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In Decision that Vacates a $96 Million Award, SCOTUS Limits United States Trademark Law's International Reach

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On June 29, 2023, the Supreme Court of the United States handed down its much-anticipated decision in *Abitron Austria GmbH, et al. ("Abitron et al.") v. Hetronic International, Inc.* ("*Hetronic*") regarding the extraterritorial reach of the Lanham Act, the comprehensive trademark statute in the United States.[i] The decision means that it will now be more important than ever for American companies doing business abroad to consider the trademark law of the foreign countries in which they do business, and develop comprehensive strategies to maximize their trademark protection abroad.

The Justices voted 9-0 to vacate the 10th Circuit's decision to apply the Lanham Act extraterritorially to Abitron et al. (the defendants in the original proceeding in the lower court)'s foreign sales. This case arose out of a trademark dispute between Hetronic (the plaintiff in the lower court), an American company and Abitron et al., several European defendants that infringed Hetronic's marks. A jury in the Western District of Oklahoma awarded Hetronic approximately $96 million for the infringement, which amounted to nearly all of Abitron et al.'s worldwide sales under the infringing marks. The jury made this award even though approximately 97% of the sales at issue occurred abroad to foreign customers, such that American consumers were never actually exposed to the infringing marks. The 10th Circuit affirmed the approximately $96 million award, which SCOTUS has now vacated.[ii]

Despite a unanimous decision to reverse the 10th Circuit's decision, deep divisions exist among the Justices regarding the appropriate analysis, resulting in several opinions. Justice Samuel Alito delivered the opinion of the Court, in which Justices Clarence Thomas, Neil Gorsuch, Brett Kavanaugh and Ketanji Brown Jackson joined; Justice Brown Jackson filed a concurring opinion; and Justice Sonia Sotomayor filed a concurring opinion in which Chief Justice John Roberts, and Justices Elena Kagan and Amy Coney Barrett joined.

The majority, applying the presumption against extraterritoriality, held:

§1114(1)(a) and §1125(a)(1) of the Lanham Act are not extraterritorial and extend only to claims where the infringing use in commerce is domestic.[iii]

SCOTUS' last direct foray into the extraterritorial reach of the Lanham Act was in 1952 in *Steele v. Bulova Watch Co*. In *Steele*, SCOTUS held that the Lanham Act applied in the case of a United States citizen engaging in infringing conduct abroad.[iv] Since then, the United States Circuit Courts of Appeals have focused largely on the effects to United States commerce and concerns about international comity as the primary considerations when determining whether the Lanham Act applies to conduct occurring outside the United States.[v] In their briefing, Hetronic and the United States (as *amicus curiae*) attempted to persuade SCOTUS to refine the somewhat splintered approaches taken by the Courts of Appeals regarding the Lanham Act's extraterritorial application. For trademark law practitioners and SCOTUS watchers, the majority's opinion is likely to come as a surprise based upon the Courts of Appeals' jurisprudence and the parties' focus on the proper application of *Steele* in their briefing.

To wit, Justice Alito's majority opinion explained that the parties' fixation on the "focus" of the Lanham Act missed the critical point of *whether the conduct relevant to that focus occurred in the United States*.[vi] The majority drew attention away from *Steele*—which analyzed the Lanham Act specifically—towards *Morrison v. National Australia Bank Ltd.*—a Securities Exchange Act case with no relation to trademark law at all.[vii] *Morrison* explained "[i]t is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States" (commonly referred to as the "presumption against extraterritoriality").[viii] In *Hetronic*, the majority explained that applying the presumption against extraterritoriality requires a two-step framework to:

(1) Determine whether a provision is extraterritorial as demonstrated by an affirmative and unmistakable instruction from Congress that the provision at issue should apply to foreign conduct[ix]; and, if not,

(2) Determine whether the suit seeks a (permissible) domestic or (impermissible) foreign application of the provision.[x]

To evaluate "step two," courts are to identify the statutory focus of the provision (i.e., the conduct the statute seeks to regulate and the parties' whose interests it seeks to protect or vindicate), and then ask "*whether the conduct relevant to that focus occurred in United States territory*."[xi]

In conducting "step one" of the inquiry outlined above, the majority held that the Lanham Act is not extraterritorial.[xii] The majority then explained that the parties erred in centering their dispute on the "focus" of the Lanham Act without regard for the crucial question as to whether the conduct relevant to that focus occurred in the United States.[xiii] In a likely surprise to anyone who listened to or read the transcripts of oral argument for this case, the majority brushed *Steele* aside as "of little assistance."[xiv] The majority then held that the "use in commerce" of the mark at issue is the relevant conduct for the Lanham Act and such use in commerce provides the dividing line between foreign and domestic applications of the Lanham Act.[xv]

