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The following remarks were delivered during a panel discussion on Abitron Austria GmbH v. Hetronic International, Inc. *at Chicago-Kent's 2023 Supreme Court Intellectual Property Review*

INSIDE OR OUTSIDE?: REMARKS ON *ABITRON v. HETRONIC* (U.S. 2023)

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The Court's 1952 *Steele v. Bulova* decision[1] was badly in need of a revisit in light of intervening Supreme Court decisions concerning extraterritoriality of other commerce clause-based statutes, such as the Securities and Exchange Act[2] or the RICO statute.[3] Furthermore, circuit courts had applied different versions of *Steele's* effects test, arguably resulting in an over-reach of the Lanham Act in some cases. When the Supreme Court granted *certiorari* in *Abitron*,[4] the hope was that it would provide clear guidance under its so-called two-step framework[5] for deciding how far the Lanham Act reached outside of US borders.

The *Abitron* decision does emphatically signal that purely foreign commerce, such as much of the sales by defendant Abitron in Europe, is not subject to the Lanham Act's reach. However, Justice Alito's majority opinion provides next to no guidance on how its new rule might apply, even to the facts before it, not to mention other hypothetical but common scenarios.

Both the majority opinion and Justice Sotomayor's concurrence agree that *Steele's* effects test is now replaced by a different type of statutory

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1. Steele v. Bulova, 344 U.S. 280 (1952).
2. Morrison v. National Australia Bank Ltd., 561 U.S. 247 (2010).
3. RJR Nabisco, Inc. v. European Cmty., 579 U.S. 325 (2016).
4. Abitron Austria GmbH v. Hetronic International, Inc. 600 U.S. 412, 143 S. Ct. 2522 (2023).
5. *RJR Nabisco, Inc*, 579 U.S. 325.

construction embodied by the modern two-step test of *RJR Nabisco*, but they disagree on how the second *RJR* step should be characterized. The majority opinion is slippery, to say the least: it does not state unambiguously whether the *location* of the actionable conduct (that is, "use in commerce") *is* the focus of either sections 1114 and 1125 or whether the location of the actionable conduct is now an *additional* step (or perhaps sub-step) in considering the focus of these sections. Although reasonable minds could disagree, the majority never identifies a particular focus of these statutory provisions; the opinion landed instead on conduct.[6]

All the Justices (and probably most observers other than respondent Hetronic) understand that purely foreign infringement, such as direct sales with the marked goods outside of the United States, should not fall within the purview of these sections, and that some domestic infringement, such as the direct sales from Abitron in Europe to US buyers, should. But the unaddressed elephant in the room is the approximately "$2 million worth of the goods at issue . . . to buyers abroad who designated the United States as 'the ultimate location where the product was intended to be used'"[7]—that is, *indirect* sales via intermediaries that ultimately re-sold the marked goods to buyers in the United States.

Under a narrowly construed "use in commerce" test, the plaintiffs arguably would have no recourse against either Abitron or those intermediate buyers.[8] Had the Court adopted a "likelihood of confusion" focus instead, the Lanham Act would then probably have reached these $2 million in sales. Several *amici* besides the Solicitor General had urged the Court to adopt the "likelihood of confusion" focus as being more consistent with the statutory provisions' object of solicitude.[9] And one *amicus* specifically had argued against "[l]anguage in *RJR Nabisco* suggesting that application of a provision may be considered domestic only if 'conduct relevant to the statute's focus occurred in the United States,' . . . , [because it] is dictum, unsupported by the Court's cases, and a potential source of confusion."[10] Nonetheless, the

6. *Abitron*, 143 S. Ct. at 2531 ("The ultimate question regarding permissible domestic application turns on the location of the conduct relevant to the focus. And the *conduct* relevant to any focus the parties have proffered is infringing use in commerce, as the Act defines it." (Original emphasis.))

7. Brief for the United States as Amicus Curiae Supporting Neither Party at 22, Abitron Austria GmbH v. Hetronic International, Inc., 143 S. Ct. 2522 (2023) (No. 21-1043) (citing Pet. App. 71a n.2).

