WATERING DOWN STEELE V. BULOVA WATCH CO. TO REACH E-COMMERCE OVERSEAS: ANALYZING THE LANHAM ACT’S EXTRATERRITORIAL REACH UNDER INTERNATIONAL LAW

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I. INTRODUCTION

When the Internet allows Mexican consumers to buy infringing U.S. sneakers made in Korea, which nation’s trademark laws should apply? If the plaintiff sued in a U.S. court, the court would likely apply U.S. law, despite the fact that the confusion occurred in Mexico and the defendant is not a U.S. citizen. Extraterritorial application of the Lanham Act, relevant to the example set forth above, is common. With the increase in international and Internet commerce, international trademark disputes arising from the Internet are bound to increase. A problem arises when one considers that trademark law is territorial, which means that each

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1. The term “confusion” refers to the likelihood-of-confusion standard used to determine whether trademark infringement has occurred. Generally, the use of a trademark in connection with the sale of goods constitutes infringement if it is likely to cause consumer confusion as to the source or sponsorship of such goods. In determining whether consumers are likely to be confused, courts look at the following factors: (1) the strength of the mark, (2) the proximity of the goods, (3) the similarity of the marks, (4) evidence of actual confusion, (5) the similarity of marketing channels used, (6) the degree of care likely to be exercised by the typical purchaser, (7) the quality of the defendant’s product, (8) the likelihood of expansion of the product lines by the initial user, and (9) the defendant’s intent in adopting the mark. See 74 AM. JUR. 2D Trademarks and Tradenames § 86 (2003).

country has its own trademark laws that operate only within its borders. Thus, any unjustified extraterritorial application of national laws conflicts with international legal principles of jurisdiction and international treaty obligations.

Trademarks on the Internet are especially confusing due to the instantaneous worldwide reach of web sites and the intangible format of the Internet. When consumers buy physical goods on the Internet, they are unable to examine directly the goods before the purchase, and they must depend on the brand of the product, which embodies the selling firm's goodwill and reputation. Even when consumers buy digital goods, such as software or downloaded music, they again rely on the brand name of the product because they will be unable to experience it before downloading it. The nature of the Internet gives trademarks a more important role in e-commerce, making them more valuable to businesses. As a result, businesses will litigate any possible confusion of their trademarks with competitors.

A problem arises, however, when the defendant's conduct occurs outside the United States. Scholars have already noted that U.S. courts increasingly have been asked to apply federal trademark law to conduct occurring outside U.S. borders. The reasons for this are multifold: U.S. businesses are increasingly engaged in business overseas, U.S. trademark laws are often more protective than those of other countries, the value of trademarks as a business asset has increased, the Internet has facilitated the transmission of trademarks around the world, and U.S. courts utilize broad discovery rules and award high damages. When the litigation involves a foreign defendant and trademark confusion occurring abroad, however, extending the Lanham Act extraterritorially could conflict with international legal principles.


4. See id. at 702 (discussing the reputation function of trademarks in the e-commerce of physical goods).

5. See id. at 703 (discussing the function of trademarks in digitized goods).


7. Bradley, supra note 6, at 506–07.
This Note argues that through the evolution of case law, the extraterritorial reach of the Lanham Act over trademarks on the Internet may be overextensive and unjustified under international legal principles. In particular, this Note analyzes the situation where a foreign defendant’s conduct abroad is subject to the extraterritorial application of the Lanham Act. It will focus on traditional infringements where trademarks posted on web sites are likely to cause confusion. Part II begins with a finding that there is no clear congressional intent to apply the Lanham Act extraterritorially and discusses federal case law supporting the extraterritorial reach of the Lanham Act. Part III explores possible violations of international legal principles due to the extraterritorial application of the Lanham Act and concludes by arguing that the Lanham Act should not be extended to questionable situations. Finally, Part IV makes recommendations that aim to allow U.S. plaintiffs to seek protection of their trademark rights without encouraging U.S. courts to violate international law.

II. THE EXTRATERRITORIAL REACH OF THE LANHAM ACT

This part analyzes both the congressional intent and case law regarding the extraterritorial application of the Lanham Act. Unfortunately, the lack of congressional intent and Supreme Court cases have left the circuit courts with limited information to interpret the law. As a result, the circuit courts have created a flexible approach when analyzing extraterritoriality that unfairly requires foreign defendants doing business on foreign web sites to be subject to the Lanham Act.

