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scotus holds that federal trademark law does not reach infringing conduct that occurs abroad

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On June 29, 2023, the U.S. Supreme Court issued its decision in *Abitron Austria GmbH, et al. v. Hetronic International, Inc.*, No. 21-1043, holding that federal trademark law extends only to claims where the alleged infringing "use in commerce" occurs in the U.S. The ruling overturns a $96 million in damages awarded for infringing conduct that occurred abroad.

Background and procedural history: Plaintiff-Respondent Hetronic International, Inc. ("Hetronic") is an Oklahoma-based manufacturer of radio remote controls for construction equipment. Defendants-Petitioners Abitron Austria GmbH, et al. (collectively, "Abitron") are foreign entities that sold infringing Hetronic-branded products—primarily to foreign customers, although some sales were made directly to U.S. customers.

Hetronic sued Abitron in the U.S. District Court for the Western District of Oklahoma for trademark infringement under Lanham Act, 15 U.S.C. § 1114(1)(a) and § 1125(a)(1), and prevailed at trial. The jury awarded Hetronic $96 million in damages arising from Abitron's infringement worldwide. On appeal, Abitron argued that the Lanham Act has no extraterritorial application and was impermissibly applied to its foreign-only conduct. The Tenth Circuit rejected this argument and affirmed the lower court's decision, in relevant part, concluding that all of Abitron's foreign infringing conduct fell under the purview of the Lanham Act because it had a "substantial effect" on U.S. commerce. The decision contributed to the mounting circuit split on the issue. On November 4, 2022, the Supreme Court granted certiorari.

The Supreme Court's decision: In an opinion authored by Justice Samuel Alito, the Supreme Court held that the Tenth Circuit erred in applying the Lanham Act extraterritorially to Abitron's foreign sales, including purely foreign sales that never reached the U.S. or confused U.S. consumers. The Court vacated and

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remanded the Tenth Circuit's decision, holding that the relevant provisions of the Lanham Act, 15 U.S.C. § 1114(1)(a) and § 1125(a)(1), are not extraterritorial and offer no protection to trademark owners when the infringing conduct at issue takes place outside the U.S. In reaching this decision, the Supreme Court applied the longstanding "presumption against extraterritoriality," confirming that a federal statute such as the Lanham Act may only reach beyond U.S. borders if (1) Congress has explicitly stated that the provision applies to foreign conduct; or (2) the lawsuit seeks a permissible domestic application of the provision.

With respect to step one of this framework, the Supreme Court concluded that the relevant provisions provide no "clear, affirmative indication" that they apply extraterritorially. As Justice Alito explained, "neither provision at issue provides an express statement of extraterritorial application or any other indication that it is one of the 'rare' provisions that nonetheless applies abroad."

The analysis under the second step was more complicated. Generally, the second step considers "whether the suit seeks a (permissible) domestic or (impermissible) foreign application of the provision," which turns on the location of "the conduct relevant to the statute's focus." The Supreme Court held that the location of the allegedly infringing "use in commerce" provides "the dividing line between foreign and domestic applications of [the relevant] Lanham Act provisions," regardless of where the effect of that infringement may be felt. This means that if the infringement has an impact in the U.S. but no "use in commerce" occurred there, the Lanham Act does not apply.

Notably, although the framework adopted by the Supreme Court centers on "use in commerce," the majority found "no occasion to address the precise contours of that phrase here." Justice Ketanji Brown Jackson issued a separate concurring opinion proposing further elaboration of the phrase to make "the permissible-domestic-application inquiry" more straightforward. According to Justice Ketanji, "'use in commerce' does not cease at the place the mark is first affixed, or where the item to which it is affixed is sold," but rather, "can occur wherever the mark serves its source-identifying function."

Although the Court's judgment was unanimous, Justice Sonia Sotomayor issued a concurring opinion, joined by three other Justices, expressing disagreement with the majority's application of this second step. In her view, the Lanham Act's application should not be so limited and should extend "to activities carried out abroad when there is a likelihood of consumer confusion in the United States."

Takeaway: The Supreme Court's decision has significant implications on U.S. brand owners and their ability to protect their rights in today's interconnected and globalized world. While the decision leaves lower courts with much to grapple with, including what constitutes a domestic "use in commerce," it is clear that brand owners can no longer look to U.S. courts for relief against foreign infringing conduct, even if that infringement is likely to cause confusion among U.S. consumers. Instead, brand owners must take action in foreign jurisdictions in order to stop the infringing conduct. This underscores the importance of having a strong international trademark portfolio. Brand owners—especially those in industries most impacted by online infringement and counterfeiting—should continue to register their trademarks in foreign jurisdictions.