



Supreme Court Leaves Work for Lower Courts on Trademark Law Reach

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Covington's Rob Hunziker Jr. and Lucas Daniel Cuatrecasas write that the Supreme Court provided little guidance on the new extraterritoriality framework for Lanham Act claims, but the authors share some guideposts.

The Supreme Court recently provided a clear guiding principle that the Lanham Act's trademark infringement provisions only extend to where the claimed infringing use in commerce is domestic.

But in so doing, the high court reversed course on decades of extraterritoriality case law, left many questions unanswered, and may have unsettled the contours of trademark law for even domestic conduct.

The Dispute

[Abitron Austria GmbH v. Hetronic International, Inc.](#) centers around trademark and trade dress infringement claims by remote-control maker Hetronic against its former European distributor Abitron. After the parties' relationship soured, Abitron began selling its own reverse-engineered versions of Hetronic's controls with identical or similar trademarks and trade dress.

Hetronic sued in Oklahoma federal court, even though Abitron was a foreign company and made 97% of its sales outside the US. A jury found Abitron liable and awarded \$96 million in damages, including for Abitron's foreign sales.

On appeal, the Tenth Circuit affirmed liability for Abitron's foreign conduct. It relied on [Steele v. Bulova Watch Co.](#), where the Supreme Court had previously applied the Lanham Act extraterritorially, and noted that all circuits later addressing the issue had relied on *Steele*.

The Supreme Court Reverses Course

The Supreme Court, however, rejected the conclusion, based on *Steele*, that the Lanham Act may apply abroad. It said that federal legislation applies within the US, unless "contrary intent appears." The court

then confined *Steele* to its facts, and instead turned to its recently developed two-step extraterritoriality framework.

Under the first step, the court concluded that the Lanham Act doesn't include any "express statement" indicating that its infringement provisions should apply abroad.

Under the second step, the court asked whether the suit seeks a permissible domestic application of the Lanham Act to partially foreign conduct. It observed that conduct like Abitron's, which involves both foreign and domestic activity, can be actionable as a domestic application if the "conduct relevant to the focus" of the statute—here "use in commerce"—occurred domestically.

In the closing section, the court reiterated "that the infringing 'use in commerce' of a trademark provides the dividing line between foreign and domestic applications of these provisions."

It then defined "use in commerce" as "the bona fide use of a mark in the ordinary course of trade, where the mark serves to identify and distinguish the mark user's goods and to indicate the source of the goods."

Where Do We Go From Here?

The court's opinion raises questions for future trademark litigation. While "use in commerce" is now the lodestar in determining whether the Lanham Act is being applied permissibly to domestic conduct, that same term is also an element of an infringement claim. Thus, unless construed as dicta, the court's parting definition of "use in commerce" for the purposes of assessing extraterritoriality may have unintended consequences for infringement cases more generally.

For example, the court's definition of "use in commerce" drew from the "construction and definitions" provisions in 15 U.S.C. § 1127, which may rebut the conclusions of courts and commentators that had previously construed it as applying only to registration and not infringement.

The question is potentially consequential as the court's definition omits further language from the statutory definition addressing what "shall be deemed to be use in commerce"—such as, use on goods transported or in advertising for services rendered.

What should courts understand about this selective quotation? Did the court tacitly adopt the full language as requirements for use in commerce, along the lines of registration practice? Or did it reject the notion that such language should be used as a set of presumptively or automatically qualifying uses? While the former might narrow the range of infringement liability, the latter might broaden it.

Additionally, the court's definition of "use in commerce" engrafts limiting language drawn from the separate statutory definition of "trademark" by requiring that the mark serve to "identify and distinguish the mark user's goods and to indicate the source of the goods."

Could the court's new definition be read to limit liability for non-trademark uses, such as expressive use of a mark in a movie or decorative use on a t-shirt? Might the court's language fuel debates as to whether the Lanham Act requires "use in commerce" or "trademark use" as standalone elements of domestic trademark infringement?

For example, the Supreme Court recently expressed in [Jack Daniel’s Properties, Inc. v. VIP Products LLC](#) some skepticism about liability in cases that don’t invoke the “cardinal sin” of source confusion, and lower courts have questioned liability for decorative use of even well-known marks on clothing. Or was the court intending merely to exclude incidental uses from liability?

Returning to *Abitron*, the court didn’t provide clear directives for proceedings on remand. *Abitron* engaged in at least some clearly domestic “use in commerce”—components sold domestically—and some more ambiguous use—components sold abroad knowing they would be used in equipment later sold domestically.

More broadly, the court’s opinion offers sparse guidance on how to view the broad range of activities that fall between purely domestic and purely extraterritorial “uses in commerce.” For example, what about foreign entities targeting foreign consumers but with global websites?

Finally, after making these determinations, will courts undertake geographical apportionment analyses, akin to profit apportionment under the Lanham Act?

As lower courts work through the Supreme Court’s limited guidance, brand owners and users alike should consider the following guideposts:

- Now that purely foreign trademark uses are off the table, consider carefully any geographic limitations on activities and the accessibility of offerings.
- Consider bolstering trademark portfolios in key foreign jurisdictions where U.S. law may no longer reach.
- Pay attention to potential arguments regarding non-trademark use when considering or responding to litigation.
- Keep in mind the court’s recent trend of pursuing predictability and consistency with broader legal principles, such as the presumption against extraterritoriality, even if it means departing from older decisions.
- While national borders disappear from the online marketplace, including through Web3 and metaverse platforms, the borders of national intellectual property laws may have renewed strength. This trend should be factored in to trademark, copyright, and other enforcement and risk mitigation strategies going forward.

The case is [Abitron Austria GmbH v. Hetronic Int’l Inc.](#), U.S., No. 21-1043, 6/29/23.

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