the Lanham Act.**

Congress did not limit the scope of the Lanham Act to confusion of American consumers. What Congress wrote in Section 32(1), 15 U.S.C. §1114(1), matters (and the equivalent language in Section 43(a), 15 U.S.C. §1125). Section 32(1)(a) does not require that the consumer who is likely to be confused be located in the United States. It prohibits the “use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark. . . .” The “reproduction, counterfeit, copy, or colorable imitation” must be used in commerce. Furthermore, it must be proven that “such use [in commerce] is likely to cause confusion, or to cause mistake, or to deceive. . . .” *Id.* Although the use in commerce must cause confusion somewhere, the statute does not say the confusion must be in the United States.

Congress could have said “likely to cause confusion, or cause mistake, or to deceive *in the United States.*” But Congress did not insert “in the United States” at that point. Congress used “United States” elsewhere in the Lanham Act more than 200 times, including, for example, in Section 1(e), 15 U.S.C. §1051(e), and Sections 2(a), (b), (c), (d), 15 U.S.C. §1052(a), (b), (c),

(d). This Court should not add “in the United States” to the statute when Congress chose not to.

Events after 1946 confirm the absence of any geographic limitation. Just six years after the Lanham Act was enacted, this Court concluded that it has extra-territorial effect in *Steele v. Bulova Watch Co., Inc.*, 344 U.S. 280 (1952).<sup>4</sup> The nearly contemporaneous interpretation of the Lanham Act should be given more deference than arguments being advanced by the Government for the first time seven decades later.

As to the suggestion that Congress should have been more explicit, the first response is Congress’ plain language is clear. The second is it would be anachronistic to require Congress to have used some additional language about foreign activities in 1946 when Congress was unaware that seventy years later, this Court would decide *RJR Nabisco, Inc. v. European Community*, 579 U.S. 325 (2016).

Congress has amended the Lanham Act many times, including the Trademark Counterfeiting Act of 1984 (Pub. L. 98-473), the Anticybersquatting Consumer Protection Act of 1999 (Pub. L. 104-153), and the Madrid Protocol Implementation Act of 2003 (Pub. L. 107-273). When Congress disapproved of this Court’s decisions, it amended the Lanham Act, but did not do so in response to *Steele*. The history of the Lanham Act

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<sup>4</sup> *Stare decisis* suggests that *Steele* should not be overruled or narrowly interpreted, especially given the history mentioned above.

shows that Congress approves of it being applied extraterritorially.

**C. There Is No Minimum Amount in Controversy Requirement When the Conduct Is a “Use in Commerce.”**

When the use of an infringing mark is “in commerce,” the Lanham Act applies, plain and simple. The statute has no minimum amount in controversy requirement. It is possible to sue for a single infringing package of chewing gum that has been used in commerce. And since “a journey of a thousand miles begins with one step,” i.e., the journey from the first use in commerce to a famous mark, that purposeful lack of a minimum amount in controversy makes sense. It is wise to stop the infringement early on.

Given that there is no minimum amount in controversy for a “use in commerce,” it is incorrect to impose such requirement on some uses in commerce just because they are partially or wholly outside the physical boundaries of the United States or because the buyer is not American. Thus, a “significant” or “substantial” effect on US commerce is not required, provided there is a “use in commerce.”

**D. If Acts Are Covered Only When They Cause an Effect on Commerce, Then Any Material Effect Is Sufficient.**

When the Lanham Act applies only when a defendant’s acts have an “effect on commerce,” as

distinguished from acts that are “uses in commerce,” the test should be different. *Amicus* argues for a test that logically results from the Lanham Act: for extra-territorial acts, the effect on commerce must be more than *de minimis*. A single package of gum is not enough to create an effect on commerce. In other words, the acts that affect commerce must be sufficient to have more than a *de minimis* effect—they must be “material.”

The Ninth Circuit uses a similar term, “a cognizable injury.” *Trader Joe’s Co. v. Hallatt*, 835 F.3d 960, 969 (9th Cir. 2016):

(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.