8. *Id*. The Solicitor General had argued that under a "likelihood of confusion" focus of the Lanham Act, Abitron could be liable for those foreign sales if the impact (that is the consumer confusion) was felt in the U.S. As stated in the SG's brief, "Those sales had an evident potential to cause confusion within the United States, and the court of appeals found that at least some of the sales ultimately had that effect." The SG further argued that "adopting a 'use in commerce' rule would allow a seller deliberately using a mark to deceive U.S. consumers to escape liability whenever it employs the expedient of carrying out abroad its U.S.-targeted operations."

9. Brief of Three Intellectual Property Professors as Amicus Curiae in Support of Neither Party, Abitron Austria GmbH v. Hetronic International, Inc., 143 S. Ct. 2522 (2023) (No. 21-1043); Brief of William S. Dodge as Amicus Curiae in Support of Neither Party, Abitron Austria GmbH v. Hetronic International, Inc., 143 S. Ct. 2522 (2023) (No. 21-1043).

10. .Dodge, *supra* n. 9, at 2.

majority rejected these suggestions and focuses on the location of the conduct, specifically, use in commerce.[11] This rule shifts the locus of trademark law away from consumer harm and perhaps toward a more trade-based notion of harm, that is, on activities by the alleged infringer. By doing so, it narrows the basis for liability when marked goods or services are "use[d] in commerce" outside the United States but have some impact (in the form of consumer confusion) within.

Furthermore, the Court's adoption of "use in commerce" as the actionable conduct arguably commingles this test forged within transnational litigation with the function of "use in commerce" in purely domestic trademark doctrine. The Court seemingly ignores (or is perhaps unaware of) that difference. The USPTO and lower courts, by contrast, have treated "use in commerce" primarily as a requirement of federal trademark registrability, falling under Congress's interstate commerce power, rather than as an element of liability for infringement. By zeroing in on the "use in commerce" parts of the relevant statutory texts, the Court may have inadvertently invited litigation over what constitutes a trademark "use in commerce" as a part of the plaintiff's case in chief. As my co-author Professor Christine Haight Farley details in our recent blog post,[12] this doctrinal can of worms had seemed foreclosed by lower court decisions, but is re-opened by this new rule.

Also disregarded in the Court's analysis is that the two-part test must be applied separately to each and every distinct section of the statute. In *WesternGeco v. ION*,[13] for example, the Court separately applied the test to the liability and damages provisions of the patent act. In deciding that the damages provision did cover foreign conduct, it looked to the liability provision (section 271(f)) to which that damages provision was linked. In *Abitron*, however, the Court did not explore differences between sections 1114 and 1125, nor did it address the remedies sections of the Lanham Act (whether damages or injunctions, both of which are at play in the case), possibly because it was obvious that once linked to the liability provisions, these remedies provisions would not apply to purely foreign conduct. Even if that is the case, however, the Court could have drawn a parallel to the *WesternGeco* analysis and at least mentioned this assumption in a footnote.

11. While Justice Jackson sided with the majority, she observed that "the Court has no need to elaborate today upon what it means to "use [a trademark] in commerce," §1127, nor need it discuss how that meaning guides the permissible-domestic-application question in a particular case. I write separately to address those points." She then engaged in a series of hypotheticals that seem to suggest that perhaps some conduct occurring abroad could result in liability under the "use in commerce" test – specifically, if a marked good is sold first to a purchaser abroad, the re-sold in the United States. While Jackson's opinion suggests that the two camps are not as far as they might seem, it's still an open question whether lower courts will accept her invitation to broaden the use in commerce test to include such indirect sales, which would involve relying on theories of secondary liability and/or proximate cause.

12. Margaret Chon and Christine Haight Farley, *Trademark Extraterritoriality: Abitron v. Hetronic Doesn't Go the Distance*, TECHNOLOGY & MARKETING LAW BLOG (Jul. 17, 2023), https://blog.ericgoldman.org/archives/2023/07/trademark-extraterritoriality-abitron-v-hetronic-doesnt-go-the-distance-guest-blog-post.htm [https://perma.cc/3WUA-Y3NG].

13. WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129 (2018).

Separate analysis of each statutory provision of the Lanham Act means that cases that involve section 1125(c) claims, which do not hinge on "use in commerce" but rather on whether a famous mark is likely to be diluted, will raise especially difficult issues of where the location of the conduct (if that is now part of the two-part or perhaps three-part test) occurs, given the tremendous fluidity of consumers and trademark goodwill across borders. Cases involving famous or well-known marks with spill-over reputations increasingly challenge territoriality-based doctrines of trademark law.[14]

The Court also missed an opportunity to clear up whether the issue of extraterritoriality is a question of subject matter jurisdiction or one on the merits. As all litigators know well, many significant procedural differences exist between FRCP 12(b)(1) and 12(b)(6) dismissals. The *Steele* opinion had treated Lanham Act extraterritoriality as a subject matter jurisdictional determination, and most circuits followed this approach, until the Ninth Circuit in 2016 broke with it.[15] The Tenth Circuit in *Abitron* soon followed suit. Thus, a circuit split continues to exist regarding the correct procedural posture for challenging the extraterritoriality of the Lanham Act,[16] unless one reads *Abitron* as approving the Tenth Circuit's merits characterization *sub silentio*.

Within the spectrum of possible comity approaches,[17] the *Abitron* Court veered towards a hard presumption against extraterritoriality, and away from more discretionary tests.[18] In doing so, it created what it may have thought is a bulwark against application and possible over-extension of our federal trademark act to purely foreign activity, but it avoided reaching increasingly common global commerce scenarios. For example, what if an offer to sell is made outside of the United States but somehow reaches inside the United States through the Internet? Ditto advertising via the Internet? For example, what if a band holds a live concert in Europe and a U.S.-based consumer purchases tickets on-line to see this band (with a possibly infringing name in the U.S. but not outside of the U.S.) in Copenhagen? These are types of conduct that fall within the statutory provisions of section 1114, in addition to sales. Already, lower courts are revisiting cases litigated under the prior

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14. *See* Srividhya Ragavan, *The Use Doctrine in Trademark Law: Issues from Trade and Transborder Reputation*, 43 Cardozo L. Rev. 443 (2021).

15. Trader Joe's v. Hallatt, 835 F.3d 960 (9th Cir. 2016).

16. .Margaret Chon, *Kondo-ing Steele v. Bulova: The Lanham Act's Extraterritorial Reach via the Effects Test*, 25 Bost. Univ. J. of L. & Tech. 530 (2019).

17. As Professor Farley and I wrote soon after the decision was announced: "Absent clear guidance or prohibition from the treaties, member states are free to create their own rules of extraterritoriality. Chapter 1 of the Restatement (Fourth) of Foreign Relations Law refers to this area of law as prescriptive jurisdiction—a type of comity or deference to foreign government actors not required by international law." Chon & Farley, *supra* n. 12.

18. *WesternGeco*, 138 S. Ct. at 2136 (citing to the statutory construction principle of *statuta suo clauduntur territorio, nec ultra territorium disponunt*).

Steele framework,[19] and these courts will be challenged by the application of *Abitron*'s apparently simple rule to transborder "use in commerce."

In these ways, the majority's opinion mimics the Court's approach to personal jurisdiction, which has so far assiduously avoided the difficult questions raised by the Internet despite the Court being quite aware for some time that digital commerce and trade pose challenges to the minimum contacts doctrine.[20] Whether in the minimum contacts or extraterritoriality context, the doctrine inevitably leads to questions of whether the contacts or conduct in question, respectively, are "inside" or "outside" of the forum state. The answers are not susceptible to Archimedean precision, to say the least in this age of digitized global commerce and trade.

19. *See*, *e.g.*, Commodores Entertainment Corporation v. Thomas McClary, 2023 WL 5664170 (11th Cir. 2023) (remanding for consideration of geographic contours of injunctive relief in light of Abitron).

20. *See*, *e.g.*, Ford Motor Co. v. Mont. Eighth Judicial Dist. Court et al., 592 U.S. ___, n. 4 (2021).