8. Trademark infringements dealing with domain names or metatags are outside the scope of this Note. For general information about trademark infringements due to domain names, metatags, linking, framing, trade dress, and spamming, see generally G. PETER ALBERT, JR. & LAFF, WHITESEL & SARET, LTD., INTELLECTUAL PROPERTY LAW IN CYBERSPACE 155–202 (1999).

9. There is much debate in legal scholarship as well as among world leaders on what constitutes international law and how it is enforced. See, e.g., Andrew T. Guzman, Compliance-Based Theory of International Law, 90 CAL. L. REV. 1823 (2002) (examining international law from the perspective of compliance); Stephan Hobe, The Era of Globalization as a Challenge to International Law, 40 DUQ. L. REV. 655 (2002) (discussing the development of international law since 1648 and possible new sources of international law in an era of globalization); A. Mark Weisburd, American Judges and International Law, 36 VAND. J. OF TRANSNAT’L L. 1475 (2003) (discussing the U.S. courts’ approach to determining the content of customary international law). Although arguments concerning the constitution of international law are beyond the scope of this Note, any references made in this Note to “international law” or “international legal principles” refer to the legal principles established in the Restatement (Third) of Foreign Relations Law of the United States and international treaty obligations.
A. LEGISLATIVE INTENT OF THE LANHAM ACT

The Supreme Court has repeatedly stated that "legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." This means that federal laws are presumed to be territorial unless an affirmative intention of Congress is clearly expressed. On its face, the Lanham Act does not mention extraterritoriality. Furthermore, review of the Congressional Record shows no sign that Congress, when passing the Lanham Act, intended that it be applied extraterritorially. The only evidence that hints at the extraterritorial application of the Lanham Act is Congress's intent to "regulate commerce within the control of Congress," which has been interpreted by courts to include commerce with foreign nations. There is nothing in the Congressional Record, however, that directly states Congress's intent to apply the Lanham Act extraterritorially. Therefore, it has been left to the courts to determine the Lanham Act's legislative intent.

B. CASE LAW ANALYZING THE LANHAM ACT

Trademark law is essentially territorial, and no clear congressional intent to apply the Lanham Act extraterritorially has been discovered. The next logical question is whether the Lanham Act can be applied extraterritorially over foreign defendants' web sites using Steele v. Bulova Watch Co. and its progeny.

1. Subject Matter Jurisdiction Generally

The only time the Supreme Court has addressed the extraterritoriality of the Lanham Act was in the seminal Steele case. This 1952 case concerned a U.S. citizen who infringed Bulova's trademark when he manufactured counterfeit watches in Mexico.

15. Id. at 285.
trademark in Mexico, but never directly sold in U.S. territory. The watches made their way into the United States when the counterfeits purchased in Mexico were taken to Bulova stores in the United States for repair.

The Court first noted that congressional legislation is not intended to extend beyond U.S. borders absent clear contrary legislative intent in the statute. Then, the Court searched for any evidence that Congress intended to apply the Lanham Act extraterritorially and found the answer in the broad jurisdictional language of the Lanham Act, which stated its intention to regulate "all commerce which may lawfully be regulated by Congress." The Court held that such language indicated congressional intent to extend the Lanham Act to conduct beyond U.S. borders, reasoning that "commerce," as defined by the U.S. Constitution, encompasses "[c]ommerce with foreign Nations and among the several States." Despite announcing that the Lanham Act could be applied outside U.S. borders in some cases, the Court rested its decision on three specific factors: (1) that the defendant's conduct had some effect on U.S. commerce because the watches found their way back into the United States; (2) the defendant was a U.S. citizen; and (3) that due to the cancellation of the defendant's Mexican trademark registration of Bulova, there was no conflict of foreign laws with Mexico. These three factors have been used by subsequent courts to develop their own Steele tests.