The majority argued that Justice Sotomayor's concurring opinion[xvi] erred in concluding that the extraterritoriality framework turns solely on "whether 'the object of the statute's focus is found in, or occurs in, the United States.'"[xvii] In the majority's view, such a "focus-only" standard would give the Lanham Act impermissibly broad reach in contravention of SCOTUS' established extraterritoriality jurisprudence. In contrast, Justice Sotomayor explained her belief that the majority's "conduct-only" focus rendered SCOTUS' extraterritoriality framework improperly "myopic."[xviii] Justice Sotomayor also noted that a focus on United States-based confusion consistent with *Steele* posed no threat to international comity, as there had been no evidence of the

international tension of apparent concern to the majority in the 70-plus years since *Steele*.[xix]

Conclusion

SCOTUS' decision seems to sharply limit the international reach of the Lanham Act. In response, it will be more important than ever for Americans doing business abroad to consider the trademark law of the foreign countries in which they do business and develop comprehensive strategies to maximize their trademark protection abroad.

We will be closely monitoring how federal courts throughout the country implement this decision, and, as always, will continue to advise our clients on any new developments in this nuanced area of trademark law.

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[i] *See* 600 U. S. ___, ___ (2023) (J. Alito) (slip op. at 3-15) (vacating *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016 (10th Cir. 2021)).

[ii] *Id.*; *see also SCOTUS Set to Address United States Trademark Law's International Reach*, J. Overmann & J. Beglane, April 12, 2023 (available at https://www.natlawreview.com/article/scotus-set-to-address-united-states-trademark-law-s-international-reach) for a discussion of the procedural history and facts underlying this case, as well as more information regarding the parties' arguments and the Justices' questions posed at oral argument.

[iii] 600 U. S. ___, ___ (2023) (J. Alito) (slip op. at 3-15).

[iv] 344 U.S. 280 (1952).

[v] *See*, *e.g.*, *Hetronic*, 10 F.4th at 1033-34; *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 969 (9th Cir. 2016); *McBee v. Delica Co. Ltd.*, 417 F.3d 107, 100 (1st Cir. 2005); *Scanvec Amiable, Ltd. v. Chang*, 80 Fed. App'x 171, 180-81 (3d Cir. 2003); *Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l, (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001); *Aerogroup Int'l, Inc. v. Malboro Footworks, Ltd.*, 152 F.3d 948 (Fed. Cir. 1998), published in full-text format at 1998 U.S. App. LEXIS 7733 (*per curiam*); *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994); *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956).

[vi] 600 U. S. ___, ___ (2023) (J. Alito) (slip op. at 7).

[vii] *Id.* at 3 (citing *Morrison v. National Australia Bank Ltd.*, 561 U.S. 247, 255 (2010)).

[viii] *Morrison*, 561 U.S. at 255 (internal quotation marks omitted) (citing *EEOC v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949)); *see also RJR Nabisco, Inc. v. European Community*, 579 U. S. 325, 335–336 (2016) (a RICO Act case upon which the majority heavily relies, with no specific relation to trademark law).

[ix] "[W]hether 'Congress has affirmatively and unmistakably instructed that' the provision at issue should 'apply to foreign conduct.'" 600 U. S. ___, ___ (2023) (J. Alito) (slip op. at 3-4) (simplified) (quoting *RJR Nabisco*, 579 U. S. at 335–337).

[x] 600 U. S. ___, ___ (2023) (J. Alito) (slip op. at 3-5).

[xi] *Id.* at 4 (simplified and emphasis added).

[xii] *Id.* at 5-6.

[xiii] *Id.* at 7.

[xiv] *Id.* at 8.

[xv] *Id.* at 10.

[xvi] Justice Sotomayor's concurrence explained that applying the modern two-step inquiry for evaluating the extraterritorial reach of a statute on these Lanham Act facts should still lead to a result consistent with *Steele*. 600 U. S. ___, ___ (2023) (J. Sotomayor Concurrence) (slip op. at 1-2). While agreeing with the majority that the Lanham Act contains no language sufficient to rebut the presumption against extraterritoriality (*id.* at 2), as to "step two," Justice Sotomayor acknowledged that the focus of the statute is consumer confusion and when that confusion is likely to occur in the United States, then the Lanham Act is properly applied domestically even if the infringer's conduct occurred abroad (*id.* at 5-6, 13-16).

[xvii]600 U. S. ___, ___, (2023) (J. Alito) (slip op. at 10) (quoting 600 U. S. ___, ___ (2023) (J. Sotomayor Concurrence) (slip op. at 5)).

[xviii] 600 U. S. ___, ___ (2023) (J. Sotomayor Concurrence) (slip op. at 7).

[xix] *Id.* at 13-14.

National Law Review, Volumess XIII, Number 184