*Id.*

*Amicus*’ approach differs from the Ninth Circuit’s in that *Amicus* considers comity as a separate doctrine and not part of the test for “effect on commerce.” Comity more finely balances the American and foreign interests. Comity is decided by the district judge.

The tests proposed by other circuits are incorrect because they require more than an “effect on commerce.” Just how “significant” or “substantial” the



effect on commerce must be is hard to say, since those terms are too vague to be useful.

Abitron harps on the fact that only 3% of its foreign sales made their way into the US and, therefore, only that 3% could possibly “affect commerce.” Pet. App. 41a (“Defendants acknowledge that over €1.7 million [roughly \$1.9 million] of their foreign sales ended up in the United States.”). But look critically at that number: the percentage is small only because Abitron’s worldwide infringement is so large. In other words, Abitron argues it should get favorable treatment because the egregiousness of its conduct makes the domestic portion of its ill-gotten profits small in relative terms. It is the absolute number that matters when evaluating the “effect on commerce.” The Tenth Circuit’s analysis, that this was enough to substantially effect US commerce, is correct. Pet. App. 41a. The record below shows such an effect on commerce that is “material,” “significant” and “substantial,” so there is no need to remand, regardless of the test this Court selects.

**E. Once the Lanham Act Applies to an Infringement Scheme, It Applies to the *Entire* Scheme.**

The Tenth Circuit held that the Act applies to, and therefore profits can be disgorged for, the entire infringement scheme, regardless of where the different parts of the scheme took place. Pet. App. 44a (“[O]nce 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.").

*Amicus* suggests that this conclusion is also supported by Section 35(a): "When [there is] a violation of any right of the registrant, . . . " damages may be awarded. Once the plaintiff has established both its federal registration and a Lanham Act infringement, then it is entitled to damages for the violation of "any right of the registrant" relating to that trademark. "Any right" is not limited to rights stemming from a US registration or confusion in the USA. Abitron argues, in effect, that the statute should be interpreted as meaning "damages for any violation of the rights *granted in the registration.*" But that is not what the statute says.

Reading Section 35(a) further, once a violation of the Lanham Act is established, "the plaintiff shall be entitled, . . . subject to the principles of equity, to recover (1) defendants' profits, (2) any damages sustained by the plaintiff. . . ." Again, Congress' language does not limit recoverable profits or damages due to the infringement of the federal registration or in the USA. Thus, it follows that worldwide damages may be awarded, subject to the principles of equity. This literal reading is consistent with Congress' intent to protect American brands to the maximum extent allowable under the Constitution. And if the Court considers this reading to be excessively technical, then consider what each of the Senators and Representatives would have said in 1946. Would they have expected their

constituents to have to sue in dozens of countries? Or would they have expected the courts, established and paid for by Congress, to provide a one-stop, comprehensive remedy? *Steele* answers that question.

The jury concluded that Abitron had a scheme to steal Hetronic's intellectual property. Pet. App. 114(a) (“[T]he defendants have, for several years, intentionally exploited plaintiff’s intellectual property. . . .”). There was not one scheme to sell infringing products in the United States and another separate scheme to sell infringing products in Germany; Abitron was trying to sell the infringing goods everywhere and anywhere it could find buyers. Should it make a difference that some buyers happened to be in the United States and some happened to be elsewhere? Can Abitron’s scheme be partitioned into an American scheme and a German scheme? It cannot. If there were separate schemes in different countries (say, counterfeit “Stussy” branded t-shirts in the United States and counterfeit mobile phones in Germany), that might be different. But that is not the case here.

#### **F. Congress Has Long Sought to Protect American Exports.**

The argument or idea that Congress was not concerned about protecting American exports in foreign countries is plainly wrong as a matter of historical fact. Exports are possible only if there are foreign buyers. If foreign infringement destroys the market in a foreign country, American foreign commerce is harmed.

Congress has always understood this truism. As least as early as the Nineteenth Century, the US government supported exports. Examples include the “Opening of Japan” by Commodore Perry and trade treaties entered into with other nations, the purpose of which were to allow American exports to be sold in those other countries.