16. Id.
17. Id.
18. Id. at 287.
19. Id. See also Bradley, supra note 6, at 510–19 (explaining the Supreme Court's justification for a general presumption against extraterritoriality); Robert Butts, Note, Trademark Law: Interpreting the Congressional Intent of the Extraterritorial Application of the Lanham Trademark Act, 8 FLA. INT'L L. 447, 450 (1993) (framing the issue in Steele v. Bulova Watch Co. as whether Congress intended the Lanham Act to apply to the instant facts).
20. Steele, 344 U.S. at 287. See also 15 U.S.C. § 1127 (2000) ("The word 'commerce' means all commerce which may lawfully be regulated by Congress.").
21. U.S. CONST. art. I, § 8, cl. 3. See Erika Marie Brown, Extraterritorial Application of Trademark Law Under the Lanham Act: Recent Decisions from the Second Circuit, 11 N.Y. INT'L L. REV. 55, 58 (1998) [hereinafter Second Circuit Decisions] ("The United States Constitution expressly grants Congress the power to regulate all interstate commerce and commerce with ... foreign nations."); Burk, supra note 3, at 726 (noting that the extraterritorial reach of the Lanham Act draws on the constitutional commerce power and that courts have frequently interpreted the commerce clause to give them express authority to apply the Lanham Act extraterritorially).
22. See Steele, 344 U.S. at 286.
23. Id. at 289.
24. Butts, supra note 19, at 452 ("These three factors represent the cornerstone on which subsequent courts developed the tripartite test.").
The Steele Court left many questions unanswered, and because the Supreme Court has not yet readdressed the extraterritoriality issue, circuit courts have been left to grapple with the vague Steele factors for over fifty years. The result has been a wide range of tests applied by the various circuits. The most prolific circuits that have considered Steele are the Second, Fourth, Fifth, and Ninth Circuits. The Second and Ninth Circuits, however, have contributed the most to the evolution of the Steele factors and are also the two most disparate circuits in their application. This Note will compare these two circuit tests.

a. The Second Circuit Test

The Second Circuit was the first to interpret Steele in Vanity Fair Mills v. T. Eaton Co., just four years after Steele was decided. In Vanity Fair, the plaintiff, a U.S. corporation holding a valid U.S. trademark, sued the defendant, a Canadian corporation holding a valid Canadian trademark identical to the plaintiff’s. The court first found that Congress did not intend the Lanham Act to apply outside the United States. The court then developed the Vanity Fair tripartite test based on the Steele decision. The test had three factors: (1) The defendant’s conduct must have a substantial effect on U.S. commerce; (2) the defendant must be a U.S. citizen; and (3) there must be an absence of conflict with foreign law. The court also held that, although the absence of one factor would not necessarily prevent an extraterritorial reach of the act, the absence of two factors was determinative.

In its resolution of the case, the court denied the extraterritorial application of the Lanham Act over the defendant because the second and third prongs were not met. The defendant was a Canadian citizen, and

25. See generally Avakian, supra note 2 (comparing the Second and Ninth Circuit tests and tailoring them to fit Internet cases); Erika M. Brown, The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions Under the Lanham Act, 9 FORDHAM INT’L. L. 863 (1999) [hereinafter Recent Decisions] (exploring the major decisions using the Steele factors in the Second, Fifth, and Ninth Circuits); Butts, supra note 19 (explaining the evolution of the Steele factors in the Second, Fifth, Ninth, and Fourth Circuits).
26. See generally Butts, supra note 19 (examining decisions in all four circuits).
27. See id. at 468 (characterizing the Fourth and Fifth Circuit tests as “hybrids” of the two opposing tests in the Second and Ninth Circuits).
29. Id. at 637.
30. See id. at 642.
31. Id.
32. Id. at 643.
35. See id. at 642–43.
resolution in favor of the plaintiff would have conflicted with valid Canadian trademark rights.\textsuperscript{35} Even though the court required and found a substantial effect on U.S. commerce, it did not rest its decision on this factor.\textsuperscript{36} As a result, although the court inserted the substantiality requirement into its test, it never fully explained what it meant by substantial effect.

Interestingly, the \textit{Vanity Fair} test is more strict than \textit{Steele}. The Supreme Court did not require a "substantial" effect on U.S. commerce to apply the Lanham Act extraterritorially.\textsuperscript{37} Further, the \textit{Vanity Fair} court mandated that the defendant be a U.S. citizen, based on \textit{Steele}'s finding that Congress has the power to control U.S. citizens abroad.\textsuperscript{38}

