

US Supreme Court Ruling Limits Extraterritorial Reach of Lanham Act

July 3, 2023

On June 29, 2023, the US Supreme Court issued a unanimous decision in [Abitron Austria GmbH v. Hetronic International, Inc.](#), limiting the extraterritorial reach of provisions of the Lanham Act prohibiting trademark infringement to domestic use. In reaching its decision, the court applied a two-step analysis. First, the court examined whether 15 US Code § 1114(1)(a) and § 1125(a)(1) – provisions of the Lanham Act that prohibit trademark infringement – are extraterritorial and concluded they are not. Second, the court determined that the focus of these provisions is not the effect of the alleged trademark infringement (creating a likelihood of consumer confusion), but rather the infringing conduct itself (the use of the mark in commerce). Thus, the decision suggests that the critical question moving forward will be where the infringing use took place, not where consumer confusion may have resulted.

Background

Hetronic, a US manufacturer of remote controls, uses the colors black and yellow to identify its wireless remote controls. Abitron, a collection of foreign companies, initially operated as a licensed distributor of Hetronic's goods. It later created and sold its own products, using Hetronic's black and yellow branding as its own. While Abitron's sales were mainly within Europe, it also sold some products directly into the US.

Hetronic sued Abitron for violations of the Lanham Act. The lower court awarded Hetronic approximately \$96 million in trademark infringement damages. This amount reflected infringement not only for Abitron's direct sales into the US, but for foreign sales with ultimate delivery destinations in the US and foreign sales that did not enter the US. On appeal, the US Court of Appeals for the 10th Circuit affirmed the award, finding that the Lanham Act extended to all of Abitron's foreign infringing conduct because of the conduct's impact on the US.

On appeal, the question facing the Supreme Court was the extent to which 15 USC § 1114(1)(a) and § 1125(a)(1) apply to foreign conduct.

Applying the presumption against extraterritoriality

Applying the presumption against extraterritoriality application involves a two-step process:

- Determining whether a specific provision is extraterritorial.
- If not, determining whether the suit seeks a domestic or foreign application of the provision.

Step 1 turns on whether Congress has "affirmatively and unmistakably" instructed that the provision applies to foreign conduct or whether there is a clear indication that the provision is meant to apply abroad. The court reasoned that the Lanham Act does not explicitly regulate foreign conduct, and there is no other indication from Congress that it should apply extraterritorially. Although the Lanham Act references "commerce" (which, as Hetronic argued, includes foreign commerce), that was not enough to overcome the presumption that the provisions only apply to domestic conduct.

Finding that these infringement provisions of the Lanham Act were not extraterritorial, the court then turned to Step 2: whether Hetrico sought a domestic (permissible) or foreign (impermissible) application of the provisions. This required the court to determine the “focus” of the provisions and assess whether the conduct relevant to that focus occurred within the US.

Justice Sonia Sotomayor in her concurrence noted that the focus of the two Lanham Act provisions is consumer confusion. In her view, if the infringing conduct created a likelihood of consumer confusion in the US, regardless of where the actual infringing conduct took place, application of the provisions is permissible.

According to the majority, however, because both provisions prohibit the unauthorized use of a protected trademark in commerce, the relevant conduct is “use in commerce.” Certainly, the conduct must create confusion to be actionable, but it is simply a “necessary characteristic of an offending use,” not a separate requirement. The court held that it is where use in commerce actually occurs, not where confusion may be felt, that forms the dividing line separating foreign and domestic applications of these provisions.

Significance

The Supreme Court’s decision is likely to limit the ability of US trademark owners to pursue trademark infringement that occurs entirely outside the US, even if it results in consumer confusion within the US. Although the decision does not limit application of the Lanham Act when infringing goods or services are sold directly into the US, purely foreign conduct is not subject to 15 USC § 1114(1)(a) or § 1125(a)(1).

If the infringing conduct takes place outside the United States, US trademark owners may need to file trademark infringement actions in foreign jurisdictions to enforce their rights. As this will sometimes require ownership of trademark registrations in specific foreign jurisdictions, US brands should consider seeking trademark registrations outside the US, particularly in countries where they plan to do business and in countries that have known counterfeiting concerns.

If you have questions about this decision, please contact a member of the Cooley trademark, copyright & advertising team.

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