No. 21-1043

In the Supreme Court of the United States

ABITRON AUSTRIA GMBH, ET AL., PETITIONERS

v.

HETRONIC INTERNATIONAL, INC.

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

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTION PRESENTED

Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act impose civil liability on any person who "use[s] in commerce" a trademark in a manner that "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a); 15 U.S.C. 1125(a)(1). The question presented is as follows:

Whether, under Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act, the owner of a U.S.-registered trademark may recover damages for uses of that trademark that occurred outside the United States and that were not likely to cause consumer confusion in the United States.

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This brief is filed in response to the Court's order inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be granted.

STATEMENT

1. a. A trademark is a "word, name, symbol, or device" used by a person "to identify and distinguish his or her goods" in commerce and "to indicate the source of the goods." 15 U.S.C. 1127; see *In re Trade-Mark Cases*, 100 U.S. 82, 92 (1879). The Lanham Act, 15 U.S.C. 1051 *et seq.*, is the "foundation of current federal trademark law." *Matal* v. *Tam*, 137 S. Ct. 1744, 1752 (2017).

Section 32(1)(a) of the Lanham Act imposes civil liability upon any person who "use[s] in commerce" a "reproduction, counterfeit, copy, or colorable imitation" of a mark registered in the United States Patent and

Trademark Office (USPTO) where "such use is likely to cause confusion, or to cause mistake, or to deceive," 15 U.S.C. 1114(1)(a). Section 43(a)(1)(A) provides a cause of action against any person who "uses in commerce" any mark, whether registered or unregistered, that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. 1125(a)(1). The Act defines "commerce" to include "all commerce which may lawfully be regulated by Congress." 15 U.S.C. 1127. A trademark owner may obtain an injunction "to prevent" a "violation" of certain Lanham Act provisions. 15 U.S.C. 1116(a). An owner may also recover "any damages sustained" from "a violation" of certain provisions of the Act, as well as the infringing defendant's "profits." 15 U.S.C. 1117(a).

"Infringement law protects consumers from being misled by the use of infringing marks and also protects producers from unfair practices by an imitating competitor." *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (citation and internal quotation marks omitted); see, *e.g.*, *Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 854 n.14 (1982). By identifying the source of particular goods, a trademark "helps consumers identify goods and services that they wish to purchase, as well as those they want to avoid." *Tam*, 137 S. Ct. at 1751. Use of infringing trademarks impedes consumers' ability to make informed purchasing decisions based on their prior experiences with particular sources.

"At the same time, [trademark] law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995). Where a particular mark has come to be associated with a specific source, "others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy." *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403, 412 (1916). A competitor's use of infringing trademarks can also subject the mark owner to reputational harm if the infringing marks are placed on inferior goods. See pp. 15-16, *infra*.

b. In *Steele* v. *Bulova Watch Co.*, 344 U.S. 280 (1952), this Court considered the application of the Lanham Act to foreign sales of U.S.-trademarked goods. That case involved a Lanham Act claim brought by the Bulova Watch Company, which marketed watches under the registered U.S. mark "Bulova," against defendant Sidney Steele, a U.S. citizen residing in Texas. *Id.* at 281. Using component parts he had procured from the United States and Switzerland, Steele assembled watches in Mexico City. *Id.* at 281, 285. Acting "without Bulova's authorization and with the purpose of deceiving the buying public, [Steele] stamped the name 'Bulova' on watches there assembled and sold." *Id.* at 281. As a result of Steele's conduct, "Bulova Watch Company's Texas sales representative received numerous complaints from retail jewelers in the Mexican border area [of Texas] whose customers brought in for repair defective 'Bulovas' which upon inspection often turned out not to be products of that company." *Id.* at 285.