More recent decisions have increasingly liberalized all three prongs of the \textit{Vanity Fair} tripartite test. First, \textit{C-Cure Chemical Co. v. Secure Adhesives}\textsuperscript{39} loosened the substantial effects requirement to include consideration of indirect effects on U.S. commerce.\textsuperscript{40} In this case, one defendant, Olympia, a Canadian corporation that sold adhesives, purchased adhesives from the second defendant, a U.S. corporation named Secure Adhesives ("Secure").\textsuperscript{41} Secure's sole stockholder was Olympia's vice-president.\textsuperscript{42} C-Cure, a U.S. corporation also selling adhesives, sued both defendants for trademark infringement of its registered U.S. trademark in the name "C-Cure."\textsuperscript{43} Although the court found for Secure due to a lack of consumer confusion, the extraterritorial question was whether it could enjoin Olympia under the Lanham Act.\textsuperscript{44} In considering the substantial

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\item See id. Thus it may well be that Congress could constitutionally provide infringement remedies so long as the defendant's use of the mark has a substantial effect on the foreign or interstate commerce of the United States. But we do not reach this constitutional question because we do not think that Congress intended that the infringement remedies . . . should be applied to acts committed by a foreign national in his home country under a presumably valid trademark registration in that country.

\begin{quote}
\textit{Id.}
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\item The \textit{Steele} decision stated that defendant's "operations and their effects were not confined within the territorial limits of a foreign nation. . . . [Defendant's] competing goods could well reflect adversely on Bulova Watch Company's trade reputation in markets cultivated by advertising here as well as abroad." Steele v. Bulova, 344 U.S. 280, 286 (1952) (emphasis added). This language does not use the term "substantial" nor does it suggest that "substantial effect" on commerce is required. It only mentions that the effect must be adverse. See Butts, supra note 19, at 452-53 (explaining the Court's addition of "substantial effect" into the \textit{Steele} test).

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\item See \textit{Vanity Fair Mills}, 234 F.2d at 642.
\item See \textit{id.} at 821. See also Butts; \textit{supra} note 19, at 454-55.
\item \textit{C-Cure Chemical}, 571 F. Supp. at 812.
\item \textit{Id.} at 811.
\item \textit{Id.} at 813.
\item \textit{Id.} at 820.
\end{enumerate}
effects prong, the court focused on Olympia's business dealings with Secure, including Olympia's loan to establish Secure, its present purchases of Secure adhesives with the infringing Secure labels, and Secure's present purchases of chemical concentrates from a Canadian company whose stock was owned entirely by Olympia. As a result, the court found that Olympia's business dealings constituted a substantial effect on U.S. commerce. Interestingly, however, the business deals could have only indirectly harmed C-Cure. C-Cure and Olympia did not compete directly with each other: Olympia did not sell in the United States, and C-Cure did not sell in Canada. A substantial effect on U.S. commerce was found only from an indirect connection between C-Cure and Olympia due to purchasing and loaning activities between them. Thus, this decision broadened the scope of business activities that could be considered in determining the substantial effects prong of the Vanity Fair test.

The second case that has expanded the concept of substantial effects is Calvin Klein Industries v. BFK Hong Kong, Ltd. In this case, the plaintiff sought to enjoin BFK from selling apparel overseas bearing the Calvin Klein trademark. In analyzing the substantial effects prong, the court found that mere diversion of sales from a U.S. company was sufficient. Furthermore, even sales diverted from foreign licensees of a U.S. company were sufficient to meet the substantial effects requirement. Consequently, the court relaxed the substantial effects prong so that the defendant's activities only had to be "supported by or related to conduct in U.S. commerce." This effectively nullifies the requirement because it only necessitates a tenuous connection to U.S. commerce. Furthermore, a simple diverted sales requirement could conceivably extend the Lanham Act worldwide and protect U.S. companies that have an international presence.

Finally, in Warnaco Inc. v. VF Corp., the Second Circuit again relaxed the substantial effects factor by finding that harm to a plaintiff's

