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U.S. Supreme Court Limits the Lanham Act's Extraterritorial Reach

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On June 29, 2023, the U.S. Supreme Court overturned the decision of the U.S. Court of Appeals for the Tenth Circuit in *Abitron Austria GmbH, et al. v. Hetronic International, Inc.*, ruling that the Lanham Act cannot be applied to infringing acts occurring outside the United States.

Hetronic International, Inc. ("Hetronic"), a U.S. company, sells, services, and manufactures radio remote controls for construction equipment. Abitron Austria GmbH ("Abitron") originally operated as a licensed distributor for Hetronic, but, later, it decided that it had rights to Hetronic's intellectual property and reverse engineered Hetronic's products. Abitron then manufactured and sold to others the same products as Hetronic under the Hetronic brand. The products were primarily sold in Europe, but there were some direct sales into the United States.

Hetronic sued Abitron in the U.S. District Court for the Western District of Oklahoma ("District Court") for trademark violations under sections 1114(1)(a) and 1125(a)(1) of the Lanham Act, among other claims. Hetronic sought damages under these claims for Abitron's infringing acts worldwide. In 2020, a jury awarded Hetronic \$96 million, which was due to Abitron's global use of Hetronic's marks. Abitron appealed the decision of the District Court, but the Tenth Circuit upheld the lower court's decision. Abitron then petitioned the U.S. Supreme Court for review, arguing that the Lanham Act cannot be applied extraterritorially to 97% of Abitron's infringing conduct because such conduct occurred outside of the United States.

The U.S. Supreme Court granted certiorari to clarify the extraterritorial reach of the Lanham Act. In its majority opinion, the Court reiterated the "longstanding principle of American law" that, unless a contrary intent appears, legislation of Congress is presumed to only apply within the United States. Applying this principle involves a two-step framework: First, courts must determine whether Congress has "affirmatively and unmistakably instructed that the [legislative] provision at issue should apply to foreign conduct." If the first step is met, then the provision applies extraterritorially subject to the limits Congress has imposed on the statute's foreign application. If the first step is not met, then courts must proceed to the second step to determine whether a plaintiff's claims seek a permissible domestic or impermissible foreign application of the statute. In making this determination, the courts must start by identifying the "focus" of the legislative provision, which "can include the conduct it seeks to regulate, as well as the parties it seeks to protect or vindicate."

Applying the two-step framework to sections 1114(1)(a) and 1125(a)(1) of the Lanham Act, the Court found that they did not contain a clear and affirmative indication that Congress intended for them to apply

extraterritorially. The Court then analyzed Hetronic's claims to determine whether they involved a permissible, domestic application of the Lanham Act. The Court held that the "focus" of the two Lanham Act provisions at issue was to prohibit the "use in commerce" of a trademark under certain conditions. Because the two Lanham Act provisions could only be applied domestically, the Court held that the provisions could only apply to the use of trademarks in commerce in the United States. The Court thus found that the Tenth Circuit erred by upholding a damages award on Abitron's infringing activity, of which 97% occurred outside of the United States.

The U.S. Supreme Court's *Abitron* decision significantly impacts the ability of trademark owners to enforce their rights against wrongdoers outside of the United States. U.S. trademark owners may want to consider filing for trademarks in the European Union and other international jurisdictions because, under the Supreme Court's new framework, there may be little recourse for U.S. trademark owners to enforce their marks against infringing activities occurring outside of the U.S.