The Court held that Steele's activities were covered by the Lanham Act. *Steele*, 344 U.S. at 285. The Court "d[id] not deem material that [Steele] affixed the mark 'Bulova' in Mexico City rather than here." *Id.* at 287. The Court explained that Steele's "operations and their effects" were "not confined within the territorial limits of" Mexico. *Id.* at 286. Steele had bought components for his watches in the United States. *Ibid.* In addition, "spurious 'Bulovas' filtered through the Mexican border into this country," and those "competing goods could well reflect adversely" on Bulova's "trade reputation in markets cultivated by advertising here as well as abroad." *Ibid.* The Court further noted that, because Steele did not have trademark rights to the "Bulova" mark under Mexican law, applying the Lanham Act to his conduct would not create any conflict with foreign law. *Id.* at 289. The Court observed that Steele was a U.S. citizen and that "the United States is not debarred" from "governing the conduct of its own citizens" in "foreign countries when the rights of other nations or their nationals are not infringed." *Id.* at 285-286 (citation omitted).

Steele reached this Court at a preliminary stage of the case, 344 U.S. at 282, and the Court held only that the suit could go forward, *id*. at 285, 289, without determining the scope of the relief that would be appropriate if Bulova ultimately prevailed at trial.

2. Respondent Hetronic International, Inc. is a U.S. company headquartered in Oklahoma. Pet. App. 88a. It "manufactures radio remote controls" for "heavy-duty construction equipment," which it sells and services in dozens of countries around the world. *Id.* at 2a; see *id.* at 3a. Respondent's remote controls feature a distinctive appearance. *Id.* at 3a. In this Court, it is undisputed

that respondent is the sole owner of U.S. trademarks and trade dress associated with those distinguishing features, including marks registered under the Lanham Act. See *id.* at 53a-61a, 115a; Pet. i.

Petitioners are five German and Austrian companies and their Austrian owner. Pet. App. 4a-5a, 88a. Respondent initially contracted with petitioners to distribute its remote controls abroad, mostly in Europe. *Id.* at 2a, 4a. The relationship subsequently soured. *Id.* at 2a. Petitioners reverse-engineered respondent's products and "began manufacturing their own products—identical to [respondent's]—and selling them under [respondent's] brand." *Ibid.*; see *id.* at 5a. Through these practices, petitioners made "tens of millions of dollars." *Id.* at 2a.

Respondent sued petitioners under the Lanham Act, alleging, as relevant here, infringement of registered trademarks in violation of Section 32(1)(a), 15 U.S.C. 1114(1)(a), and infringement of unregistered trademarks and trade dress in violation of Section 43(a)(1)(A), 15 U.S.C. 1125(a)(1)(A). See Pet. App. 114a. A jury returned a verdict for respondent, finding that petitioners had willfully infringed respondent's trademarks. *Id.* at 8a. The jury awarded respondent more than $90 million for petitioners' Lanham Act violations. *Id.* at 8a, 114a.

The district court entered final judgment consistent with the jury's verdict. See Pet. App. 134a-137a. The monetary award included: (i) approximately $240,000 for products that petitioners had sold from abroad "directly into the United States," *id.* at 40a n.8; (ii) approximately $2 million, or about 3% of the total award, for products that petitioners had sold abroad to foreign buyers who designated the United States as "the ultimate location where the product was intended to be used," and that ultimately entered the United States, *id.* at 71a n.2 (brackets and citation omitted); see *id.* at 40a-41a; and (iii) approximately $87 million, or almost 97% of the total award, for products that petitioners had sold abroad to foreign buyers that were not designated for use in the United States, but at least some of which had replaced sales that respondent otherwise would have made in foreign markets, see *id.* at 32a, 40a, 43a.

The district court also entered a worldwide permanent injunction that barred petitioners from using respondent's marks "both within and outside of the United States." Pet. App. 121a; see *id.* at 8a, 122a-132a.

3. The court of appeals affirmed in relevant part. Pet. App. 1a-67a.

a. The court of appeals first observed that, under this Court's decision in *Steele*, *supra*, the Lanham Act "could apply abroad at least in some circumstances." Pet. App. 21a. It further explained that, "[s]ince *Steele*, the courts of appeals have devised various tests" to determine "the limits of the Lanham Act's extraterritorial reach." *Id.* at 23a. Those tests have focused on three factors: whether the defendant is a U.S. citizen; the extent to which the defendant's conduct has affected U.S. commerce; and whether imposing liability under the Lanham Act would conflict with foreign law. See *id.* at 24a-28a.