Starting in the 1860s, the United States entered into treaties with Belgium, France and Russia for the reciprocal protection of trademarks. Rosen, *In Search of, supra*, 83 St. John’s L. Rev. at 834-837. Although the discussion at the time was mostly about how to protect foreign brands in the United States, the treaties equally protected American brands in those foreign countries. *Id.* at 840, fn. 78.

More recently, Congress started requiring the Office of the U.S. Trade Representative to submit annual “Special 301 Reports” identifying countries that do not provide “adequate and effective” protection of intellectual property rights or “fair and equitable market access to United States persons that rely upon intellectual property rights.” 2022 Special 301 Report, Office of the United States Trade Representative, 4. The focus of the Special 301 Report is on counterfeiting *in foreign countries* which adversely impacts America’s foreign trade.

Congress has expressed its priorities: the protection of American companies against infringement anywhere, if constitutional to do so.

**G. Effectuation of the Purpose of the Lanham Act Requires Extraterritorial Jurisdiction.**

Some have argued that the purpose of the Lanham Act is to protect American consumers from confusion and nothing more. That is incorrect.

The purpose of the Lanham Act is to regulate commerce. The Act has two main goals: first, the prevention of confusion, and second, the protection of brand owners (both American and foreign). The Lanham Act is full of provisions solely designed to protect the rights of brand owners, such as intent-to-use applications with constructive first use (Section 1(b), 15 U.S.C. §1051(b)), incontestability (Section 15, 15 U.S.C. §1065), presumption of ownership (Section 33(a), 15 U.S.C. §1115(a)), and protection of trademarks not used in the United States (Section 66, 15 U.S.C. §1141f). If the sole purpose of the Lanham Act were prevention of customer confusion, there would be no reason to give these benefits to brand owners.

Even more plainly, plaintiffs do not sue to prevent customer confusion. Plaintiffs sue to protect their businesses and to recover the damage they have suffered. Preventing confusion is only a means to the plaintiff's goal of preserving its business.

Copyright, patents, trade secrets and trademarks are all extremely important to the American economy. Throughout the history of the Republic, Congress has repeatedly increased the protections given to the owners of intellectual property, frequently increasing the

copyright term and expanding the Patent Act to designs, plants and computer chips. Congress passed trademark legislation in 1881 (Act of March 3, 1881) and 1905 (Act of February 20, 1905), and then eventually the Lanham Act, to create more effective remedies. The Lanham Act has been amended multiple times, always in favor of *expanding* the protection granted to trademark owners. Why should the Lanham Act now be interpreted to *narrow* its protection?

Congress cared and still cares very much about protecting American businesses and their intellectual property, both domestically and internationally.

## **II. Three Principles Prevent Lanham Act Overreach.**

There is no dispute that American courts should not absorb worldwide trademark enforcement. Three principles already exist and are available in every case to keep that from happening: personal jurisdiction, comity, and enforcement of foreign judgments. Accordingly, it is unnecessary for this Court to narrow or abolish the long-standing doctrine of Lanham Act extraterritorial jurisdiction.

### **A. Specific Personal Jurisdiction Limits Extraterritorial Jurisdiction.**

Before a defendant can be forced to defend a lawsuit in an American court, personal jurisdiction must exist. Because general jurisdiction will rarely exist

over foreign defendants, such a defendant will be subject to suit in American courts only if specific (or “case-linked”) jurisdiction exists. “[A] tribunal’s authority depends on the defendant’s having such ‘contacts’ with the forum State that ‘the maintenance of the suit’ is ‘reasonable, in the context of our federal system of government,’ and ‘does not offend traditional notions of fair play and substantial justice.’” *Ford Motor Co. v. Montana Eighth Judicial District Court*, 141 S.Ct. 1017, 1024 (2021) (quoting *International Shoe Co. v. Washington*, 326 U.S. 310, 316-317 (1945)). “The defendant, we have said, must take ‘some act by which [it] purposefully avails itself of the privilege of conducting activities within the forum State.’” *Ford*, 141 S.Ct. at 124 (quoting *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)).

Only those defendants who voluntarily avail themselves “of the privilege of conducting activities” in the United States can be sued in the United States, and only as to infringements that relate to defendants’ contacts with the United States. This single factor alone will avoid most conflicts between American courts and foreign legal systems.