45. Id. at 821.
46. Id.
47. Id. at 812.
48. See Butts, supra note 19, at 455.
50. Id. at 78.
51. See id. at 80.
52. See id.
53. Id. (emphasis added).
54. See Butts, supra note 19, at 456 (arguing that Calvin Klein liberalized the Vanity Fair test by extending the Lanham Act worldwide for U.S. companies that have international presence).
reputation was sufficient. Alarmingly, however, the actual harm need not occur in the United States, but only resonate back to a U.S. plaintiff. In the case, Warnaco, a U.S. corporation holding a valid trademark in Warner, which it used internationally, sued Vivesa, a Spanish corporation that was licensed to sell Warnaco's Warner brand intimate apparel. Warnaco also sued VF, a U.S. corporation and direct competitor of Warnaco worldwide, which acquired Vivesa. After Vivesa's acquisition, Warnaco sought to terminate Vivesa's license. Before concluding the termination, however, Warnaco sued VF for marketing Vivesa's Warner inventory in a way that eroded the value and goodwill of Warner's trademark. In examining whether the Lanham Act could be applied extraterritorially, the court concluded that substantial effects can arise from harm to a plaintiff's reputation. Warnaco had an exclusive right to its name around the world through worldwide advertising and licensing, and, as a result, VF's activities in Europe had adversely affected Warnaco's income, reputation, and licensees in Europe and therefore affected U.S. commerce. This did not affect U.S. commerce in the way that the Lanham Act intended, however, because Warnaco's reputation and income were harmed in Europe, not in the United States. The Lanham Act was enacted to protect U.S. consumers and, here, U.S. consumers never knew that Warnaco's brand was being harmed in Europe. Therefore, unlike in Steele, where the harm was the diversion of Bulova's U.S. sales, here the diversion of Warnaco's European sales was deemed sufficient, which broadened the effects prong beyond Steele's intent.

The Second Circuit has also relaxed the second prong regarding the defendant's citizenship, although not to the same extent as the effects prong. Calvin Klein liberalized the citizenship requirement of the Vanity Fair test by recognizing that constructive citizenship can satisfy the second prong. Recall that in this case, the defendants were BFK, a New York

56. Id. at 951.
57. Id. at 943.
58. Id. at 943-44.
59. Id. at 944-45.
60. Id. at 951.
61. See id. at 952 ("These impacts adversely affect Warnaco's competitive position with VF, a large rival in the United States market... These allegations indicate that the Defendants' alleged activities affect United States commerce.").
62. Compare id. (finding that diverted sales from foreign licensees can constitute a substantial impact on U.S. commerce), with Steele v. Bulova Watch Co., 344 U.S. 280, 286 (1952) (finding that the defendant's activities affected Bulova's reputation and sales in the United States). See generally Levi Strauss & Co. v. Sunrise Int'l Trading Inc., 51 F.3d 982 (11th Cir. 1995) (applying the Lanham Act extraterritorially when counterfeit merchandise is shipped from China to Europe and passes through the United States, although it is neither purchased nor sold in U.S. territory).
corporation, and its owner James Langford, a noncitizen. In finding that the second prong was satisfied for Langford, the court reasoned that, because he resided in New York and was the controlling force behind BFK, he was "constructively" a U.S. citizen. Constructive citizenship confers citizenship, with respect to the extraterritorial application of the Lanham Act, on any defendant who, though not a U.S. citizen or corporation, resides in the United States and is able to control the infringing conduct occurring in the foreign nation. Other cases have gone even further and stated that foreign citizenship alone is not sufficient to defeat extraterritorial application of the Lanham Act.

Finally, the third prong, regarding conflict with foreign laws, has been watered down by giving very little weight to pending trademark applications in foreign nations. Usually, the conflict with a foreign sovereign must be clear, such as a judicial decision or valid trademark registration. Pending litigation or trademark applications are typically not enough. For example, in Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino, an all-male satirical ballet troupe tried to enjoin a U.S. corporation from using its name in Japan. The district court quickly disposed of the first two Vanity Fair prongs and moved on to consider the third. Although the defendant argued that he had filed a trademark application in Japan, the court found it insufficient and extended the Lanham Act extraterritorially to block the defendant from using the plaintiff's trademark, which was not yet registered in Japan.