The court of appeals largely adopted an approach articulated by the First Circuit. Pet. App. 27a-30a. Under that approach, where a defendant is a U.S. citizen, "the Lanham Act reaches that defendant's extraterritorial conduct even when the effect on U.S. commerce isn't substantial." *Id.* at 28a. But where (as in this case) a defendant is "a foreign national," "the plaintiff must show that the defendant's conduct has a substantial effect on U.S. commerce." *Id.* at 39a-40a (citation omitted). If the plaintiff establishes a substantial effect, the court will consider whether applying the Lanham Act to the particular conduct at issue "would create a conflict with trademark rights established under the relevant foreign law." *Id.* at 30a.

b. Applying that test, the court of appeals held that the Lanham Act "reach[es] all of [petitioners'] foreign infringing conduct." Pet. App. 47a; see *id.* at 39a-47a.

The court of appeals first determined that holding petitioners liable for direct sales into the United States "isn't an extraterritorial application of the Act." Pet. App. 41a. The court next concluded that petitioners were liable for "foreign sales [that] ended up in the United States," *ibid.*, because exposing "American consumers" to infringing products was likely to (and did) cause "confusion and reputational harm" in this country. *Id.* at 41a-42a (citation omitted).

The court of appeals further held that respondent was entitled to recover damages for the remaining 97% of petitioners' sales, which were made abroad to foreign buyers and involved goods that respondent did not establish were designated for use in the United States or imported into the United States. See Pet. App. 43a. As to those sales, the court relied on a combination of two theories. See *id.* at 47a. First, the court explained that petitioners' sales of goods that entered the United States and caused confusion here gave "the United States a reasonably strong interest in the litigation" and permitted holding petitioners liable for all of their other sales, too. *Id.* at 43a. It construed this Court's precedents to establish that, "once a court determines that a statute applies extraterritorially to a defendant's conduct, * * * that statute captures all the defendant's illicit conduct." *Id*. at 44a.

Second, the court of appeals endorsed a "diversion-of-sales theory," Pet. App. 44a, premised on record evidence that petitioners' conduct had deprived respondent of "tens of millions of dollars in" foreign sales that respondent otherwise would have made, *id*. at 45a. The court stated that, because respondent is a U.S. company, "[t]hose lost revenues would have flowed into the U.S. economy but for [petitioners'] conduct infringing a U.S. trademark," and that "this monetary injury to [respondent] also caused substantial effects on U.S. commerce." *Ibid.* The court rejected the Fourth Circuit's view that a diversion-of-sales theory cannot support Lanham Act liability for foreign conduct in a suit against a foreign defendant. *Id.* at 45a-46a (citing *Tire Eng'g & Distribution, LLC* v. *Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012) (per curiam), cert. denied, 568 U.S. 1087 (2013)).

c. The court of appeals narrowed the district court's "worldwide" injunction "to the countries in which [respondent] currently markets or sells its products" and remanded to the district court to identify those countries. Pet. App. 50a; see *id.* at 48a-50a.

DISCUSSION

The Lanham Act provisions at issue here confer a remedy against any person who "use[s] in commerce" someone else's trademark where such use "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a), 1125(a)(1). In *Steele* v. *Bulova Watch Co.*, 344 U.S. 280 (1952), this Court held that the Act applied to a course of conduct in which foreign sales of U.S.-trademarked goods caused consumer confusion in the United States. But consistent with the presumption that "Congress is primarily concerned with domestic conditions," *Foley Bros.* v. *Filardo*, 336 U.S. 281, 285 (1949), a foreign use must create a likelihood of confusion in the United States to violate the Lanham Act.

