

Hetronic Int’l, Inc. v. Hetronic Germany GmbH: The Lanham Act, Its Extraterritorial Reach, and the Ever-Deepening Circuit Split

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I. OVERVIEW

Seldom do companies appreciate whistleblowers as much as when their Good Samaritan efforts expose the wrongdoings of an ex-business partner and lead to a jury award in excess of 115 million dollars—ask Hetronic International, Inc.¹ The relationship between Hetronic and Albert Fuchs, who instructed his German team to reverse engineer at least ten Hetronic heavy-duty equipment remote controls, began in 2006.² Fuchs entered multiple distribution and licensing agreements and became the primary Hetronic device distributor in Germany.³ Ultimately, Fuchs-owned entities (hereinafter, “Defendants”) became responsible for distribution in over twenty countries.⁴

The agreements authorized Defendants to “assemble and sell Hetronic’s remote controls under Hetronic’s brand.”⁵ However, distribution and licensing agreements “required [Defendants] to purchase parts from Hetronic unless otherwise authorized in writing,” and “to protect Hetronic’s confidential information.”⁶ The relationship became less amicable when Defendants took deliberate steps to create identical parts, find new suppliers, and sell “Hetronic-branded products that incorporated . . . [the copied] parts sourced from unauthorized third-

1. *Hetronic Int’l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016, 1024 (10th Cir. 2021).

2. *Id.*

3. *Id.* at 1024-25.

4. *Id.* at 1024.

5. *Id.* at 1025.

6. *Id.*

parties.”⁷ Such actions would ultimately fly too close to the sun. After an audacious, yet lucrative effort to sell the copied products in the United States, Hetronic filed suit in the United States District Court for the Western District of Oklahoma, claiming Defendants’ actions violated the Lanham Act.⁸

Defendants made an unsuccessful argument for a declaration of invalidity in foreign jurisdictions prior to the start of the jury trial.⁹ The jury ultimately found that Hetronic’s trademarks had been “willfully infringed.”¹⁰ At issue on appeal was Defendants’ claim “that the court lacked jurisdiction under the Lanham Act to enjoin [their] foreign activities.”¹¹ The United States Court of Appeals for the Tenth Circuit held that jurisdiction under the Lanham Act extended extraterritorially to Defendants’ foreign activities. *Hetronic Int’l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016, 1024-27, 1034 (10th Cir. 2021).

II. BACKGROUND

The Lanham Act (Act) governs federal enforcement of trademarks.¹² Also known as the Trademark Act of 1946, the Act seeks to “regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce.”¹³ According to the Act, where “any person” uses in commerce “any reproduction, counterfeit, copy, or colorable imitation of a registered mark,” without consent from the trademark owner, they, “shall be liable in a civil action by the registrant.”¹⁴ Further, where any person, “uses . . .

7. *Id.* at 1047-49, 1025.

8. *Id.* at 1026 (noting “[b]efore this litigation ensued, . . . [Defendant] sold several hundred thousand dollars’ worth of products in the United States.”).

9. *Id.* at 1026-27 (noting the declaration of invalidity “would [have] nullif[ied] Hetronic’s ‘NOVA’ trademark in the EU . . . but the . . . Board [of Appeal] concluded that Hetronic owned all the disputed intellectual property”).

10. *Id.* at 1027.

11. *Id.*

12. See Lanham Trademark Act, 15 U.S.C. §§ 1051-1127 (1970) (defining “trademark” as “any word, name, symbol, or device or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown”).

13. *Id.* § 1127 (noting the purpose of the Act is “to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations”).

