

# Supreme Court Hears Oral Argument over Extraterritorial Reach of US Trademark Law

## Publications

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On March 21, the United States Supreme Court heard oral arguments in *Abitron Austria GmbH v. Hetronic International, Inc.* over whether the infringement provisions of the United States Trademark Act impose liability for damages and injunctive relief where the defendant's use of a mark takes place in part outside the United States but tarnishes the goodwill of a US mark owner, causing it to lose sales, and poses a likelihood of confusing consumers in and outside of the United States. (Jenner & Block represented Hetronic International in this case at trial, and in all the appeal courts).

The respondent, Hetronic International, Inc., a company that produces radio remote controls for heavy duty machinery, filed trademark claims against the petitioners ("Abitron"), some of which were Hetronic's former German and Austrian distributors. At trial, the jury found that Abitron infringed Hetronic's trademarks and harmed its goodwill by using the same product names and signature yellow-and-black trade dress as Hetronic, and awarded \$90 million in trademark damages, equal to Abitron's gross sales of their knockoff products worldwide. On appeal, the US Court of Appeals for the Tenth Circuit upheld the damages award, concluding that the Lanham Act applied extraterritorially to all of Abitron's infringing conduct abroad.

There are several possible outcomes depending on how the Supreme Court rules. Hetronic's position is that Congress intended the Trademark Act to have broad extraterritorial reach based on the statute's expansive definition of "commerce." 15 U.S.C. §§ 1114(1)(a), 1125(a)(1)(A), 1127. Under that definition, any use of a mark in commerce abroad is actionable so long as it causes a substantial effect on US commerce and no conflict with foreign law. Abitron argued that the statutory is not clear enough to show extraterritorial reach, and therefore the Trademark Act should only apply to a foreign defendant's sales of goods directly to US customers. The US Department of Justice ("DOJ") also filed a brief and argued for a middle-ground approach that would require a plaintiff to show some likelihood that the defendant's actions would be likely to cause US consumers to become confused. Even if the Court adopts the approach of the DOJ, Hetronic has contended that the record shows that Abitron's infringing foreign uses were likely to cause confusion among US consumers given, among other things, the nature of Abitron's marketing and the fact that the infringing products, even if sold overseas, frequently are used at American worksites.

The Court's decision will have important consequences for the ability of holders of US trademarks to address infringement occurring outside the borders of the US and for foreign defendants' exposure to liability under US laws.

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