The court of appeals concluded that petitioners could be held liable in damages for *all* of their foreign uses of respondent's trademark, without regard to whether particular uses created a likelihood of confusion in this country. The court based that conclusion on its determinations that (a) petitioners' overall course of conduct substantially affected U.S. commerce and (b) all of petitioners' foreign sales diverted funds that would otherwise have flowed to respondent, a U.S. company. Those rationales are not appropriate bases for extending Lanham Act liability to foreign uses that did *not* cause a likelihood of confusion in the United States.

The question presented here is an important and recurring one, and the various tests adopted by the courts of appeals have failed to focus on whether a foreign use is likely to cause U.S. consumer confusion. Moreover, in relying on a diversion-of-sales theory as one rationale for its judgment, the court below expressly disagreed with an on-point decision of the Fourth Circuit. This case is a suitable vehicle for resolving that conflict and providing greater clarity. The petition for a writ of certiorari accordingly should be granted on the question presented as formulated in this brief. See p. I, *supra*; p. 22, *infra*.

A. Sections 32(1)(a) And 43(a)(1)(A) Of The Lanham Act Provide A Remedy For A Foreign Defendant's Use Of A Plaintiff's U.S. Trademark Abroad Only If That Use Is Likely To Cause Confusion In The United States

1. "It is a longstanding principle of American law that legislation of Congress, unless a contrary intent

appears, is meant to apply only within the territorial jurisdiction of the United States." *Morrison* v. *National Australia Bank Ltd.*, 561 U.S. 247, 255 (2010) (citations and internal quotation marks omitted). Accordingly, "unless there is the affirmative intention of the Congress clearly expressed to give a statute extraterritorial effect," courts "must presume it is primarily concerned with domestic conditions." *Ibid.* (quoting *EEOC* v. *Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) (*Aramco*)). That presumption reflects the "commonsense notion that Congress generally legislates with domestic concerns in mind." *RJR Nabisco, Inc.* v. *European Cmty.*, 579 U.S. 325, 336 (2016) (quoting *Smith* v. *United States*, 507 U.S. 197, 204 n.5 (1993)). It also "protect[s] against unintended clashes between our laws and those of other nations which could result in international discord." *Aramco*, 499 U.S. at 248; see *RJR Nabisco*, 579 U.S. at 347 (observing that the presumption avoids "creat[ing] a potential for international friction").

In recent decisions, this Court has articulated a two-step framework for determining when an Act of Congress applies to foreign conduct. See *RJR Nabisco*, 579 U.S. at 337. First, the Court asks "whether the presumption against extraterritoriality has been rebutted" by "a clear, affirmative indication that [the statute] applies extraterritorially." *Ibid.* "[W]hen a statute provides for some extraterritorial application, the presumption against extraterritoriality operates to limit that provision to its terms." *Morrison*, 561 U.S. at 265.

If the presumption against extraterritorial application is unrebutted, the Court "look[s] to the statute's 'focus'" to determine "whether the case involves a domestic application of the statute." *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 LLC* v. *ION Geophysical Corp.*, 138 S. Ct. 2129, 2137 (2018) (brackets, citations, and internal quotation marks omitted). At step two of the two-step framework, a court asks whether the statute's focus occurred within the United States. See *ibid.*

2. Under the foregoing approach, Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act 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.

a. At step one of the two-step framework, the Court asks "whether the presumption against extraterritoriality has been rebutted." *RJR Nabisco*, 579 U.S. at 337. Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act prohibit a "use[] in commerce" of a protected mark where "such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a), 1125(a)(1)(A). Another Lanham Act provision broadly defines "commerce" to mean "all commerce which may lawfully be regulated by Congress." 15 U.S.C. 1127.