14. *Id.* § 1114(1).

any false designation of origin . . . or false or misleading representation of fact,” which might cause confusion, mistake, or deception as to the “affiliation, connection, or association of such person to with another person,” they also are “liable in a civil action by any person who believes that he or she is likely to be damaged by such act.”¹⁵

Notably, “commerce” in the context of the Act, is defined as “all commerce which may lawfully be regulated by Congress.”¹⁶ Additionally, the Act extends jurisdiction of federal courts to “all actions arising under . . . [it].”¹⁷ Supreme Court precedent with respect to the extraterritorial jurisdiction of the Act is limited to *Steele v. Bulova Watch Co.*¹⁸

In *Steele*, the Court held, “[w]here . . . there can be no interference with the sovereignty of another nation, the District Court in exercising its equity powers may command persons properly before it to cease or perform acts outside its territorial jurisdiction.”¹⁹ The petitioner manufactured watches in Mexico and impermissibly “stamped the name ‘Bulova’ on watches . . . [petitioner] assembled and sold.”²⁰ Aggravating factors for the Court included (1) the Supreme Court of Mexico “nullified [the] petitioner’s Mexican registration of the ‘Bulova’ [trademark],” (2) parts for the infringing watches were bought in the United States, and (3) though manufactured in Mexico, the watches were commercially available in America.²¹ The effects of these aggravating factors were that the petitioner’s “competing goods could well reflect adversely on Bulova Watch Company’s trade reputation in markets cultivated by advertising here as well as abroad.”²² The Court’s conclusion ultimately rested upon the policy that the petitioner, by impermissibly stamping the watches in Mexico, could not “evade the thrust of the laws of the United States in a privileged sanctuary beyond our borders.”²³

Though the *Steele* Court clearly conveyed its policy aims, its ruling lacked a framework to guide future decisions. Against the dramatic

15. *Id.* § 1125(a)(1).

16. *Id.* § 1127.

17. *Id.* § 1121(a).

18. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 282-85 (1952).

19. *Id.* at 289.

20. *Id.* at 281 (describing that the petitioner, while an American citizen and resident of Texas, operated his business in Mexico).

21. *Id.* at 285-86.

22. *Id.* at 286.

23. *Id.* at 287.

evolution of commerce since the mid-twentieth century, the *Steele* decision illuminates the source of conflicting analyses today. Circuit courts are currently split three ways on the issue of extraterritorial reach of the Act to foreign activities of a foreign national.²⁴ The first interpretation follows the *Vanity Fair* test.²⁵ The second interpretation, observed only by the Ninth Circuit, adheres to the *Timberlane* test.²⁶ The third interpretation, which is limited to the First Circuit, relies on the *McBee* test.²⁷

A. *The Vanity Fair Test*

The Second Circuit in *Vanity Fair Mills, Inc. v. T. Eaton Co.* noted that the Act could apply extraterritorially if infringement within the United States was at issue.²⁸ Because of this, the Second Circuit affirmed the district court's dismissal of the case for lack of jurisdiction.²⁹

The Second Circuit relied on three factors proposed by the *Steele* Court in its ruling on infringement under the Act.³⁰ First, whether the actions at issue substantially affected commerce in the United States.³¹ Second, the citizenship of the defendant.³² Third, whether there were any conflicts with foreign trademark laws.³³ In *Vanity Fair*, the Second Circuit found that the cause of action did not arise under laws of the United States, and that possible conflicts with Canadian trademark law warranted dismissal—despite sufficient basis for claims of trademark infringement in the United States.³⁴ Further, the court noted in dicta that “the absence of one of the above factors might well be determinative and that the absence of both is certainly fatal.”³⁵ Ultimately, the Second Circuit concluded that “remedies . . . should not be given an

24. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:58 (5th ed. 2021) (discussing the different interpretations).

25. *Id.*; *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956).

26. MCCARTHY, *supra* note 24; *Timberlane Lumber Co. v. Bank of Am. Nat'l Trust & Sav. Ass'n*, 549 F.2d 597 (9th Cir. 1976).

27. MCCARTHY, *supra* note 24; *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2005).

28. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d at 642, 637-38, 647-48 (determining whether the Lanham Act applied extraterritorially to trademark infringement by a Canadian clothing manufacturer).

29. *Id.* at 647-48

30. *Id.* at 642.