### **B. Comity Will Prevent Interference with the Reasonable Interests of Other Countries.**

The concerns raised by *Amici* about conflicts between American courts and foreign sovereignty are best addressed through the doctrine of comity, because

it preserves the broad reach of the Lanham Act intended by Congress while allowing the district judge to tailor deference to foreign tribunals to the specific situation in each case.<sup>5</sup> Abitron failed to raise comity below. This Court is urged not to narrow Lanham Act jurisdiction just to save Abitron from its own misjudgments.<sup>6</sup>

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<sup>5</sup> Comity should apply when the defendant has good-faith registrations in other countries, not when a squatter is abusing the system. If a party is the legitimate owner of a brand in another country under that country's laws, American courts should respect those rights in that country. However, just because a counterfeiter or a trademark squatter has an application or registration abroad should not always be grounds for comity. In some countries, trademark applications are not examined to see if the trademark is already registered, so overlapping registrations can be granted. In other countries, there is no procedure for opposing trademark applications, so the trademark owner must sue to invalidate the registration. Thus, in some countries, squatters can obtain registrations which can take years to invalidate. Even if the American brand owner is successful with an invalidation, the squatter can simply file new applications. The district judge should not defer to a foreign registration without an appropriate inquiry.

<sup>6</sup> Abitron, because it claimed to own the trademark, could have sued Hetronic in a German court, but it did not, nor did it ask the trial court to force Hetronic to sue in Germany. Instead, Abitron made the strategic decision to litigate only in Oklahoma, that is, until the jury issued its verdict. Why was the result so large? Abitron claimed it did not have evidence of its costs of goods sold, which is its burden of proof under Section 35(a), 15 U.S.C. §1117(a). That is hard to believe in an age of computerized records. The Court should not deprive American SMEs of their only practical remedy out of misplaced sympathy for Abitron. Abitron's decisions caused the large judgment.



### **C. Enforcement of Judgment in Foreign Country.**

Finally, American courts cannot compel foreign courts to enforce American judgments. If the EU does not want to recognize the judgment in this case, that is within its power. The EU *amicus* brief does not address why that is not a sufficient vindication of its sovereignty.

### **III. Damages Should Be Awarded under the Lanham Act If the Foreign Acts Are “in Commerce” or “Effect Commerce.”**

#### **A. Counterfeiting in Today’s World Ignores Borders.**

In the 1980s, counterfeiting included VHS and Betamax cassettes being sold on Canal Street in New York and counterfeit t-shirts being sold in local swap meets.

Today, counterfeiting looks much different. It is international. Approximately \$3.3 billion in counterfeits were seized coming into the United States in FY 2021, more than twice the \$1.3 billion seized the prior year. *See Intellectual Property Rights Seizures, Fiscal Year (2021) at 33.*

As significant as those numbers are, this is not the biggest problem. Today, ecommerce is gigantic and growing. Products are sold online and shipped directly to the customer by international mail using the discounted rates for developing nations (that is why many

websites estimate 10 to 30 days for delivery). When the shipments to the USA are under \$800, no duty is paid. When the author toured a CBP facility at a major American airport, there was no inspection of packages with clothing other than x-raying them for contraband.

Of utmost importance is the fact that counterfeiters are businesses selling globally. Sales are made through websites without *any distinction* between whether the consumer is located in the USA or elsewhere. These businesses seek to enjoy the full benefit of the American market until they get sued; then they artificially claim their business is segmented into country-by-country markets.

### **B. Scenarios Illustrating the Many Ways “Commerce” Can Be Involved.**

The other *amicus* briefs all view “commerce” from a Twentieth Century perspective, with a binary domestic/foreign distinction. Whatever rule this Court issues should take into consideration the varied factual situations that currently exist.