At step one of this Court's modern framework, the relevant Lanham Act provisions do not rebut the presumption against extraterritoriality because they contain no "clear, affirmative indication that [the statute] applies extraterritorially." *RJR Nabisco*, 579 U.S. at 337. The only language in Sections 32(1)(a) and 43(a)(1)(A) that references conduct outside the United States is each provision's prohibition on certain "use[s] in commerce," 15 U.S.C. 1114(1)(a), 1125(a)(1)(A). The Lanham Act's broad definition of "commerce" unambiguously encompasses some foreign transactions with a particular effect in the United States. See 15 U.S.C. 1127; U.S. Const. Art. I, § 8, Cl. 3. But the Court has repeatedly rejected the argument that a "general reference to foreign commerce in the definition of 'interstate commerce'" "defeat[s] the presumption against extraterritoriality," *Morrison*, 561 U.S. at 263, and that reasoning appears to suggest that the broad definition of "commerce" in the Lanham Act is likewise inadequate to establish exterritorial reach at step one.

In distinguishing the Lanham Act from another federal statute, this Court in *Aramco* described *Steele* as construing the Lanham Act to "apply abroad." 499 U.S. at 252; see *Morrison*, 561 U.S. at 271 n.11 (stating that the Court in *Aramco* "read [*Steele*] as interpreting * * * the Lanham Act * * * to have extraterritorial effect"). But *Aramco* predated this Court's articulation of the current two-step framework, and the *Aramco* Court appears simply to have recognized that *Steele* found the Lanham Act applicable to the defendant's foreign sales of U.S.-trademarked goods. In a colloquial sense, holding someone liable for conduct he performed abroad could naturally be described as an "extraterritorial" application of a statute. But the Court's more recent decisions make clear that, in determining whether a particular application of a statute qualifies as "extraterritorial" or "domestic," the location of the defendant's own conduct is not necessarily dispositive. See *Morrison*, 561 U.S. at 266-267. Instead, "[i]f 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." *RJR Nabisco*, 579 U.S. at 337 (emphasis added). Conversely, a statute is being applied extraterritorially only when the conduct relevant to the statute's "focus" occurred outside the United States. Neither the Lanham Act's text nor this Court's precedents suggest that the Act applies "extraterritorially" in that sense.

b. In decisions applying the presumption against extraterritoriality, this Court has identified as the "focus" of the relevant statute—the object of its solicitude, which must occur in the United States—some conduct or event that the statute expressly referenced. Under the Lanham Act, the key statutory referents are the conduct prohibited (the "use in commerce" of another entity's trademark) and the effect of that conduct (a "likel[ihood]" of "confusion," "mistake," or "decei[t]"). 15 U.S.C. 1114(1)(a); see 15 U.S.C 1125(a)(1)(A). The text, context, and purposes of the relevant Lanham Act provisions indicate that the focus of those provisions is consumer confusion or mistake. Where such effects are likely to occur in the United States, application of Sections 32(1)(a) and 43(a)(1)(A) is a permissible domestic application of the Act, even if the defendant's own conduct occurred elsewhere.

The Lanham Act provisions at issue here permit recovery against any person who "use[s] in commerce" the owner's mark where such use "is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. 1114(1)(a), 1125(a)(1). Those provisions do not categorically prohibit all uses of another's mark, but instead bar only those uses that are likely to cause the specified ill effects. Even when a trademark registrant has acquired an "incontestable" and "'exclusive right to use the mark in commerce,' the plaintiff's success" in an infringement suit "requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question." *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (citations and ellipsis omitted). Indeed, the court of appeals in this case recognized that "market confusion" is "the hallmark of a trademark claim." Pet. App. 49a.

As explained above (see pp. 2-3, *supra*), Congress viewed use of infringing trademarks as objectionable because of its adverse effects both on consumers (whose ability to make informed purchasing decisions is hindered) and on trademark owners (whose ability to capitalize on the goodwill associated with their marks is impaired). Given the background understanding that "Congress is primarily concerned with domestic conditions," *Foley Bros.*, 336 U.S. at 285, and in the absence of clear textual evidence to the contrary, it is appropriate to infer that Congress sought to prevent those ill effects from occurring *in the United States*. For both consumers and trademark owners, the most likely location of those harms is the location where consumers are confused or deceived. To the extent that petitioners' sales created a likelihood of consumer confusion in the United States, Congress's purposes therefore are squarely implicated, even though petitioners' own conduct occurred abroad.