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64. Nguyen, supra note 6, at 498.
65. See, e.g., Levi Strauss, 51 F.3d at 985 (extending the Lanham Act to apply to noncitizen residents of the United States); Totalplan Corp. of Am. v. Colborne, 14 F.3d 824, 830 (2d Cir. 1994) (stating that the defendant's Canadian citizenship alone cannot defeat extraterritorial application of the Lanham Act); A.V. by Versace, Inc. v. Gianni Versace, 126 F. Supp. 2d 328, 337 (S.D.N.Y. 2001) (extending extraterritorial application of the Lanham Act over an Italian citizen); A.T. Cross Co. v. Sunil Trading Corp., 467 F. Supp. 47, 50 n.5 (S.D.N.Y. 1979) (applying the Lanham Act extraterritorially over a noncitizen defendant who acted in his capacity as an officer of a New York corporation when he bought counterfeit pens in Taiwan).
68. Id. at 567-68. See generally Kathryn Zeitung, Lanham Act Imperialism: A Case Note, 12 J. CONTEMP. LEGAL ISSUES 408 (2001) (arguing that Trockadero inappropriately expands the extraterritorial reach of the Lanham Act to cover U.S. trademark infringements on foreign soil by foreign nationals).
Some cases also encourage a balancing of the *Vanity Fair* factors, as opposed to the strict adherence that the Second Circuit initially proposed.\(^6^9\) One case has even gone so far as to announce that the *Vanity Fair* test is too stringent in some cases. In *Sterling Drug, Inc. v. Bayer AG*, the Second Circuit stated that a “mechanical” application of the *Vanity Fair* test would, in some cases, “fail to preserve the Lanham Act’s goals of protecting U.S. consumers against confusion, and protecting holders of U.S. trademarks against misappropriation of their marks.”\(^7^0\) The court then called for a more “careful” application of the test because, in the instant case, the plaintiff sought merely to limit infringing foreign trademark uses that reached the United States, rather than to prohibit all uses of the trademark worldwide, as did the plaintiff in *Vanity Fair*.\(^7^1\)

b. The Ninth Circuit Test

The *Vanity Fair* tripartite test of the Second Circuit has not received universal acceptance, although it theoretically remains the most stringent.\(^7^2\) The Ninth Circuit test swings in the opposite direction and is considered the most flexible in both theory and practice.\(^7^3\) The test was first pronounced in *Wells Fargo & Co. v. Wells Fargo Express Co.*\(^7^4\) Wells Fargo, a California corporation, owned a valid U.S. trademark for the Wells Fargo mark and sued Wells Fargo Express, a Liechtenstein corporation, for using the Wells Fargo name in the United States and Europe.\(^7^5\) Although the district court applied the Second Circuit test and denied subject matter jurisdiction over the defendant, the Ninth Circuit vacated the dismissal and instead adopted the “jurisdictional rule of reason” test as used in *Timberlane Lumber Co. v. Bank of America*, an antitrust case concerning the extraterritorial reach of the Sherman Act.\(^7^6\) The more flexible *Wells Fargo* test based on *Timberlane* required (1) the defendant’s conduct to have some effect on U.S. commerce and (2) application of the *Timberlane* jurisdictional rule-of-reason analysis to determine if U.S. interests were

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69. *See, e.g.*, *A.V. by Versace*, 126 F. Supp. 2d at 337 (“[A] court must employ a balancing test of all three factors to determine whether the statute is properly implicated.”) (quoting Warnaco Inc. v. VF Corp., 844 F. Supp. 940, 950 (S.D.N.Y. 1994)).
71. *Id.* (“While the stringent *Vanity Fair* test is appropriate when the plaintiff seeks an absolute bar against a corporation’s use of its mark outside our borders, that test is unnecessarily demanding when the plaintiff seeks the more modest goal of limiting foreign uses that reach the United States.”).
73. *Id.* at 882.
75. *Id.* at 411.
76. *See id.* at 427.
sufficiently strong.\textsuperscript{77} The jurisdictional rule-of-reason analysis required the balancing of several comity factors, including the degree of conflict with foreign law, the allegiance of the parties and locations of corporations, the extent to which enforcement by either state can be expected to achieve compliance, the relative significance of effects on the United States as compared with those elsewhere, the extent to which there is explicit purpose to harm or affect U.S. commerce and foreseeability of such effect, and the relative importance to the violations that occurred within the United States as compared with conduct abroad.\textsuperscript{78} Furthermore, the court explained that the \textit{Vanity Fair} factors were meant to be balanced, and the lack of one or two factors was not determinative.\textsuperscript{79}

In explaining its rejection of \textit{Vanity Fair}, the court reasoned that \textit{Steele} did not require the plaintiff to show a \textit{substantial} effect on commerce in the United States.\textsuperscript{80} Instead, the plaintiff need only show \textit{some} effect on U.S. foreign commerce.\textsuperscript{81} The second prong of the \textit{Vanity Fair} test, which required that the defendant be a U.S. citizen, also has disappeared from the Ninth Circuit inquiry. Although the citizenship requirement is built into the second element in some of the comity factors, such as conflict with foreign laws and determination of the allegiance of the parties, the court seemed not to place much emphasis on it. Instead, it stated that extraterritorial application of the Lanham Act was not foreclosed over the foreign defendant and remanded the case to the district court to apply the \textit{Timberlane} test.\textsuperscript{82} Furthermore, foreign citizenship can be disregarded if stronger factors pointing toward exercising jurisdiction are present because the test is subject to balancing of the factors.\textsuperscript{83} This balancing approach gives the Ninth Circuit courts far more latitude in extending jurisdiction under the Lanham Act and could have serious problems when examined under international law.