A single counterfeit could be an infringement in several countries: where the product is made (which can be more than one country; for example, Stussy’s neck labels are made in one country, the t-shirt body in another, and the screen printing performed in a third—the United States), the country where the goods are marketed (including “use in commerce”), the country

where the good is actually purchased, and the country where the product is ultimately used.<sup>7</sup>

Foreign Websites Selling Worldwide (Including to the USA). Counterfeiters use websites based in foreign countries (such as Aliexpress, JD.com, Taobao, Tmall, etc.) to offer to sell products everywhere in the world (if that includes the United States, then there is an “offer to sell” in the United States). Often the websites will include the United States in the dropdown menu for shipping with the US dollar as an accepted currency. Websites could use geoblockers to restrict access by American users, but they do not because they want the benefits of doing business in the United States. *E.g., Lang Van, Inc. v. VNG Corporation*, 40 F.4th 1034 (9th Cir. 2022). Even if the websites are not in English, they are in languages used by millions in the United States. Also, Google automatically offers translation.

Websites Based in the USA. Amazon, Walmart.com, eBay, Etsy, Wish.com and Zazzle are examples of websites based in the United States. They accept listings from sellers almost anywhere in the world and allow the products to be sold almost anywhere in the world. Offering counterfeits on a website based in America is a “use in commerce,” regardless of where the seller and buyer are.

Websites Pretending to Be Based in the USA. A website currently selling counterfeit “Stussy” products

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<sup>7</sup> There are now businesses that specialize in forwarding products to consumers anywhere in the world (a purchase can be made in one country and the product forwarded to another).

states (without editing): “Gone are the days where you had to trawl through malls and stores in market and store to find that perfect Our Custom Design. Now that Design item that you need is just a few clicks away when you shop with apparelhouses Trend Fashion.” “We also applicating our artwork onto apparel product over direct to garment (DTG) printing, we ship from United States, China, and another country that they can do produce.” <https://www.apparelhouses.com/about-us/> (last accessed January 31, 2023). The fact that this counterfeiter pretends to ship from the United States makes it fair to award damages for such sales regardless of where the goods are actually shipped from.

Websites Pretending to be an American Brand. Stussy is known to be based in the United States. It is an American brand the way a perfume brand might be French or a chocolate brand is Swiss. There are fake websites that purport to be Stussy, using Stussy’s copyrighted photographs of people wearing STUSSY and of the actual STUSSY products (what better way to sell counterfeits than by using photographs of the genuine articles?). A current example of an imposter website is WWW.STUSSY.LIVE (last accessed January 31, 2023). If a defendant’s fraudulent scheme centers on pretending to be in the United States, the Lanham Act should apply to sales purportedly from the USA.

Another example is the foreign national who incorporated “Stussy Group Company” in California, rented a post office box in Irvine, California, and

proceeded to sell counterfeits in China, to the damage of Stussy in the United States.

Websites Not Based Anywhere, But Selling to the United States. Many websites selling counterfeits do not have any address or nationality. The domain registration information is usually hidden and, if not, it is fake. If the plaintiff has the burden to show confusion in the United States (as advocated by the Solicitor General), these pseudonymous sellers will claim they have no sales in the USA, other than the one sample purchased by the plaintiff, and thus will go scot-free. Brands, including Harley-Davidson, have used an effective strategy in these cases: a TRO is requested against counterfeiters, including a freeze on the infringers' PayPal accounts that contain the proceeds from the sale of counterfeits. *See, e.g., Stussy, Inc. v. Does 1-727*, N.D. Ill., Case No. 21-CV-00440, First Amended Complaint, filed Feb. 6, 2021, Dkt. 12. Most recently, British pop star Harry Styles sued multiple e-commerce stores in Illinois federal court for selling counterfeit products that infringe his trademarks. *See Styles v. The Partnerships and Unincorporated Associations Identified on Schedule "A"*, N.D. Ill., Case No. 1:23-cv-00137, Complaint, filed Jan. 10, 2023, Dkt. 1.<sup>8</sup>

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<sup>8</sup> Stussy's concern about the lack of truthful information reported by sellers is shared by Congress. The Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act ("INFORM Consumers Act") was signed into law on December 29, 2022. It requires disclosures from online sellers. While this is progress, it will not stop counterfeiters; those already committing criminal counterfeiting are not likely to be truthful in other matters.

A narrow decision in this case will significantly impair such lawsuits.