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.* at 642-43 (noting that the defendant was a Canadian citizen).

35. *Id.* at 643, 647 (implying that even the first factor “appear[ed] to be of somewhat minor significance”).

extraterritorial application against foreign citizens acting under presumably valid trade-marks in a foreign country.”³⁶

B. *The Timberlane Test*

The Ninth Circuit implemented the *Timberlane* test to analyze the extraterritorial reach of antitrust laws to foreign activities.³⁷ In *Timberlane Lumber Co. v. Bank of Am. Nat'l Trust & Sav. Ass'n*, plaintiffs filed suit claiming the defendant “conspired to prevent *Timberlane*, through its Honduras subsidiaries, from milling lumber in Honduras and exporting it to the United States.”³⁸ The *Timberlane* court considered three questions in making its decision.³⁹ First, whether there is “some effect—actual or intended—on American foreign commerce . . . ?”⁴⁰ Second, whether the effect produced by the action is “of such a type and magnitude so as to be cognizable as a violation of the Sherman Act?”⁴¹ Third, whether the matter’s effect on foreign commerce is, where America is involved, strong enough to overcome the political desire for “international comity and fairness” and assert the government’s extraterritorial powers?⁴² Of note, the Tenth Circuit has used the *Timberlane* test when deciding antitrust issues, but has not applied it to issues of Act jurisprudence.⁴³ However, the Ninth Circuit routinely uses the test where the extraterritorial reach of the Act is at issue.⁴⁴

For example, in *Trader Joe’s Co. v. Hallatt* the Ninth Circuit considered the extraterritorial reach of the Act when the defendant systematically bought groceries from the plaintiff’s store in Washington and resold them in a similarly designed Canadian store.⁴⁵ The court found “a nexus between . . . [the defendant’s] conduct and American commerce sufficient to warrant extraterritorial application of the Lanham

36. *Id.* at 643, 647 (2d Cir. 1956).

37. *Timberlane Lumber Co. v. Bank of Am. Nat'l Trust & Sav. Ass'n*, 549 F.2d 597, 608 (9th Cir. 1976).

38. *Id.* at 601.

39. *Id.* at 613 (“A tripartite analysis seems to be indicated.”).

40. *Id.*

41. *Id.* at 615.

42. *Id.*

43. *See Montreal Trading Ltd. v. Amax Inc.*, 661 F.2d 864, 869 (10th Cir. 1981) (applying the *Timberlane* test and holding that “[c]omity concerns outweigh any effect on United States commerce.”).

44. *See e.g., Trader Joe’s Co. v. Hallatt*, 835 F.3d 960, 969-76 (9th Cir. 2016) (applying the *Timberlane* test to the extraterritorial reach of the Lanham Act).

45. *Trader Joe’s* 835 F.3d at 962-63 (noting the defendant designed his store to “mimic” *Trader Joe’s*).

Act.”⁴⁶ In so holding, the court considered how the infringement affected “American foreign commerce,” and whether the infringement caused “a cognizable injury to the plaintiffs under the Lanham Act.”⁴⁷ In its analysis, the *Trader Joe’s* court noted “[a] defendant’s foreign activities need not have a substantial or even significant effect on American commerce, rather, ‘some effect’ may be sufficient.”⁴⁸ Finally, the court considered the issue of “international comity,” emphasizing that “[it] construe[s] statutes to avoid unreasonable interference with other nations’ sovereign authority where possible.”⁴⁹ To determine the effect of comity, the court weighed seven factors.⁵⁰ After applying the *Timberlane* test to the facts of the case, the Ninth Circuit weighed in favor of extraterritorial application of the Act to the defendants’ foreign activities.⁵¹

C. *The McBee Test*

The *McBee* test was developed by the First Circuit as a matter of first impression in deciding the extent of the Act’s extraterritorial reach to foreign activities.⁵² In *McBee v. Delica Co.*, the court held that, if the activities at issue in an American court relate to the “foreign activities of foreign defendants,” then “subject matter jurisdiction under the Lanham Act is proper only if the complained of activities have a substantial effect on United States commerce.”⁵³ However, where plaintiffs seek to “enjoin sales in the United States, [then] there is no question of extraterritorial

46. *Id.* at 963.

