Supreme Court Limits International Application of the Lanham Act in *Abitron* Decision

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In its recent decision in *Abitron Austria GmbH v. Hetronic International, Inc.*, the Supreme Court instructed that certain trademark infringement claims can only be pursued where the infringing conduct occurs domestically. The Court unanimously rejected the argument that an infringer could be held liable under the Lanham Act for purely foreign sales that never reached the United States or confused U.S. consumers.

In this Q&A, we address the significance of the Court's decision for trademark owners seeking to prevent infringement by foreign parties.

The case resolved a circuit split over the extraterritorial reach of the Lanham Act. What does extraterritorial reach mean, and what were the prior approaches to the Lanham Act?

Federal statutes are generally understood to apply only to conduct in the United States, unless Congress expressly indicates otherwise. This "presumption against extraterritoriality" is intended to limit the international discord that can arise when U.S. law is applied to conduct occurring exclusively in foreign countries.

Under the Lanham Act, a party can be held liable for trademark infringement if the party's "use in commerce" of the mark is likely to cause consumer confusion. The statute refers generally to "commerce" but does not expressly extend to foreign commerce—such as infringing conduct by foreign companies that occurs abroad.

A prior Supreme Court case had nonetheless indicated that a foreign infringer could be held liable under the Lanham Act so long as the "effects" of the infringer's foreign conduct were felt in the United States. Thus, a watchmaker who put an infringing mark on watches in Mexico could be held liable in the United States for the infringement, even though the misbranding took place in Mexico, because some of the falsely branded watches filtered over the Mexican border into Texas, where they caused consumer confusion and complaints about the falsely branded goods.

Circuit courts developed different tests for determining what kind of conduct or effect in the United States was necessary for a foreign company to be held liable for foreign sales. They considered, for instance, how such sales might affect a domestic company's reputation, whether infringing goods sold abroad were later resold in the United States, and whether consumers in the United States were likely to be confused by the existence and foreign sales of the misbranded goods.

What did foreign and domestic sales look like in the *Abitron* case, and why was that significant?

In *Abitron*, a U.S. manufacturer (Hetronic International, Inc.) sued several foreign parties that had once served as its licensed distributors. The distributors (collectively, Abitron) reverse-engineered the product and began selling it, mostly in Europe but with some direct sales in the United States. The manufacturer sued for trademark infringement, among other claims.

The district court allowed the manufacturer to proceed with claims relating to the former distributor's domestic sales, as well as claims regarding foreign sales that ended up in the United States, and claims relating to foreign sales that did not end up in the United States. A jury found in favor of the trademark owner and awarded approximately $96 million in damages for the global misconduct. The Tenth Circuit affirmed the decision to allow the claims relating to the purely foreign sales.

The Supreme Court unanimously disagreed with the Tenth Circuit's approach—but for different reasons. A majority of the Court held that in order for an infringer to be held liable under the Lanham Act, the infringer must use the infringing mark in commerce in the United States; use exclusively outside of the United States is not sufficient. A four-justice minority argued that the Lanham Act should apply to foreign activities when such activities create a likelihood of consumer confusion in the United States.

Moving forward, when can someone sue and get damages if their trademark is being infringed outside the United States?

Under this new decision, an infringer must *use the infringing mark in commerce in the United States* to be liable under the relevant provisions of the Lanham Act. In other words, if infringing use occurs exclusively outside of the United States, a trademark holder cannot sue for infringement under the Lanham Act (even if the foreign use creates a likelihood of confusion for U.S. consumers).

The majority decision specifies that "use in commerce" must occur domestically, but it does not explain what counts as "use in commerce." Notably, the ruling does not address infringing uses that appear on the internet.

In a concurrence, Justice Jackson proposes that "use in commerce" is not limited to where a mark is first affixed or even where the marked good is first sold. A mark is "used in commerce" domestically whenever it serves a source-identifying function in the course of trade. Thus, an infringer could become liable if their infringing product first sold abroad is later resold in the United States. Additionally, use of an infringing mark on the internet could open the door to liability because the mark may serve a source-identifying function that would qualify as "use in commerce" domestically, even if the goods are not physically present in the United States. Both of those issues may be decided in future cases and could eventually need to be decided by the Supreme Court if circuits develop different standards or outcomes in those situations.

How can someone stop trademark infringement outside the United States if not with the Lanham Act?

Preventing trademark infringement starts with ensuring that one's trademark is adequately protected. In addition to registering one's trademark domestically, trademark owners with foreign reach can and should protect their marks by registering in other countries. One way of doing this is through registration with the countries that have joined the Madrid Protocol, a treaty between approximately 130 countries who have agreed to enforce trademark rights across borders. Trademark holders can obtain registration by filing an "international application" with the International Bureau of the World Intellectual Property Organization (WIPO).

Trademark owners also have access to other tools to stop overseas infringement. Such tools include sending a cease-and-desist letter or working with U.S. Customs and Border Protection to prevent importation of counterfeit or infringing goods. The Court's decision also leaves open the possibility of liability under the Lanham Act pursuant to contributory liability principles.