Use of American Payment Methods. Counterfeit websites may use American payment methods such as Visa, MasterCard, and PayPal. If payment is made through the USA, the Lanham Act applies.

Use of American Search Engines. Counterfeiters cause their counterfeit products to be listed in Google search results by using search-engine-optimization or buying Google Adwords. This is a use in commerce.

Use of American Software. Counterfeit websites use American software supplied by Microsoft, Google Analytics, reCaptcha and others, to promote their products. This is a use in commerce.

Hosting on American CDNs. So that websites load faster in America, foreign websites offering counterfeits have their websites duplicated on content delivery networks (CDNs) in the USA, which is undeniably, a use in commerce. *E.g., Will Co., Ltd. v. Lee*, 47 F.4th 917 (9th Cir. 2022).

Use of American Influencers or Models. American models or American influencers wearing counterfeit products to sell them is a use of a counterfeit mark in commerce.

Export of Counterfeits. Trademarks applied to goods in the USA and exported are infringements shipped through commerce. *See American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983) (defendant's rice was packaged with the

infringing trademarks in the United States, then exported).

Counterfeits Transported Through the United States. Foreign-made goods transported through the United States and re-exported are subject to the Lanham Act. *See Babbit Electronics, Inc. v. Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994) (Lanham Act applies to cordless telephones shipped from Asia through US free trade zone to South America); *see also* Anne Gilson LaLonde, *Gilson on Trademarks*, §11.03(2)(g)(vi)(B)(III)(ee) (2022) (“Where a U.S. trademark is infringed by products traveling through a foreign trade zone or free trade zone, a court may still apply the Lanham Act.”).

Counterfeit Labels Not Attached to Goods. Counterfeit labels are infringements and can be seized even if not yet attached to goods. *E.g., Ford Motor Co. v. Kuan Tong Industrial Co.*, 1987 WL 125111 at \*2 (N.D.Cal. Apr. 16, 1987) (Wheel trim or decals bearing counterfeit Ford trademarks were sold by defendants and were intended to be used in connection with non-Ford wheel covers).

American Certifications Necessary to Sell Goods. Many foreign countries do not have specialized agencies and rely on US Government certifications. An infringer obtains certification from the FCC or FDA. In this case, Abitron attempted to get FCC approval for its infringing goods. If the imprimatur of the US Government is useful to selling infringing products in foreign countries, is a defendant’s use of such certification

in foreign countries not relevant? Fake UL labels are a big problem for Northbrook, Illinois-based Underwriters Laboratories. Obtaining worldwide damages from a defendant pretending to have a certification from Northbrook, Illinois is within the scope of the Lanham Act.

Use of American Components. If a defendant incorporates infringing parts (say, Intel chips) into a product and ships worldwide, that affects Intel in America.

Cyberspace. Online services such as Facebook, Instagram, LinkedIn, TikTok, Twitter and YouTube are available in many countries. Currently, it is popular to post counterfeit goods on these and other platforms. Does a single posting constitute dozens of infringements in multiple countries depending on the happenstance of where the customers are? Or, does a single posting constitute one act of infringement that should be addressed under the Lanham Act (assuming personal jurisdiction can be established in the USA and there is a sufficient connection with commerce)?

Streaming is a relatively young phenomenon. An infringing Apple+ or Netflix service clearly will affect USA commerce. Artificial intelligence, bots (e.g., ChatGPT), and products not yet imagined but which are certain to come, are likewise not limited by national boundaries. Virtual goods such as songs, computer games (it is possible to purchase “things” in virtual games), non-fungible tokens (NFTs) and digital currencies, all deserve protection as much as the



tangible radios and refrigerators that were so important in 1946.

Services. It is even harder to tell where services are provided and have an effect: accounting, influencers, legal advice, search engine optimization, website analytics, etc.

