

Blog Post

The Supreme Court Limits the Extraterritorial Application of the Lanham Act

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On June 29, 2023, the Supreme Court in *Abitron Austria GmbH v. Hetronic International, Inc.*, limited the extraterritorial reach of the Lanham Act. The majority opinion was written by Justice Alito and joined by Justices Thomas, Gorsuch, Jackson, and Kavanaugh. Justice Jackson wrote a separate concurring opinion. Four Justices – Sotomayor, Roberts, Kagan, and Barrett – concurred in the judgment but disagreed with the scope of the limits on extraterritoriality.

The case concerns a trademark dispute where Hetronic, a manufacturer of remote controls for construction equipment, sued its former distributor, Abitron, for selling infringing products. As more fully described in our [prior blog](#), the district court found that Abitron had willfully infringed the Hetronic mark and, despite 97% of infringing sales being made in Europe, awarded Hetronic \$90 million in damages. On appeal, the Tenth Circuit affirmed the judgment, concluding that the Lanham Act extended to all of Abitron's foreign infringing conduct. The Supreme Court granted *certiorari* and heard [oral arguments](#) in March of 2023.

Justice Alito held that the Lanham Act does not apply outside the United States. In reaching its decision, the Court applied the presumption against

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extraterritoriality, which is a two-step framework. The first step is whether there is a “clear affirmative indication” that Congress intended the provisions at issue, here 15 U.S.C. § 1114(1)(a) and § 1125(a)(1), to apply extraterritorially. If not, the provision is not extraterritorial, and step two applies. The second step requires courts to identify the “focus” of congressional concern underlying the provisions at issue in determining the provisions’ reach.

Concerning the first step, Justice Alito reasoned that neither provision at issue contains an express statement of extraterritorial application or any other clear indication that it should apply extraterritorially. The Court explained that, instead, they simply prohibit the use “in commerce,” under congressionally prescribed conditions, of protected trademarks when that use “is likely to cause confusion.” *See* §§1114(1)(a), 1125(a)(1). Further, the Court noted that although *Hetronic* argued that the reference to commerce included foreign commerce, that was not enough to overcome the presumption that the provisions only apply to domestic conduct.

Applying the second step, Justice Alito observed that the “focus” of the Lanham Act is infringing “use in commerce” in the United States. The Court explained that this conclusion follows from the text and context of provisions at issue, which both prohibit the unauthorized use “in commerce” of a protected trademark when, among other things, that use “is likely to cause confusion.” The Court further reasoned that confusion is not a separate requirement but simply a necessary characteristic of an offending use. The Court, thus, concluded that “use in commerce” is the conduct relevant to any potential focus of §1114(1)(a) and §1125(a)(1) because Congress deemed a violation of either provision to occur each time a mark is used in commerce in the way Congress described, with no need for any actual confusion.

In sum, the Court held that §1114(1)(a) and §1125(a)(1) are not extraterritorial and that where the infringing

“use in commerce” of a trademark occurs, and not where the confusion may be felt, provides the dividing line between foreign and domestic applications of these provisions. As a result, the Court vacated the judgment of the Court of Appeals and remanded the case for further proceedings consistent with its opinion.

While the majority did not explain the circumstances where a mark is “use[d] in commerce” in the United States, Justice Jackson provided some guidance in her concurring opinion. As Justice Jackson explained:

Simply 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 wherever the mark serves its source-identifying function. So, even after a trademark begins to be “use[d] in commerce” (say, when goods on which it is placed are sold), that trademark is also “use[d] in commerce” wherever and whenever those goods are in commerce, because as long as they are, the trademark “identif[ies] and distinguish[es]... the source of the goods.

For example, relying on the hypothetical used during oral argument, Justice Jackson reasoned that where students bought infringing Coach bags in Germany and then resold those bags upon return to the United States, the domestic resale of the German infringing Coach bags would constitute “use [of the mark] in commerce” in the United States within the meaning of the Act. Justice Jackson explained that once the marks on the bags are serving their core source-identifying function in commerce in the United States, the German manufacturer may be subject to potential liability under §1114(1)(a) and §1125(a)(1).

Justices Sotomayor, Roberts, Kagan, and Barrett concurred in the judgment but disagreed with the majority’s application of the second step of the

framework. In the concurring opinion penned by Justice Sotomayor, she would have held that the Lanham Act extends to activities carried out abroad when there is a likelihood of consumer confusion in the United States. Justice Sotomayor explained that the majority's focus on conduct is unsupported by precedent. The opinion also noted that the majority's approach absolves from liability those defendants who sell infringing products abroad that reach the United States and confuse consumers here.

The last observation by Justice Sotomayor may be partially incorrect. Since Justice Jackson believes, per her concurring opinion, that infringing conduct outside the United States may subject the foreign infringer to Lanham Act liability if those products are resold in the United States, at least in those circumstances, a majority of Justices would apply the Lanham Act to a foreign actor. Further case law will determine the precise definition of the extraterritorial limits.

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