47. *Id.* at 969.

48. *But see id.* at 969-70 (distinguishing *Trader Joe’s* from a case from those where a plaintiff “usually [would] satisfy [*Timberlane’s*] first and second prongs,” by emphasizing that, contrary to the facts in *Trader Joe’s*, arguments are successful more often when “infringing goods . . . [flow] into American domestic markets”).

49. *Id.* at 972 (quoting *RJR Nabisco, Inc. v. European Community*, 136 S.Ct. 2090, 2106-07 n.9 (2016)).

50. *Id.* at 972-73 (listing the seven factors as, “[1] the degree of conflict with foreign law or policy, [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations, [3] the extent to which enforcement by either state can be expected to achieve compliance, [4] the relative significance of effects on the United States as compared with those elsewhere, [5] the extent to which there is explicit purpose to harm or affect American commerce, [6] the foreseeability of such effect, and [7] the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.”) (noting “[n]o one factor is dispositive”) (quoting *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1395 (9th Cir. 1985)).

51. *Trader Joe’s*, 835 F.3d at 977-78.

52. *McBee v. Delica Co.*, 417 F.3d 107, 110 (1st Cir. 2005).

53. *McBee*, 417 F.3d at 111.

application; the court has subject matter jurisdiction.”⁵⁴ The *McBee* plaintiff brought suit under the Act for false endorsement and dilution after the defendant named his clothing line “Cecil McBee” and sold the clothes in Japanese retail shops.⁵⁵ Notably, the defendant’s clothing line was registered under Japanese trademark law and “Cecil McBee” retail shops only operated in Japan.⁵⁶ Though the defendant instructed Japanese retailers not to sell the product in the United States, the plaintiff brought suit after managing to purchase \$2,500 worth of clothing.⁵⁷

In deciding *McBee*, the First Circuit followed the Supreme Court’s framework for asserting extraterritorial jurisdiction in Sherman Act claims.⁵⁸ Based on the Court’s reasoning in *Hartford Fire Ins. Co. v. California*, the First Circuit concluded that there must be a substantial effect on American commerce for the Act to apply to a defendant’s extraterritorial activities.⁵⁹ Moreover, to determine substantiality, “there [must] be evidence of impacts within the United States, and these impacts must be of a sufficient character and magnitude to give the United States a reasonably strong interest in litigation.”⁶⁰ Further, courts must consider whether the substantial effects align with the intent of the Act, described as “protect[ing] the ability of American consumers to avoid confusion and to help assure a trademark’s owner that it will reap the financial and reputational rewards associated with having a desirable name or product.”⁶¹

The *McBee* court distinguished its approach from the Vanity Fair test in two ways.⁶² First, the court emphasized that, where the Vanity Fair test considers the substantial effects as one factor of a three-part analysis, courts applying the McBee test shall first determine the question of

54. *Id.*

55. *Id.* at 111-12 (noting the plaintiff was a popular American musician and well known in Japan).

56. *Id.* at 112.

57. *Id.* at 113 (noting that the plaintiff hired Japanese speaking private investigators who were met with mixed success in their efforts to purchase the clothing).

58. See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993) (“jurisdiction over foreign conduct exist[s] under the antitrust laws if that conduct ‘was meant to produce and did in fact produce some substantial effect in the United States.’”); see *McBee v. Delica Co.*, 417 F.3d 107, 119 (1st Cir. 2005) (reasoning that looking to “decisions of the Supreme Court in the antitrust context seem useful to us as a guide . . . [because] the decisions reflect more recent evolutions in terms of legal analysis of extraterritorial activity”).

59. *McBee*, 417 F.3d at 120.

60. *Id.*

61. *Id.* at 121.