\textsuperscript{77} See \textit{Timberlane Lumber Co.} v. Bank of Am., 549 F.2d 597, 613 (9th Cir. 1976). See also \textit{Wells Fargo}, 556 F.2d at 428; Butts, \textit{supra} note 19, at 462–63 (discussing the \textit{Wells Fargo} test).

\textsuperscript{78} \textit{Wells Fargo}, 556 F.2d at 428–29. See also Pamela E. Kraver & Robert E. Purcell, \textit{Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?}, 77 J. PAT. & TRADEMARK OFF. SOC'Y 115, 135 (1995).

\textsuperscript{79} \textit{Wells Fargo}, 556 F.2d at 428.

\textsuperscript{80} Id.

\textsuperscript{81} See \textit{id}.

\textsuperscript{82} Id. at 429.

Ninth Circuit courts have faithfully followed and refined the *Wells Fargo* test.\textsuperscript{84} For example, in *Ocean Garden, Inc. v. Marktrade Co.*, the plaintiff, a U.S. seller of canned seafood products, sued the California corporation, Marktrade, for infringing Ocean Garden's trademarks in canned seafood products it sold in the Far East.\textsuperscript{85} This case considered whether the Lanham Act could reach a product canned in Mexico and shipped through a U.S. foreign trade zone.\textsuperscript{86} The court refined the *Wells Fargo* test to include three prongs: (1) The defendant's conduct must have some effect on U.S. commerce; (2) the effect must be sufficiently great to present a cognizable injury; and (3) the interests of U.S. foreign commerce must be sufficiently strong in relation to those of other nations to justify assertion of extraterritorial jurisdiction.\textsuperscript{87} The third prong involved balancing the *Timberlane* comity factors as pronounced in *Wells Fargo*.\textsuperscript{88} In applying the refined test, the court immediately found the first two elements satisfied because Ocean Garden was losing millions of dollars due to the trademark infringement, which constituted a cognizable injury that had some effect on U.S. commerce.\textsuperscript{89} The court then focused its attention on the comity factors of the third element and found that subject matter jurisdiction could cover the defendant's activities, even though the goods were only shipped through a U.S. foreign trade zone in Los Angeles.\textsuperscript{90}

It is easy to see that the Second and Ninth Circuits have taken divergent approaches in interpreting *Steele* and determining whether the Lanham Act can be applied extraterritorially in certain factual situations.\textsuperscript{91}

\textsuperscript{84} See, e.g., Reebok Int'l Ltd. v. Marnatech Enter., Inc., 970 F.2d 552 (9th Cir. 1992) (extending the Lanham Act to a defendant who sold counterfeit Reebok shoes in Mexico by evaluating the *Timberlane* factors); Winterland Concessions Co. v. Fenton, 835 F. Supp. 529, 531-32 (N.D. Cal. 1993) (enjoining the defendant from distributing unlicensed pictures in the United Kingdom under the *Timberlane* test); Van Doren Rubber Co. v. Marnatech Enter., No. 89-1362 S, 1989 U.S. Dist. LEXIS 17323, at *14-15 (S.D. Cal. Oct. 17, 1989) (holding that the Lanham Act can be applied extraterritorially in the case where the defendants sold counterfeit shoes bearing the plaintiff's U.S. trademark in Mexico). *But see* Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1396 (9th Cir. 1985) (denying the extraterritorial application of the Lanham Act over defendant because the third *Timberlane* element was not met due to "the significant interest of the Philippines in restricting the extraterritorial application of the Lanham Act [that] preclude[s] extension of the Act to wholly foreign commerce in this case").

\textsuperscript{85} *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 502 (9th Cir. 1991).

\textsuperscript{86} See id. at 504.

\textsuperscript{87} Id. at 503.

\textsuperscript{88} Id.

\textsuperscript{89} See id.

\textsuperscript{90} See id. at 503-05.