As these examples show, there is not a binary choice between domestic and foreign commerce. Instead, goods and services seamlessly flow across borders in today's global economy. While legitimate businesses such as Stussy have to comply with trade laws and pay duty, counterfeiters sending large numbers of small shipments do not. Given the variety of factual situations with mixtures of domestic and foreign conduct, a narrow construction of Congress' broad language is neither consistent with its intent and language, nor with the flow of goods and services in a global economy. Seeing how commerce has changed from the 1980s to today, it is likely that the next forty years will bring new ways in which foreign infringers can obtain the benefits of doing business in the United States while attempting to avoid liability for damages. Whatever rule this Court adopts should account for this unknown future.

### **C. Effect on USA Commerce.**

As Justice Holmes understood, counterfeiting is an existential threat to a brand's survival. He said that a trademark "deals with a delicate matter that may be of great value but that easily is destroyed, and

therefore should be protected with corresponding care.” *A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 692 (1923) (French company competing with the current owner of the mark in the United States).

STUSSY-branded products are incredibly sought after in Japan. There are 26 STUSSY stores in Japan (compared to only three in the United States). The probability that a counterfeit t-shirt sold in Japan will reduce the export of a genuine STUSSY t-shirt from the United States is high. Stussy is also very popular in other Asian countries, as well as Europe, Canada and, of course, the USA. The loss of sales and popularity in any of Stussy’s foreign markets will reduce its export of genuine STUSSY products and the revenues that otherwise would have been earned by an American company.

Stussy is one of the few youth-orientated brands to survive intact from the 1980s. Examples of the other similar brands that did not survive include GOTCHA (bankrupt), QUIKSILVER (bankrupt), JIMMY Z (sold to Aéropostale, then closed down), VISION STREETWEAR (sold to discounter Payless ShoeSource), and MOSSIMO (licensed to Target, now gone). The reason STUSSY still exists as a highly sought after brand is that it works tirelessly to preserve its image.

Image includes the quality of the products (weight of material, quality of construction), the images on the products, and the other brands with which Stussy collaborates (NIKE, LEVI STRAUSS, COMME DES

GARCONS, etc.). Image also includes limited availability (that is, consumers who want to be unique in the crowd will want to wear limited-availability STUSSY products) and where the products are sold (trendy stores). Counterfeits undercut all of that: low quality material, poor construction, fake collaborations (e.g., a counterfeiter sold a supposed Stussy collaboration with a pest control company). Counterfeits are offered at prices “95% off,” which kills the demand for genuine goods.

Everything counterfeiters do anywhere in the world attacks the “delicate matter that may be of great value but that easily is destroyed.” Counterfeiting will, if Stussy is not able to effectively defend itself, destroy Stussy’s image and therefore its business, which supports not only approximately 100 employees in the United States, but a whole host of third-party vendors in this country, including clothing manufacturers, screenprinters, warehouses and transportation companies. Loss of Stussy’s business also results in lost taxes, which would have been paid to the state and federal governments, and a loss of its positive contribution to America’s balance of trade. All of this is true for other SME brands, as well.

#### **IV. Suing a Worldwide Infringer in Each Country Is Not Practical.**

None of the other *amicus* briefs submitted to date address what actually happens if this Court eliminates extraterritorial jurisdiction.

In most cases, counterfeits are sold simultaneously in many countries. If there is no extraterritorial jurisdiction, SMEs would have to sue the same defendant over and over in dozens of countries, often to recover a small amount per country. In the case of Stussy, it would have to sue the same defendant in 23 countries.<sup>9</sup> It should require no explanation as to why suing the same defendant in 23 countries to get worldwide relief is not practical. It would be difficult even to purchase a sample in every country. The amount of damages per country will be small. Discovery to determine the actual sales may be limited. Legal fees awarded in most countries are far less than the actual fees incurred.<sup>10</sup> Imagine the difficulty of collecting judgments in so many countries. Eliminating extraterritorial jurisdiction will allow counterfeiters benefiting from

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<sup>9</sup> Stussy has STUSSY-branded stores in 14 foreign countries. It has significant wholesale sales in 17 European Union countries and 22 other countries. Its websites sell to over 100 countries. If this Court were to narrow the Lanham Act's reach, Stussy would be required to sue the same defendant, not just once in the United States as now, but in multiple countries (at least the EU and 22 other countries). This is not a hypothetical concern. Shein, the \$100 billion Chinese fast fashion company, was just recently selling multiple counterfeit "Stussy" styles. Shein sells in all the countries where Stussy has significant sales. *Stussy, Inc. v. Shein et al.*, C.D.Cal. 2022, No. 8:22-CV-00379 CJC (KESx), Third Amended Complaint, filed Oct. 26, 2022, Dkt. 103. Imagine the expense of suing Shein in 23 countries.