62. *Id.*

citizenship.⁶³ If the defendant is not an American citizen, courts shall then “use the substantial effects test as the sole touchstone to determine jurisdiction.”⁶⁴ Second, assuming the substantial effects requirement is met, the court instructed that comity should be considered as a subfactor.⁶⁵ Contrary to the Vanity Fair test’s use of comity to definitively decide whether subject matter jurisdiction exists, a comity analysis under the *McBee* test is used to determine the “prudential questions of whether that jurisdiction should be exercised.”⁶⁶

The *McBee* court acknowledged a potential argument for an injunction barring the defendant’s sales in the United States.⁶⁷ However, the claims for injunctive relief lacked merit because the sales at issue were all made to the plaintiff’s own private investigators.⁶⁸ Further, the effects of the defendant’s online and Japanese-based sales were not strong enough to substantially affect American commerce.⁶⁹

III. COURT’S DECISION

In the noted case, the Tenth Circuit followed the framework promulgated by the *McBee* court to analyze the extraterritorial reach of the Act to foreign activities.⁷⁰ However, it did so with one exception.⁷¹

In accordance with the *McBee* test, the *Hetronic* court found that the Act extends extraterritorially to any conduct by American citizens.⁷² Because of this, analyzing substantial effects on American commerce is unnecessary if the defendant is an American.⁷³ By contrast, showing a foreign activity’s substantial effect on American commerce is required where the defendant is not an American citizen.⁷⁴ The Tenth Circuit

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.* (noting also, “[w]e . . . do not see why the scope of Congressional intent and power to create jurisdiction under the Lanham Act should turn on the existence and meaning of foreign law.”).

67. *Id.* at 123.

68. *Id.* at 122, 128.

69. *Id.* at 124-25.

70. *See* *Hetronic Int’l, Inc. v. Hetronic Germany GmbH*, 10 F.4th 1016, 1036 (10th Cir. 2021); *McBee*, 417 F.3d at 111.

71. *Hetronic Int’l, Inc.*, 10 F.4th at 1036-38.

72. *Id.*

73. *Id.* at 1036-37 (noting, “[n]o one questions Congress’s ability to ‘regulate the conduct of its own citizens, even extraterritorial conduct.’”) (quoting *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285-86 (1952)).

74. *Hetronic*, 10 F.4th at 1037 (acknowledging that proof of substantial effects is not required by *Steele* and highlighting the contention with the Fifth and Ninth Circuits on this point.

deviated from the *McBee* test, however, on the issue of foreign trademark rights.⁷⁵ Rather, when considering whether conflicts between Act application and foreign laws will arise, the Tenth Circuit held that the *Steele* decision governs.⁷⁶ The court added that, with the exception of the First Circuit, this consideration is shared by “every other circuit court.”⁷⁷

The *Hetronic* court also settled an important point of contention from the district court. On appeal, Defendants raised a two-pronged argument opposing the district court’s decision to dismiss the issue of subject matter jurisdiction based on the substantial effects of foreign activities on American commerce.⁷⁸ The court acknowledged that the issue of extraterritoriality should have been settled, as a matter of law, by the district court before trial.⁷⁹ However, the court clarified that “questions about the extraterritorial reach of a federal statute go to the merits, not jurisdiction,” and further confirmed “[t]hat [the] same rationale holds true for the Lanham Act.”⁸⁰ In doing so, the court held that “district courts should ordinarily decide questions about the scope of the Lanham Act’s extraterritorial reach as a matter of law, preferably in the litigation’s early stages.”⁸¹ Therefore, the district court was ultimately correct in precluding Defendants from arguing that foreign activities did not substantially affect United States commerce.

After establishing that the issue was one of statutory interpretation, the *Hetronic* court proceeded to apply its framework to the facts of the

The court also justifies the decision to require a showing of substantial effects on American commerce on the bases that, first, applying a test to a foreign national was not at issue in *Steele* and, second, a substantial effects test requirement “aligns the test for Lanham Act extraterritoriality with both the Supreme Court’s antitrust jurisprudence and general principles of foreign relations law.”).