The Court in *Morrison* applied a similar analysis in determining the territorial reach of Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act), 15 U.S.C. 78j(b). See 561 U.S. at 262. The Court explained that "Section 10(b) does not punish deceptive conduct, but only deceptive conduct 'in connection with the purchase or sale of'" securities. *Id.* at 266 (quoting 15 U.S.C. 78j(b)). The Court concluded that "the focus of the Exchange Act is not upon the place where the deception originated, but upon purchases and sales of securities in the United States." *Ibid.* "Those purchase-and-sale transactions," the Court concluded, "are the objects of the statute's solicitude." *Id.* at 267.

Morrison makes clear that, for some federal statutes, the "focus" will be markets or transactions that Congress sought to *protect*. Here, Congress sought to ensure that consumers in the United States can rely on trademarks as accurate source-identifiers, and that U.S. trademark owners doing business in this country can reap the benefits of their accumulated goodwill. Those purposes are best achieved by treating consumer confusion and mistake as the "focus" of the relevant Lanham Act provisions.

c. That approach accords with this Court's disposition of *Steele*. In *Steele*, the Court found the Lanham Act applicable, despite the foreign locus of the defendant's sales, where the trademark owner'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." 344 U.S. at 285. The Court observed that, when the "spurious 'Bulovas' filtered through the Mexican border into this country," Steele's counterfeit goods "could well reflect adversely on Bulova Watch Company's trade reputation" in the United States. *Id.* at 286.

Steele clarifies the types of harm, both to consumers and to the trademark owner, that the Lanham Act's trademark-infringement provisions are intended to prevent. Perhaps the most obvious ill effect of trademark infringement occurs at the point of sale, when a consumer buys goods based on a misimpression as to their source. The consumer is thus induced to purchase goods it otherwise might not have chosen, and the lawful trademark owner is potentially deprived of a sale it otherwise might have made. See pp. 2-3, *supra*. In *Steele*, that happened in Mexico, where consumers bought the counterfeit watches. But a different harm occurred within the United States when the purchasers returned to this country and found that their watches needed repairs. See 344 U.S. at 285. To the extent that consumers then formed mistaken negative impressions of the U.S. mark owner in the United States, see *id.* at 286, that is a type of domestic injury (both to the consumers and to the trademark owner) that the Lanham Act is intended to prevent. Cf. *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995) (noting that a trademark "assures a potential customer" that the "item with this mark" is "made by the same producer as other similarly marked items that he or she liked (or disliked) in the past").

To be sure, the *Steele* Court also relied in part on two additional connections to the United States—the U.S. citizenship of the defendant, and the defendant's importation of watch parts from the United States in preparing to affix the infringing mark. See 344 U.S. at 285-286. But the Court did not suggest that those facts—which have no obvious basis in the statutory text—need be present in every case for the Lanham Act to apply to foreign conduct, and no lower court has understood *Steele* to embrace such a rule. Instead, the Court's emphasis on the U.S. consumer confusion that Steele's conduct produced, and its ultimate holding that Bulova's Lanham Act suit could go forward, see *id.* at 285, 289, are consistent with the conclusion that the Act applies to foreign conduct that produces consumer confusion in the United States.

3. The court of appeals' decision is not consistent with these principles. The court did not assess whether each use of respondent's trademarks was likely to cause consumer confusion in the United States, or whether a reasonable jury could have so found. Rather, the court identified two rationales for holding that respondent could recover even for sales that were *not* likely to result in consumer confusion within the United States. Those rationales lack merit.

