



JUST HOW LONG IS THE LONG ARM OF THE LAW?

The Supreme Court Takes on the Extraterritorial Application of the Lanham Act

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The Supreme Court's October Term 2022 certainly ended with a bang, not a whimper. Among the many high-profile cases decided at the end of the term, one case that did not generate as much media attention was *Abitron Austria GmbH v. Hetronic Int'l, Inc.*¹ Notwithstanding the lack of media attention, the Supreme Court's holding in *Abitron* is critical in that the holding will, undoubtedly, shape how U.S. businesses combat trademark infringement on the global stage, a multibillion-dollar problem which seems to grow larger each year.

As background, Hetronic is a U.S. manufacturer of remote controls for construction equipment featuring a distinctive black and yellow color scheme sold in more than 45 countries throughout the world. Abitron was originally a foreign licensed distributor for Hetronic products, which later reverse engineered Hetronic's products, believing that it held certain intellectual property rights connected to the Hetronic products, including trademarks. While Abitron did make some direct sales into the United

States, the majority of Abitron's products were sold in Europe.

Hetronic commenced a trademark infringement lawsuit under the Lanham Act in the U.S. District Court for the Western District of Oklahoma. Despite Abitron's contention that Hetronic sought "an impermissible extraterritorial application of the Lanham Act," the case went to trial, and the jury awarded Hetronic \$96 million in damages that included:

...damages from Abitron's direct sales to consumers in the United States, its foreign sales of products for which the foreign buyers designated the United States as the ultimate destination, and its foreign sales of products that did not end up in the United States [and] a permanent injunction preventing Abitron from using the marks anywhere in the world.²

The Tenth Circuit narrowed the scope of the injunction to specific countries but

otherwise affirmed the trial court, including, the extraterritorial application of the Lanham Act, reasoning that the impact of Abitron's conduct in the United States gave the United States a "reasonably strong interest" in the lawsuit.³ The Supreme Court granted certiorari to resolve a split among the circuit courts concerning the Lanham Act's extraterritorial application.

The Supreme Court began its analysis by underscoring the well-established presumption against extraterritoriality and outlining the "two-step framework" used in the application of that presumption.⁴ With respect to step one, the Court held that where "Congress has affirmatively and unmistakably instructed that the provision at issue should apply to foreign conduct... then claims alleging exclusively foreign conduct may proceed," subject to any limitations imposed by Congress.⁵ With respect to step two, assuming that a "provision is not extraterritorial," the Court held that a determination must be made as to whether the lawsuit involves a domestic or foreign

application of the provision, the former being “permissible” and the latter being “impermissible.”⁶

Applying this framework, the Court found that the provisions of the Lanham Act at issue were not extraterritorial and, thus, focused its analysis on step two of the framework, that is, whether the claims at issue involved a permissible domestic application of the salient Lanham Act provisions. In that connection, the Court determined that “the ultimate question regarding permissible domestic application turns on the location of the conduct relevant to the focus [of the statute]....[a]nd the *conduct* relevant to any focus the parties have proffered is infringing use in commerce, as the Act defines it.”⁸ The Court went on to state that under the Lanham Act, “the term use in commerce means the bona fide use of a mark in the ordinary course of trade, where the mark serves to identify and distinguish [the mark user’s] goods...and to indicate the source of the goods.”⁹

While the Court did not see fit to identify “the precise contours” of the phrase “use in commerce,” Justice Jackson offered a concurring opinion which provided insight as to how that phrase may be understood. To that end, Justice Jackson reasoned that “[s]imply put, a ‘use in commerce’ does not cease at the place the mark is first affixed, or where the item to which it is affixed is first sold. Rather, it can occur whenever the mark serves its source-identifying function.”¹¹ To make the point, Justice Jackson offered the following hypothetical:

Imagine that a German company begins making and selling handbags in Germany marked “Coache” (the owner’s family name). Next, imagine that American students buy the bags while on spring break overseas, and upon their return home employ those bags to carry personal items. Imagine finally that a representative of Coach (the United States company) sees the students with the bags and persuades Coach to sue the German

company for Lanham Act infringement, fearing that the “Coache” mark will cause consumer confusion. Absent additional facts, such a claim seeks an impermissibly extraterritorial application of the Act. The mark affixed to the students’ bags is not being “use[d] in commerce” domestically as the Act understands that phrase: to serve a source-identifying function “in the ordinary course of trade....”

Now change the facts in just one respect: The American students....resell [the bags] in this country, confusing consumers and damaging Coach’s brand. Now, the marked bags are in domestic commerce; the marks that the German company affixed to them overseas continue “to identify and distinguish” the goods from others in the (now domestic) marketplace and to “indicate the source of the goods.” So the German company continues to “use [the mark] in commerce” within the meaning of the Act, thus triggering potential liability under [the Lanham Act]....¹²

Through that lens, one thing becomes evident -- the potential extraterritorial application of the Lanham Act will, without question, turn on the unique facts of each case. That said, there are certain takeaways that may be gleaned from the Supreme Court’s *Abitron* decision.

First, trademark infringement involving only foreign conduct that does not affect U.S. commerce is likely not actionable under the Lanham Act. Thus, brand owners will undoubtedly benefit from protecting their trademarks in all countries where they may plan to do business to solidify their bases when enforcing their trademarks in those countries should the need arise. Indeed, there are cost-effective mechanisms in place by which U.S. businesses may register their trademarks in foreign jurisdictions.

Second, recognizing that, in certain circumstances, the Lanham Act may not provide a viable basis for U.S. businesses to pursue infringement claims against their foreign business partners in the United States, U.S. companies should review, and strengthen, their contractual agreements with their foreign business partners in order to provide an alternate pathway, through principles of contract law, to potentially enforce their rights in the United States.

Third, practically speaking, the Supreme Court’s decision leaves much of the heavy lifting to the trial courts to begin to outline the “contours” of the “use in commerce” requirement in assessing the extraterritorial application of the Lanham Act. Notably, while not for the purposes of assessing whether the “use in commerce” requirement was satisfied, one trial court recently addressed the Supreme Court’s decision within the context of assessing whether certain evidence of foreign trademark infringement was admissible at trial. In that case, the court concluded that the Supreme Court’s decision in *Abitron* did not bar the plaintiff “from relying on its intended use of the foreign conduct in the present litigation as circumstantial evidence that” counterfeit sales were made in the United States.¹³ Thus, while a party may not obtain damages for trademark infringement involving only foreign conduct, evidence of that foreign conduct may be useful to bolster claims of domestic infringement.



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¹ 143 S. Ct. 2522 (2023).

² *Id.* *Intel. Grp., Inc. v. Constellation Energy Generation, LLC*, 2022 U.S. Dist. LEXIS 52020 (N.D. Ill. 2022).

³ *Id.*

⁴ *Id.* at 2528.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 2530-32.

⁸ *Id.* at 2531 (citations omitted) (emphasis in original). Notably, the Court disagreed with Justice Sotomayor’s concurrence which advocated for the position that the Lanham Act provisions at issue “extend[ed] to activities carried out abroad when there is a likelihood of consumer confusion in the United States.” *Id.* at 2537.

⁹ *Id.* at 2534 (internal quotations omitted).

¹⁰ *Id.* at 2534 n. 6.

¹¹ *Id.* at 2535.

¹² *Id.* at 2536 (internal citations omitted) (emphasis in original).

¹³ *Rockwell Automation, Inc. v. Parcop S.R.L.*, 2023 U.S. Dist. Lexis 123315, *8-9 (D. Del. 2023).