

Supreme Court Limits Foreign Reach of Lanham Act, Focusing Damages to Essentially Domestic Use

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A June 29, 2023 Supreme Court ruling limits the reach of the Lanham Act to essentially only domestic use of a mark in commerce.

The Supreme Court's opinion in *Abitron Austria GmbH v. Hetronic Int'l Inc.* overturns a Tenth Circuit decision affirming a \$90 million judgment for Hetronic International for trademark infringement based on defendants' domestic and foreign sales. The dispute revolved around Abitron's foreign sales of radio remote control devices used in the construction industry. Hetronic argued—and the Tenth Circuit agreed—that by infringing upon Oklahoma-based Hetronic's trademark, Abitron impacted U.S. commerce and, thus, violated the Lanham Act, even if that conduct occurred outside the United States because of its effect in the United States.

Abitron argued that the Tenth Circuit overreached by applying the Lanham Act extraterritorially. The defendants argued that product sales outside of the United States could not have confused U.S.

consumers, as is required for damages under the Lanham Act.

The Lanham Act does not directly address foreign defendants and their activities in foreign markets. Individual courts created their own tests, leading to different standards in different circuits. Arbitron noted in its filings that the Fifth Circuit, for example, only requires “some effect” on U.S. commerce for the Lanham Act to apply, while the Second and Eleventh Circuits require “a substantial effect.” Some circuits use citizenship as part of this test, while others do not. The result is a patchwork of different approaches in federal courts across the country—something the Supreme Court sought to clarify with this decision.

Hetronic argued that by diverting revenue that would have come to an American business, Abitron’s actions had a direct impact on U.S. commerce and, thus, should be considered infringing actions under the Lanham Act. The Justices unanimously rejected this assertion. However, in a concurring opinion, four Justices wrote that foreign conduct could create confusion for U.S. consumers and, thus, the Lanham Act could apply, even though it did not in this particular case.

Moving forward, companies should have a better idea of how to best protect their trademarks in the global marketplace, namely by seeking and obtaining registrations in all foreign

jurisdiction where sales or licensing occurs.

Given the wide-ranging division among the federal circuits, many observers are glad the Supreme Court provided clarity on the question of extraterritoriality and the Lanham Act. Moving forward, companies should have a better idea of how to best protect their trademarks in the global marketplace, namely by seeking and obtaining registrations in all foreign jurisdiction where sales or licensing occurs.

U.S. trademark holders may want to consider being more proactive in filing for trademarks in the European Union and other international jurisdictions. Also, trademark holders who feel their marks are being infringed upon in foreign countries (Germany, in this case) may be better advised to pursue litigation in those countries, rather than in U.S. courts.

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