First, the court of appeals observed that "millions of euros worth of infringing products found their way into the United States and * * * caused confusion among U.S. consumers." Pet. App. 43a. While acknowledging that those sales "represented only 3% of [petitioners'] total sales," the court explained that it would "ask only whether the effects of [petitioners'] foreign conduct produce substantial impacts on U.S. commerce." *Ibid.* The court further stated that, "[o]therwise, billion-dollar-revenue companies could escape Lanham Act liability by claiming that millions of dollars of their infringing products entering the United States represented only a fraction of their sales." *Ibid.*

That reasoning was mistaken. Contrary to the court of appeals' suggestion, computation of a Lanham Act damages award in a case like this one does not require an all-or-nothing choice between holding the defendant liable for every foreign sale or allowing it to escape liability altogether. Rather, Sections 32(1)(a) and 43(a)(1)(A) make actionable a particular "use[] in commerce" only where the Act prohibits "such use." 15 U.S.C. 1114(1)(a); see 15 U.S.C. 1125(a)(1)(A) (prohibiting a "use[] in commerce" "which * * * is likely to cause confusion"). Because the Lanham Act prohibits only those uses that have a likelihood of confusing or deceiving U.S. consumers, a plaintiff can recover damages and infringers' profits only with respect to such uses. To award greater relief would be to provide a remedy for uses of a plaintiff's trademark that do not violate the Act. Cf. *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 456 (2007) (rejecting a plaintiff's effort to "convert[] a single act" in the United States "into a springboard for liability" for acts abroad) (citation omitted).

Second, the court of appeals endorsed respondent's "diversion-of-sales theory—the idea that [petitioners] stole sales from [respondent] abroad, which in turn affected [respondent's] cash flows in the United States." Pet. App. 44a. The court viewed that diversion of sales as the sort of "substantial effect on U.S. commerce" that could justify applying the Lanham Act to all of the foreign sales at issue here. *Ibid.*; see *id.* at 44a-47a. But absent a likelihood of consumer confusion within the United States, the fact that the plaintiff trademark owner is a U.S. company does not trigger the prohibitions against use of infringing marks that Sections 32(1)(a) and 43(a)(1)(A) impose. See 15 U.S.C. 1114(1)(a); 15 U.S.C. 1125(a)(1)(A).

Under the proper analysis, the court of appeals should have considered whether particular uses of respondent's marks created a likelihood of consumer confusion in the United States (whether at the point of sale or subsequently), giving appropriate deference to any jury finding on that issue. The court should have permitted monetary damages only for those uses. If this Court grants review and ultimately vacates the decision below, the lower courts can conduct that analysis on remand, considering any additional arguments by the parties as appropriate in assessing which of petitioners' uses of respondent's marks created a likelihood of confusion in the United States.*

B. The Question Presented Warrants This Court's Review

1. The court of appeals upheld a $90 million monetary award without analyzing whether 97% of petitioners' sales were likely to cause U.S. consumer confusion. That decision risks globalizing U.S. trademark law, allowing U.S. trademark protection to serve as a springboard for regulating foreign conduct that has no likelihood of affecting consumer perceptions in the United States.

Although the Paris Convention does not directly speak to the court of appeals' approach, it presupposes an international system in which trademark users will seek out the trademark protections of the countries in which they operate. The Convention provides, for example, that "[t]he conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation," and that "[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." Paris Convention for the Protection of Industrial Property, *done* July 14, 1967, arts. 6(1), 6(3), 21 U.S.T. 1639, 828 U.N.T.S. 325. Moreover, the international intellectual-property system in which the United States participates contemplates

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* Based on its expansive view of the Lanham Act's reach, the court of appeals also approved injunctive relief that prohibited petitioners from using respondent's marks in any countries in which respondent currently markets or sells its products. See Pet. App. 50a. If the Court grants certiorari and clarifies the scope of the Lanham Act, the lower courts can consider on remand the appropriate injunctive relief for preventing future violations of the Act, as properly construed.

mechanisms for an actor to secure protection of its mark in multiple jurisdictions. See Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, *adopted* June 27, 1989, S. Treaty Doc. No. 41, 106th Cong., 2d Sess. (2000), T.I.A.S. 03-112. By treating the Lanham Act as applicable to foreign sales that created no likelihood of consumer confusion within the United States, the court of appeals' decision could undermine this system of international trademark protection.