75. *Id.* at 1037-38; *cf. McBee*, 417 F.3d at 111.

76. *Hetronic*, 10 F.4th at 1037.

77. *Id.* at 1037-38 (citing *Steele v. Bulova Watch Co.*, 344 U.S. 280, 289 (1952); citing *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956); citing *Trader Joe’s Co. v. Hallatt*, 835 F.3d 960, 972-73 (9th Cir. 2016)).

78. *Id.* at 1038-39 (noting that “[t]he district court considered the Lanham Act’s extraterritoriality three times [throughout litigation],” and explaining that, because the extraterritoriality issue was not resolved before trial as a matter of subject matter jurisdiction, “[d]efendants maintain that the court erred by precluding them from arguing the issue at trial.”).

79. *Id.* at 1040.

80. *Id.* (first citing *Morrison v. Nat’l Austl. Bank Ltd.*, 561 U.S. 247, 254 (2010); then citing *Trader Joe’s*, 835 F.3d at 968).

81. *Hetronic*, 10 F.4th at 1041 (basing their holding on the fact that “courts have always decided this issue as a matter of law since the Supreme Court decided *Steele* and have continued to do so even after *Morrison* cleared up that it’s not a question of subject-matter jurisdiction,” and further emphasizing the issue of the statutory interpretation of a Lanham Act injunction is a legal question and “[j]udges, not juries decide purely legal questions.”).

case. The first and third prongs of the court's newly adopted framework—respectively requiring a court to consider the citizenship of the Defendants and whether international trademark conflicts exist—were quickly set aside, finding no dispute over Defendant's foreign citizenship or international trademark laws.⁸² The court then addressed the substantial effects prong and “conclude[d] that Defendant's foreign conduct had a substantial effect on U.S. commerce.”⁸³

The court considered three factors in support of the foreign activities' substantial effect on American commerce.⁸⁴ However, they did not address the first factor—“Defendant's direct sales into the United States”—because “a foreign infringer's direct U.S. sales don't factor into [the court's] analysis of whether the Lanham Act applies abroad.”⁸⁵ In doing so, the court considered “the Lanham Act's ‘core purposes’—protecting U.S. consumers from confusion and ‘assur[ing] a trademark's owner that it will reap the financial and reputational rewards associated with having a desirable name or product.’”⁸⁶ The second and third factors included the “sales of products abroad that ended up in the United States,” and “diverted foreign sales that Hetronic would have made but for Defendant's infringing conduct.”⁸⁷

In total, the court held that there was sufficient evidence of confusion by American consumers, finding almost two million euros worth of sales in United States commerce.⁸⁸ It also found Hetronic's theory of diverted sales to be meritorious.⁸⁹ Critical to the finding was evidence presented showing that sales diverted from Hetronic amounted to “tens of millions of dollars,” which “would have flowed into the U.S.

82. *Id.* at 1042 (noting, however, that the third prong should normally only be considered after establishing substantial effects existed).

83. *Id.*

84. *Id.*

85. *Id.* at 1042-43 (“Applying the Lanham Act to a foreign infringer's direct U.S. sales isn't an extraterritorial application of the Act: ‘Courts have repeatedly distinguished between domestic acts of a foreign infringer and foreign acts of that foreign infringer; the extraterritoriality analysis . . . attaches only to the latter.’”) (citing *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33-34 (2003)).

86. *Id.* at 1042 (quoting *McBee v. Delica Co.*, 417 F.3d 107, 120 (1st Cir. 2005)).

87. *Id.*

88. *Id.* at 1043-44 (noting that the amount of sales alone was likely enough to infer confusion, but that wasn't necessary due to the fact that evidence included instances of American citizens emailing the German company for new products and sending the infringed products to the American product manufacturer for repairs, confusion by German employees of the relationship between the two companies, and the inability of German employees to differentiate between the original and infringed product.).