<sup>10</sup> Some examples of the amounts of fees awarded in other countries: Belgium—sliding scale, €4,000 fees if €20,000 damages, Japan—the maximum fee award is 10% of the recovery, and Thailand—5% of damages with a maximum of THB 30,000, roughly USD 900.

access to the American market to get a free pass to continue to infringe everywhere else.

The EU asserts that it offers “robust” remedies. It is true that the EU has relatively good remedies (although in Stussy’s experience, it varies widely based upon the specific country). But what about all the other countries where infringers are based or sell their products? CBP’s 2021 report lists China, Colombia, Philippines, Thailand, Turkey and Vietnam as major exporters of counterfeits. *See* CBP’s Intellectual Property Rights Seizure Statistics, Fiscal Year 2021, September 2022. The Government’s Special Section 301 Report lists other countries that have substandard enforcement. Counterfeiting is widespread in countries that lack robust enforcement. This Court should not create a rule based on the exception (the EU) while ignoring that, in most of the world, counterfeiting is widespread, and there is no practical remedy in many of those countries. Accordingly, when USA courts have personal jurisdiction, the courts should be allowed to provide worldwide effective relief.

## **V. Impact on Other Lanham Act Remedies.**

### **A. Injunctive Relief May Be Broader than Damages.**

Section 34(a) provides that courts “shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right [not just a right under the Lanham Act] of the

registrant. . . .” The plain language states that an injunction can be granted to someone with a federal registration. The statute does *not* state that the injunction must be limited to the prevention of infringement of the federal registration in the United States.

When a counterfeiter sells worldwide, the American court should be able to order it to stop selling worldwide. The judge should enjoin acts that contribute to infringement, such as printing labels, even if they are not infringing by themselves.

Congress’ language allows, and its purpose is best served by, continuing to allow American courts to issue injunctions prohibiting infringement and acts contributing to infringement anywhere, when equitable to do so.

### **B. Effect of the Court’s Ruling on Statutory Damages.**

Plaintiffs may elect statutory damages under Section 35(c), 15 U.S.C. §1117(c). Congress’ reasons for enacting statutory damages include making the plaintiff whole when adequate damages cannot be determined, dissuading the defendant from selling infringing goods again, and dissuading others who are similarly situated. If the jury only considers sales to Americans, that would undermine Congress’ explicit efforts to protect brand owners against counterfeiters.



## CONCLUSION

The coming decades will bring even more monumental changes than those seen since 1946, or even since the 1980s. The Court is urged not to adopt a narrow test for extraterritorial jurisdiction for the same reason Congress chose the broadest possible definition of “use in commerce.” In 1946, Congress knew it was unable to foresee all situations. This Court cannot predict what amazing products are still to come. However, it is certain that those future products will have brand names, and there will be infringers who seek to unfairly benefit from American creativity. A narrow interpretation of the Lanham Act will hobble American enterprises’ ability to protect their intellectual property in a world where the boundaries between domestic and foreign are already fluid. Limiting the reach of the Lanham Act to apply solely when there is confusion of American consumers will serve only to create safe harbors for infringers.

*Amicus* asserts that when there is a “use in commerce,” there is Lanham Act jurisdiction. If there is jurisdiction, it should not be limited by where the acts occur or where the consumer is confused. When jurisdiction is based upon “effect on commerce,” there must be a “material” effect (or “cognizable injury”). The effect should be judged in absolute terms, not as a percentage.

Personal jurisdiction and comity ensure respect for other countries’ laws.

Extraterritorial jurisdiction for Lanham Act violations is essential to American brands, especially SMEs, because it simply is not practical to force them to sue in every country where infringers sell their goods.

The decision of the Court of Appeals should be affirmed.

Respectfully submitted,

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