2. The decision below also conflicts with the Fourth Circuit's decision in *Tire Engineering & Distribution, LLC* v. *Shandong Linglong Rubber Co.*, 682 F.3d 292 (2012) (per curiam) (*Tire Engineering*), cert. denied, 568 U.S. 1087 (2013). In *Tire Engineering*, the Fourth Circuit rejected a Lanham Act claim that relied on a diversion-of-sales theory, concluding that "harm to a U.S. company's income from foreign infringement" did not support the application of the Lanham Act where the defendant that used the mark was a foreign company. *Id.* at 311. In the present case (which also involves foreign defendants), by contrast, the Tenth Circuit held that respondent (a U.S. company) could recover damages for all of the foreign sales at issue, relying in part on respondent's loss of income that it otherwise would have earned abroad from foreign uses of its marks. See Pet. App. 44a-46a. The court cited the diversion of foreign sales from respondent as part of the "whole" body of evidence that created what it deemed a sufficient effect on U.S. commerce. *Id.* at 47a. And while the Fourth Circuit appeared to endorse the diversion-of-sales theory for suits against U.S.-company defendants, see *Tire Engineering*, 682 F.3d at 311, the Fourth and Tenth Circuits are squarely in

conflict regarding the theory's applicability to foreign defendants, the situation presented here.

More fundamentally, the decision below is symptomatic of widespread confusion in the lower courts. This Court last considered the extent to which foreign sales could result in Lanham Act liability in its 1952 decision in *Steele*. In the seven decades since, the courts of appeals have sought to elaborate on the analysis in *Steele*, producing an array of related but relatively indeterminate tests that largely seek to assess the degree of impact on U.S. commerce caused by a foreign infringer's activities. See Pet. App. 25a-28a. Those tests—which are unmoored from a "textual" analysis, "complex in formulation[,] and unpredictable in application," *Morrison*, 561 U.S. at 256, 258, reflect the need for this Court's review to provide greater clarity.

C. This Case Is A Suitable Vehicle For Clarifying The Lanham Act's Geographic Scope

The court of appeals erred in concluding that respondent could recover damages for more than $90 million in foreign sales *even if* the vast majority of those sales created no likelihood of consumer confusion within the United States. The court relied on two considerations that are legally insufficient to support that award—that approximately 3% of the relevant goods *did* reach the United States and caused consumer confusion here, and that petitioners' foreign sales of additional goods diverted revenues from a U.S. company. The propriety of the damages award here turns on the resolution of pure legal issues that are squarely presented and were specifically analyzed by the parties and the lower courts. The Court's review would have practical significance in this case, where it would determine the propriety of a monetary award of tens of millions of dollars. And because petitioners do not contend that they have foreign trademark rights to the marks at issue, this case does not present the complications that could arise if the foreign exercise of such rights led to consumer confusion in the United States. See *Steele*, 344 U.S. at 288-289.

To focus the presentations of the parties and amici, this Court should reformulate the question presented. Petitioners appear to take issue with various farflung aspects of the proceedings. Petitioners contend, for example, that the court of appeals erred in giving preclusive effect to the judgment of a foreign tribunal with respect to the ownership of respondent's U.S. marks. Pet. 7-8, 31-32. But the court of appeals' narrow resolution of that case-specific issue, see Pet. App. 53a-61a, does not warrant this Court's review. The same is true of the court of appeals' factbound conclusion that the district court did not abuse its discretion in excluding certain expert testimony. See *id.* at 63a-66a; Pet. 8-9.

In light of those considerations, the Court should reformulate the question presented as follows: Whether, under Sections 32(1)(a) and 43(a)(1)(A) of the Lanham Act, the owner of a U.S.-registered trademark may recover damages for uses of that trademark that occurred outside the United States and that were not likely to cause consumer confusion in the United States.

CONCLUSION

With respect to the question presented as formulated in this brief, see pp. I, 22, *supra*, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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