89. *Id.* at 1045.

economy but for [Defendant] infringing a U.S. trademark.”⁹⁰ The foreign sales that entered the United States, and the high value of diverted sales to other markets, ultimately tipped the scales in favor of finding substantial effects on American commerce. Because of this, the Tenth Circuit concluded that “the Lanham Act applies extraterritorially here to reach all of Defendant’s foreign infringing conduct.”⁹¹

Before settling the remaining few issues on appeal, the court considered the specificity and scope of the current injunction.⁹² Counter to Defendant’s argument, the court found that there was sufficient specificity for the injunction.⁹³ However, on the issue of the geographic scope, the court held that the district court’s injunction was overly broad.⁹⁴ The court reasoned, “in a country in which Hetronic has no presence . . . there [could] be [no] market confusion, the hallmark of a trademark claim, when there were no confusingly similar products being marketed.”⁹⁵ Because of this, the district court’s worldwide injunction was ultimately limited to countries in which Hetronic has a market presence.⁹⁶

IV. ANALYSIS

In the noted case, the court arrived at the correct outcome. However, it did so in an illogical fashion that deepened the preexisting circuit split. When measured against its own reasoning, the Tenth Circuit’s decision to adopt the McBee test is counterintuitive and, more importantly, impedes the Act’s purposes.⁹⁷

The counterintuitive nature of the decision is rooted in the Tenth Circuit’s reasoning for adopting the McBee test in lieu of the Timberlane

90. *Id.*

91. *Id.* at 1046.

92. *Id.* at 1024, 1046 (noting the “district court entered a worldwide injunction barring Defendants from selling their infringing products”).

93. *Id.* at 1046 (noting that FRCP 65 “requires that injunctions contain ‘[reasonable] detail,’” and that, “The district court’s injunction goes far beyond an abstract conclusion of law and easily satisfies Rule 65,” by covering Trade Dress, reproductions, copies, counterfeits, and colorable imitations.) (quoting FED. R. CIV. P. 65(d)(1)(C)).

94. *Id.* at 1046-47 (“Recall that the court’s injunction extends not only to countries in which Hetronic currently sells its products, but to every country in the world. The Lanham Act—the statute on which the district court relied—cannot support such a broad injunction here.”).

95. *Id.* at 1047.

96. *Id.*

97. *Id.* at 1042 (quoting *McBee v. Delica Co.*, 417 F.3d 107, 122 (1st Cir. 2005)) (citing *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33-34 (2003)).

test.⁹⁸ The court described the First Circuit's decision to "[rely] heavily on the Supreme Court's caselaw governing the extraterritoriality of U.S. antitrust laws" as a "[wise]" one.⁹⁹ Its justification is premised on the argument that "[the] Court has written [in the antitrust context], on the issue of extraterritorial application, far more recently than it has written on the Act, and thus the decisions reflect more recent evolutions in terms of legal analysis of extraterritorial activity."¹⁰⁰ Looking to antitrust jurisprudence for a more evolved legal analysis is completely reasonable because it isn't a novel concept.

As previously discussed, the *Timberlane* test was developed to decide antitrust issues—and the Tenth Circuit used the test in *Montreal Trading Ltd. v. Amax Inc.* to do just that.¹⁰¹ Further, the test is actively used by the Ninth Circuit in the context of deciding Act issues.¹⁰² The *Hetronic* court partially justified its decision to deviate from the *Timberlane* test by emphasizing that, "unlike the *Timberlane* test adopted in [*Montreal Trading*], the [*McBee*] framework accounts for the differences in a defendant's citizenship."¹⁰³ Contrary to the court's reasoning, the *Timberlane* test does, in fact, account for differences in a defendant's citizenship.¹⁰⁴

The *Hetronic* court made clear it was adopting the *McBee* test.¹⁰⁵ However, by way of a "caveat," it promptly diverged from the *McBee* test and patently changed its framework.¹⁰⁶ Rather than distinguish its interpretation of an existing step, like the Fifth Circuit did to the first prong of the *Vanity Fair* test, the Tenth Circuit added an entirely separate

98. *McBee*, 417 F.3d at 111; *Trader Joe's Co. v. Hallatt*, 835 F.3d 960, 972-73 (9th Cir. 2016).

