

Publications

U.S. Supreme Court Provides Further Guidance on International Reach of The Lanham Act – But What Does It Mean for Brands?

Related Attorneys

Jessica Knopp Cunning

Nina I. Webb-Lawton

Related Services

eControl

Related Industries

Retail and Consumer Products

CLIENT ALERT | 8.23.2023

By now, many in-house legal departments and ecommerce and sales professionals are well aware that the Lanham Act, which prohibits trademark infringement, is a powerful federal law that brands can use in their battle against unauthorized sales of their products, particularly on online marketplaces such as Amazon. With a well-designed and properly implemented eControl Program, a brand can wield the protections of the Lanham Act against unauthorized sellers using the brand's trademarks. For decades, federal courts have also generally allowed the Lanham Act to apply extraterritorially – outside of the United States – under various legal tests if there was arguably some evidence of U.S. consumer confusion, some material connection by the alleged infringer to the U.S., or some other meaningful harm sustained by the U.S. trademark owner as a result of the international infringements.

However, in a recent opinion, the United States Supreme Court has limited a brand's ability to use the Lanham Act against infringers of their trademarks outside of the United States. The Court's decision in *Abitron Austria GmbH v. Hetronic International Inc. (Abitron)* clarified that the triggering conduct for Lanham Act liability must be domestic (i.e. occurring within the United States) and that the relevant triggering conduct is "infringing use in commerce." So what does this mean for brands desiring to leverage their eControl programs beyond the U.S. borders? Read below for the case's background and practical implications.

What facts gave rise to this case?

- Hetronic is a U.S.-based manufacturer and seller of radio remote controls for construction equipment and is the owner of U.S. trademarks for distinguishing features of the remote controls. Hetronic uses a black and yellow color scheme on its products to differentiate them from the competition.
- Abitron (based in Germany and Austria) was a licensed distributor of Hetronic's products in Europe. Abitron was authorized to assemble

and sell Hetronic's remote controls under the Hetronic brand.

- Abitron reverse engineered the Hetronic products and began selling "Hetronic-branded products," which incorporated Hetronic's black and yellow design and product parts manufactured by parties other than Hetronic. Hetronic claimed that Abitron was infringing Hetronic's intellectual property.
- While Abitron mostly sold the infringing products in Europe, a small percentage (about 3%) was sold directly into the United States.
- Hetronic filed suit against Abitron in federal court in Oklahoma seeking damages for, among other things, trademark infringement for all of Abitron's allegedly infringing sales -- in the U.S. and internationally - and seeking to stop Abitron's infringing sales worldwide.

What happened after the lawsuit was filed?

- Abitron argued throughout the lawsuit that Hetronic was seeking to impermissibly apply the Lanham Act to foreign conduct, which was outside the scope of the Act.
- The case proceeded to a jury trial which found in favor of Hetronic. The district court ultimately stopped Abitron from using the Hetronic trademarks anywhere in the world, and the jury awarded more than \$95 million in damages to Hetronic.
- Abitron appealed to the Tenth Circuit (court above the district court but a step lower than the U.S. Supreme Court), again arguing that this was an impermissible application of the Lanham Act to foreign conduct.
- However, the Tenth Circuit affirmed the district court decision, finding that the Lanham Act applied to *all* of Abitron's conduct, including its sales of the infringing products within Europe that had sufficient impacts in the United States. Abitron then appealed to the U.S. Supreme Court.
- Because a number of the circuit courts had reached differing conclusions regarding the extraterritorial reach of the Lanham Act, the Supreme Court agreed to take Abitron's appeal regarding the "foreign reach" of the Lanham Act.

What did the U.S. Supreme Court do?

Having first determined that Congress did not draft the Lanham Act in a way to expressly provide that it applies to foreign conduct, the U.S. Supreme Court proceeded to the question of whether Hetronic sought (1) a permissible domestic application of the Lanham Act or (2) an impermissible foreign application.

In order to make this determination, a court must identify the "focus" of the Lanham Act and then determine whether the conduct relevant (or central) to that focus occurred within the United States. In the case of the Lanham Act, the U.S. Supreme Court held that the relevant conduct is the infringing use of the trademark *in commerce in the United States*. Because the verdict in the trial court, as well as the scope of the lower courts' injunctions, focused on sales by Abitron of infringing products outside of the United States, the Court remanded the case back to the Tenth Circuit for further proceedings.

So what does this practically mean?

In determining whether the Lanham Act should apply to conduct outside of the U.S., the courts should examine whether the infringing use of the trademark occurred in commerce in the U.S. The Act defines “use in commerce” as “the bona fide use of a mark in the ordinary course of trade,” when, among other things, “the goods are sold or transported in commerce, . . .” 15 USC § 1127. If the use in commerce occurs outside of the United States, the Lanham Act will not apply.

But, what exactly is “using [the trademark] in commerce” in the United States? The Court’s decision intentionally left unaddressed the “precise contours” of the meaning of “use in commerce.”

- If the alleged international infringer were to sell the infringing product into the United States from the foreign country, would that be enough to claim Lanham Act infringement? Likely yes.
- If the alleged international infringer were advertising the infringing products on an internet website to U.S. consumers, would that be enough to claim Lanham Act infringement? Possibly, but this could be an uphill battle to convince a court that applying the Lanham Act in this way is proper.
- Can the Lanham Act be used to prohibit the sale of infringing goods by a foreign entity to a foreign buyer who intends to resell the product for use in the United States? Again, possibly, but it could be a steeper uphill battle.

The U.S. Supreme Court appears to be grappling with how to address the reach of the Lanham Act in this online world. We can hope that the Tenth Circuit on remand will provide some additional guidance on what “use in commerce” means.

In the meantime, there are several things that brands should take away from the Abitron decision:

- S. Brands can no longer rely solely on U.S. consumer confusion or lost sales in the U.S. as a basis to invoke the Lanham Act. Brands will need to show that the alleged infringer used the trademark “in commerce” domestically to take action against the infringements.
- Brands will need to be more proactive in their international trademark registrations. If a brand intentionally sells its products in a country outside of the U.S., it should register its trademarks in that country to ensure that it can protect its trademark rights in that country in the event that asserting Lanham Act claims from the U.S. is not viable. A brand should also consider proactively registering its trademarks in foreign countries if it has material plans to sell its products in those countries.
- It is more important now than ever before for brands to consider instituting robust eControl programs in countries in which they operate. They can no longer only rely on the United States courts and the Lanham Act to protect their trademarks abroad. Vorys eControl has eControl counsel in several other countries to assist with this endeavor, including, but not limited to, Europe, China, and Mexico.

For additional questions, please reach out to partners Jessica Cunning at jkcunning@vorys.com or Nina Webb-Lawton at niwebb@vorys.com.