

The Lanham Act Does Not ‘Rule the World’

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In *Abitron v. Hetronic International*, the U.S. Supreme Court held that Congress did not intend for the Lanham Act to apply extraterritorially and that in every case, courts must examine the “location” of the infringing use to determine if there is a Lanham Act claim. The decision leaves many issues unresolved, including the question presented regarding the recovery of damages for infringement outside the U.S. Despite the uncertainty raised by the decision, it sends a clear message to rights owners (whether they be businesses, brands or individuals): obtain and enforce your trademark rights on a global basis because the Lanham Act does not “rule the world.”

How the Court Decided the Case

Writing for the majority, Justice Samuel Alito (joined by Justices Clarence Thomas, Neil Gorsuch and Brett Kavanaugh) applied the two-step test to determine if the “presumption of extraterritoriality” had been rebutted. The majority held: (1) Congress did not “unmistakably” intend for the relevant infringement provisions of the Lanham Act to apply extraterritorially; and (2) in each case, a court must assess the “location” of the conduct (defined by the court as “use in commerce”) relevant to the “focus” of the Lanham Act. The court then remanded the case to be determined in accordance with that standard.

The majority’s opinion in *Abitron* follows recent Supreme Court decisions limiting the



(Courtesy photos)

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extraterritorial application of federal statutes, in line with the “longstanding admonition that United States law governs domestically but does not rule the world.” It also strictly follows the principle that trademark rights are territorial, whereby each jurisdiction is permitted to grant rights and regulate infringement within its territorial borders.

Practical Issues Raised by the ‘Focus’ of the Lanham Act and ‘Use in Commerce’

Although the majority’s opinion provides what seems to be a straightforward test to determine

the application of the Lanham Act to international trademark disputes, it fails to provide a robust or practically workable framework to decide such disputes. It is challenging to apply the majority's test on a case-by-case basis, especially when technology has eroded jurisdictional boundaries. Determining precisely what constitutes "use in commerce" and whether that fits within the undefined "focus" of the Lanham Act are particularly problematic tasks.

The majority held that it was critical to look at the "focus" of the relevant provisions of the Lanham Act and then assess use in commerce in light of that "focus." However, the majority did not articulate what that "focus" is. The "focus" could be on preventing infringing use of trademarks (as *Abitron* argued), protecting the goodwill of mark owners and on preventing consumer confusion (as *Hetronic* argued), or preventing likely consumer confusion (as the government argued). Some commentators have suggested that the "focus" is "use in commerce"; however, that seems unworkable given that the court explicitly held that one must examine the conduct (i.e., use in commerce) relevant to the "focus" of the Lanham Act—one could not examine use in commerce (i.e., conduct) relevant to use in commerce (i.e., focus).

After the decision, it remains unclear what conduct may constitute "use in commerce." The majority relied on the statutory definition and declined to "address the precise contours of that phrase." The only guidance provided is that the conduct must create consumer confusion to be actionable, but confusion is only a "necessary characteristic of an offending use," not a requirement. In her concurrence, Justice Ketanji Brown Jackson took a broader view and held that use in commerce "can occur wherever the mark serves its source-identifying function." Jackson also suggested that use in commerce extends beyond the initial offering of a good to

third parties' resale of that good. This seems inconsistent with the first-sale doctrine, and with the *Abitron* majority's requirement for the relevant defendant to have engaged in "conduct."

The failure of the court to provide a robust articulation of "use in commerce" limits the helpfulness of the decision, particularly in the interconnected global marketplace where substantial trade is conducted via the internet and the location of "use in commerce" is difficult to ascertain. Even the hypotheticals raised by the justices during oral argument illustrate how social media has transcended geographical boundaries and render a broad range of conduct to constitute "use in commerce." Is social media marketing use in commerce? What about offering a good through a website by a company based in Europe? Is the single offering of a single good sufficient to satisfy the second limb of the majority's test?

The decision also leaves open the evaluation of the nature and quantum of damages under the Lanham Act when there is a combination of infringing conduct occurring in the U.S. and overseas. This has been the subject of a heated circuit split, which has caused headaches for rights owners. The majority did not address the varied tests among federal circuits, including *Vanity Fair* and *Timberland*, which are the most prominent, for determining damages under the Lanham Act. It may be argued that all of these tests have all been overruled by *Abitron*, but because the majority did not address any of them, it will be interesting to see how the circuit courts react. As such, concerns about forum shopping among the circuits, whereby the quantum of damages recoverable can wildly diverge depending on the forum in which a plaintiff sues, remain.

Takeaways for Businesses and Rights Owners: A Global Approach

While the decision is open to interpretation, let's focus on what is clear. First, unsurprisingly, the Lanham Act protects U.S. trademark owners

from acts of domestic infringement. Second, unsurprisingly, purely foreign infringing conduct is not covered by the Lanham Act. However, it remains unclear how courts will deal with infringing conduct falling in the middle (i.e., when there is some combination between U.S. and foreign infringing conduct).

One key takeaway, which should be standard practice for brand owners conducting business outside the United States, is to register their marks in all foreign jurisdictions in which they offer, or might offer, their goods and services. Proactivity in obtaining and enforcing rights globally is essential, particularly in jurisdictions where there are piracy and counterfeiting concerns. The uncertainty raised by the *Abitron* decision may empower foreign bad actors to engage in international infringement and increase the flow of counterfeit goods into the United States, both of which remain pressing and prevalent issues for U.S. commerce.

A global approach ensures infringers who are based, or conduct substantial business, overseas cannot operate with impunity. They will either be subject to litigation in the United States or abroad; the location of their conduct will just mean they get to pick their poison. With that said, the unfortunate consequence of *Abitron* is that this added diligence will increase the costs and time expenditure associated with trademark protection, as well as force rights owners to commence separate litigation in separate jurisdictions to fully address cross-border infringement.

Further, those seeking to bring litigation against infringers located outside the U.S. should be prepared to establish that there is a sufficient quantum of “use in commerce” of a mark within the United States, as they can no longer just rely on the domestic effects of infringing conduct

by international actors, nor rely on establishing that infringing conduct causes a likelihood of consumer confusion in the U.S. In cases of cross-border infringement, rights owners should also be prepared to make an initial determination as to whether it is better to commence separate litigation in different jurisdictions to enforce their rights, or pursue litigation in the courts of one jurisdiction. Relevant factors are the location of such infringement nature and quantum of damages recoverable, convenience of litigating in a specific jurisdiction, and concerns about personal jurisdiction, comity, and forum non conveniens. It is also worth noting that the latter three doctrines are critical to consider when initiating proceedings, and may make it difficult to bring international actors before U.S. courts. This was evident in the *Abitron* case itself, as the U.S. District Court was tasked with answering threshold jurisdictional questions.

Ultimately, the uncertainty presented by the majority’s opinion can be remedied by proactivity and diligence. While *Abitron* may be perceived to invigorate foreign infringers, it provides a stark warning for rights owners to be prepared to comprehensively protect their rights in all jurisdictions in which they offer goods and services, and enforce their rights (albeit in some cases through separate litigation) in every jurisdiction in which they conduct business.

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