99. *Hetronic*, 10 F.4th at 1036.

100. *Id.* at 1036 n.6 (quoting *McBee v. Delica Co.*, 417 F.3d 107, 111 (1st Cir. 2005)).

101. 661 F.2d 864, 871 (10th Cir. 1981) (applying the *Timberlane* test in the context of an antitrust issue and holding that "[c]omity concerns outweigh any effect on United States commerce.").

102. *Trader Joe's*, 835 F.3d at 969-76.

103. *Hetronic*, 10 F.4th at 1038.

104. *See id.* at 1036 n.5 (discussing the seven factors of the *Timberlane* test's international comity analysis and listing the second factor as "the nationality or allegiance of the parties and the locations or principal places of business of corporations"); *Montreal Trading*, 661 F.2d at 869 ("Concerning this balancing between the United States and extraterritorial contacts and interests the [Restatement] outlines the following factors as pertinent: . . . (d) the nationality of the person), ("Kingman Brewster, in formulating a 'jurisdictional rule of reason,' listed the following factors: . . . (d) the nationality or allegiance of the parties or in the case of business associations, their corporate location").

105. *Hetronic*, 10 F.4th at 1036-38.

106. *Id.* at 1037.

prong to the *McBee* test.¹⁰⁷ Notably, the added prong requiring courts to “weigh any foreign trademark rights established by the defendant,” is one that “every other circuit court considers.”¹⁰⁸ As a result of this change, courts should consider whether the Tenth Circuit actually adopted the *McBee* test or fractured the circuit split in a fourth direction.

A final point worth addressing is whether the Tenth Circuit’s commitment to implementing a substantial effects requirement—a consideration not required in *Steele v. Bulova*—hinders the purpose of the Act as defined in the noted case.¹⁰⁹ Given the Tenth Circuit’s approval of the *McBee* court’s use of antitrust jurisprudence to develop its framework, it makes sense that the *Hetronic* court justified its reasoning on the basis that it “aligns the test for Lanham Act extraterritoriality with both the Supreme Court antitrust jurisprudence and general principles of foreign relations law.”¹¹⁰ However, it is worth considering that an added requirement to prove substantial effects might work against the Act’s “[c]ore [p]urposes,” and ultimately make it harder for aggrieved trademark owners to “reap the financial and reputational rewards associated with having a desirable name or product.”¹¹¹

In conclusion, the Tenth Circuit’s adoption and utilization of the *McBee* test led to the correct outcome. The newly modified framework provides clear and direct instructions for cases in the Tenth Circuit. However, the problem is that there are three, and now arguably four approaches to deciding the issue of the extraterritorial reach of the Act to foreign activities of foreign nationals.¹¹² Further, each approach is

107. *Id.* at 1035, 1037-38.

108. *Id.* at 1037-38 (first citing *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956); then citing *Trader Joe’s Co. v. Hallatt*, 835 F.3d 960, 972-73 (9th Cir. 2016)).

109. *Hetronic*, 10 F.4th at 1042 (“[P]rotecting U.S. consumers from confusion and ‘assur[ing] a trademark’s owner that it will reap the financial and reputational rewards associated with having a desirable name or product’”).

110. *Id.* at 1037.

111. *Id.* at 1042 (quoting *McBee v. Delica Co.*, 417 F.3d 107, 120-21 (1st Cir. 2005)).

112. MCCARTHY, *supra* note 24 (discussing the different tests).

becoming increasingly polarized. As commerce, technology, and society continue to evolve, so will the Act's extraterritorial reach. Because of this, the Supreme Court must break its seventy-year silence and prioritize addressing this issue in the near future.¹¹³

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113. *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

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