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Supreme Court Holds That U.S. Trademark Infringement Claims Must Be Based On Domestic Use In Commerce

Client Alert | June 29, 2023

Decided June 29, 2023 ***Abitron Austria GmbH v. Hetronic Int'l, Inc.*, No. 21-1043**

Today, the Supreme Court held that trademark infringement claims under the Lanham Act apply only where the claimed infringing "use in commerce" occurs in the United States. Background: The Lanham Act imposes civil liability—potentially including actual, treble, and statutory damages—on anyone who "use[s] in commerce" a trademark in a manner "likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. §§ 1114(1)(a), 1117(a)-(c), 1125(a)(1). Hetronic, a U.S. company, sued Abitron, a group of foreign companies, under the Lanham Act, alleging that Abitron sold products that infringe Hetronic's trademarks. Less than 0.3 percent of Abitron's sales were made directly to U.S. buyers. Ninety-seven percent were made in foreign countries, to foreign buyers, for use in foreign countries; and the remainder were made in foreign countries but were designated to and ultimately did enter the United States.

A jury awarded more than $90 million in damages for all of Abitron's sales, whether inside or outside the United States. The Tenth Circuit affirmed, holding that the Lanham Act applies extraterritorially to foreign sales that have a substantial effect on U.S. commerce. It reasoned that even Abitron's foreign sales to foreign buyers for foreign use had a domestic effect by depriving a U.S. company of foreign sales that it otherwise would have made.

Issue: Whether the Lanham Act's provisions that prohibit trademark infringement (15 U.S.C. § 1114(1)(a) and § 1125(a)(1)) apply extraterritorially. **Court's Holding:** The Court confirmed "that a permissible domestic application" of the Lanham Act "can occur even when some foreign 'activity is involved in the case,'" but the question of liability reaches only an allegedly infringing "use in commerce" of a trademark that occurs in the United States.

> *"[W]e hold that § 1114(1)(a) and § 1125(a)(1) are not extraterritorial and that the infringing 'use in commerce' of a trademark provides the dividing line between foreign and domestic applications of these provisions."*

Justice Alito, writing for the Court

What It Means:

- The Court held 9-0 that the provisions of the Lanham Act that govern infringement claims—§ 1114(1)(a) and § 1125(a)(1)—did not reach Abitron's foreign sales to foreign buyers for foreign use. But the Court split 5-4 over what counts as a permissible "domestic application" of these provisions. The majority held that the provisions apply only when the allegedly infringing "use in commerce" occurs in U.S. territory.
- The majority distinguished the prior controlling case on extraterritorial application of the Lanham Act, *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), which looked to

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the effects of alleged infringement on U.S. commerce, as decided before more recent Supreme Court case law on the extraterritoriality of U.S. statutes and based on facts present in that case that "implicated both domestic conduct and a likelihood of domestic confusion" unlike Abitron's foreign sales.

- Justice Jackson, who offered the fifth vote for the majority, penned a separate concurrence suggesting that a foreign company selling goods in a foreign country could still be engaged in domestic "use in commerce" if the buyer resells the goods in the United States, or if the foreign company engages in other conduct "in the internet age" that would constitute a "use in commerce" in the United States even without a "domestic physical presence."
- Four Justices (Sotomayor, Roberts, Kagan, and Barrett) would have adopted the federal government's position: foreign sales violate the Lanham Act's trademark infringement provisions so long as they are likely to cause consumer confusion in the United States. The majority, however, expressly rejected this position, focusing instead on the location of the allegedly infringing "use in commerce" of a trademark.
- Because of the decision's focus on "use in commerce" in the United States, it likely will not affect prior case law that has confirmed the ability of courts to establish personal jurisdiction over trademark infringers and counterfeiters outside the United States that market and sell infringing goods to U.S. consumers. *See, e.g., Chloé v. Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2d Cir. 2010).

The Court's opinion is available here.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Supreme Court. Please feel free to contact the following practice leaders:

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