ARE Trademark Law Alert: Supreme Court Announces Two-Part Test in its Abitron v. Hetronic Decision on Extraterritorial Reach of the Lanham Act

Author(s): Anthony F. Lo Cicero, Douglas A. Miro, Charles R. Macedo, David P. Goldberg, Jamie Zipper

On June 29, 2023, the U.S. Supreme Court issued its ruling in *Abitron Austria GmbH v. Hetronic International, Inc.*, No. 21-1023, 600 U.S. ___ (2023), addressing the Lanham Act's extraterritorial reach. The Supreme Court held that trademark infringement cases "only extend to claims where the claimed infringing use in commerce is domestic." Id. at 1. In a unanimous opinion written by Justice Alito, the Court vacated and remanded the Tenth Circuit Court of Appeals' decision, applying its own two-step test for determining when a statutory provision may apply extraterritorially to foreign activity. The Court's two-step test utilized "a canon of statutory construction known as the presumption against extraterritoriality," where courts presume that although "United States law governs domestically [it] does not rule the world." Id at 14 (citing *RJR Nabisco, Inc. v. European Community*, 579 U. S. 325, 335 (2016); *Microsoft Corp. v. AT&T Corp*., 550 U.S 437, 454 (2007).

Factual and Procedural Background

The underlying dispute was between a United States company, Hetronic, and six foreign parties, collectively "Abitron." Hetronic and Abitron's relationship started when Abitron began distributing Hetronic's radio remote controls. Tension between the parties arose when Abitron found an old agreement that led Abitron to conclude that it owned much of Hetronic's intellectual property rights. Abitron then began selling its own version of HETRONIC-branded products, predominantly in Europe, but also in the United States. Hetronic filed suit against Abitron, alleging trademark infringement under §1114(1)(a) and §1125(a)(1) of the Lanham Act, seeking damages for Abitron's infringement worldwide.

Abitron argued that allowing Hetronic to recover domestically for global infringement would be an impermissible extraterritorial application of the Lanham Act. The U.S. District Court for the Western District of Oklahoma rejected Abitron's argument and subsequently a jury awarded Hetronic roughly $96 million in damages with respect to Abitron's domestic and foreign sales of infringing radio remote controls, despite the fact that only 3% of Abitron's sales took place domestically. The District Court also entered a permanent injunction that prevented Abitron from using the infringing marks anywhere in the world.

On appeal, the Tenth Circuit affirmed the District Court's decision but narrowed the broad injunction to cover specific countries. The Tenth Circuit, applying the First Circuit's *McBee v. Delica Co.*¸417 F.3d 107 (1st Cir. 2005), framework, concluded that

the District Court had properly applied the Lanham Act to Abitron's conduct "because the 'impacts within the United States [were] of a sufficient character and magnitude as would give the United States a reasonably strong interest in the litigation.'" *Abitron Austria GmbH ET AL. v. Hetronic International, Inc*., No. 21-1023, 600 U.S. ___ (2023) (quoting *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 10 F. 4th 1016, 1046 (2021)).

The Supreme Court granted certiorari and rejected the Tenth Circuit's framework for determining extraterritoriality in a unanimous opinion delivered by Justice Alito and two concurring opinions, one delivered by Justice Jackson and another delivered by Justice Sotomayor.

Majority Opinion

Bright Line Test. In seeking to create a bright line test, the Supreme Court held that the correct framework to evaluate the extraterritorial reach of the Lanham Act would recognize the law's longstanding presumption against extraterritoriality. The first step of the analysis "turns on whether 'Congress has affirmatively and unmistakably instructed that' the provision at issue should 'apply to foreign conduct.'" *Abitron Austria GmbH ET AL. v. Hetronic International, Inc*., No. 21-1023, 600 U.S. ___ (2023) (quoting *RJR Nabisco* , 579 U. S. at 337). Finding that Congress has not "unmistakably instructed" that the Lanham should apply extraterritorially, the Court moved to the second step, which asks "when claims involve 'domestic' applications of these provisions." *Abitron Austria GmbH ET AL. v. Hetronic International, Inc*., No. 21-1023, 600 U.S. ___ (2023). The Court stated that the answer to this question turns on where the conduct relevant to the focus of the statute at issue took place. Because the focus of the Lanham Act is to prevent infringing use in commerce, the Court held that if the infringing activity occurred in the United States, then the case involves a permissible application of the Lanham Act.

The Court then vacated the Tenth Circuit's judgment and remanded the case for further proceedings consistent with the Court's opinion.

Justice Jackson's Concurrence

One concurrence, authored by Justice Jackson, agreed with the majority's two-step framework but wrote separately to point out that "use in commerce" occurs "whenever the mark serves its source-identifying function." To illustrate this point, Justice Jackson mentioned that "'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,'" and discussed a hypothetical case were travelers from Europe resold bags purchased in Europe in the United States, possibly opening the door to a domestic infringement action. Justice Jackson's concurrence concludes that a foreign entity may be subject to Lanham Act liability even if it never "directly" sold its infringing products in the United States.

Justice Sotomayor's Concurrence

A separate concurrence, penned by Justice Sotomayor and joined by Chief Justice Roberts and Justices Kagan and Barrett, disagreed with the second step of the majority's framework, and argued that the Lanham Act should apply to conduct occurring abroad if, as a result, consumer confusion occurs in the United States.

Legal And Practical Implications

In short, this decision held that Congress has not intended for the Lanham Act to apply extraterritorially, and that the Act may only be applied when infringing use in commerce occurs domestically. This bright-line test provides trial courts, practitioners, and trademark owners with at least some guidance, and should ameliorate the forum shopping caused by the current Circuit split on this issue.

As a practical matter, US brand owners will need to be more vigilant in seeking trademark protection in foreign jurisdictions in which they do business. These brand owners will also likely need to bring more trademark infringement actions in those foreign jurisdictions.

We will continue to monitor developments and provide further updates regarding this case, and the law of trademark with respect to extraterritorial infringement. In the meantime, please feel free to contact us if you have questions regarding issues raised by this case.

Anthony Lo Cicero, Douglas A. Miro and Charles Macedo are partners, David P. Goldberg is an associate, and Jamie Zipper is a Law Clerk at Amster, Rothstein & Ebenstein LLP. Their practices specialize in all aspects of intellectual property, including trademark law. They can be reached at alocicero@arelaw.com, dmiro@arelaw.com, cmacedo@arelaw.com, dgoldberg@arelaw.com, and jzipper@arelaw.com, respectively.