\textsuperscript{91} For a general reconciliation of the various circuit tests, see Avakian, *supra* note 2, at 921-24 (comparing the Second and Ninth Circuit tests); *Recent Decisions, supra* note 25, at 881-83.
Although the *Vanity Fair* test was at first somewhat restrictive, evolution over the last fifty years has molded it into a more flexible test that extends the Lanham Act to far more situations than the *Vanity Fair* court probably intended. The Ninth Circuit has taken a more flexible approach by balancing several factors that consider conflicts with foreign laws and the relative impact of the infringing activity on U.S. commerce. The two tests, however, are not as divergent as they seem. Both address two elements: (1) the effect of the defendant's conduct on U.S. commerce\(^9\) and (2) the potential conflict of laws with foreign countries.\(^9\) These tests, however, do not translate as easily to the issue of subject matter jurisdiction over foreign conduct on the Internet.

2. Subject Matter Jurisdiction on the Internet

The proliferation of trademark disputes in cyberspace has caused trademarks on the Internet to assume new importance in e-commerce.\(^9\) Businesses use trademarks to communicate their reputation and the quality of their goods to consumers.\(^9\) On the Internet, trademarks are even more important because consumers are unable to examine goods they buy online until they arrive.\(^9\) It is perhaps this novel aspect of the Internet that has prompted courts deciding Internet trademark cases to expand the extraterritorial reach of the Lanham Act over U.S. trademarks found on foreign web sites.

The *Steele* case cannot be applied directly to trademarks found on foreign web sites, nor can the Supreme Court's intent with respect to the Internet be ascertained, given that the case was decided in 1952.\(^9\) One can imagine, however, how applying *Steele* to online infringements occurring

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(reconciling the Second, Fifth, and Ninth Circuit tests); Butts, *supra* note 19, at 467–69 (discussing the Second, Fourth, Fifth, and Ninth Circuit tests).

92. The *Vanity Fair* court must have intended to limit the extraterritorial reach of the Lanham Act when it developed the *Vanity Fair* test because its factors are more restrictive than those established by the *Steele* court. *See* discussion supra Part II.B.1.a.

93. Only the degree of the effect on commerce differentiates the Second Circuit’s requirement of “substantial effect” from the Ninth Circuit’s requirement of “some effect” on U.S. commerce. *See* discussion supra Part II.B.1.

94. *See* Butts, *supra* note 19, at 469 (commenting that both circuit tests are concerned with the effect of the defendant’s conduct on U.S. commerce and the potential conflict of laws with foreign countries).

95. *See* Burk, *supra* note 3, at 697–704 (explaining the new importance of trademarks in e-commerce).

96. *Id.* at 699.

97. *Id.* at 702.

on foreign web sites could extend the Lanham Act even further than today's Second and Ninth Circuit tests.

The first element of the Steele test, as articulated in the first prong of the Vanity Fair and Wells Fargo tests, requires the defendant's conduct to have some degree of effect on U.S. commerce. Commentators have pointed out that the effect on U.S. commerce necessary to support jurisdiction is often relatively insignificant. In Internet cases, it is likely to be even more insignificant. Internet use of a trademark can always be found in the United States simply by asking a U.S. consumer to log on to the Internet and go to the foreign web site that is using the infringing mark. Furthermore, the Second Circuit has amply liberalized the substantial effects prong to consider indirect effects, diversion of sales from the plaintiff, and harm to the plaintiff's reputation by activities occurring abroad sufficient to satisfy the prong's requirement. The requirements are even more relaxed in the Ninth Circuit, where the test in Wells Fargo only requires a showing of "some effect.

There is also a line of cases in various circuits that has allowed the Lanham Act to apply extraterritorially when goods were simply passed through a U.S. free-trade zone, but never manufactured or intended for sale in the United States. The courts still found an impact on U.S. commerce because sale of the unauthorized goods abroad may adversely affect a U.S. plaintiff, despite no consumer confusion occurring in the United States. Courts can easily apply this in cases where unauthorized goods are sold outside the United States over the Internet and adversely affect a U.S. online competitor. Finally, scholars have agreed that the universal reach of the Internet can help to satisfy Steele's first requirement.

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99. See, e.g., Alpert, supra note 66, at 135 (noting that "[c]ourts readily find an 'effect' on U.S. commerce by virtue of intercompany sales between defendants, shipments of goods in interstate commerce," or even an anticipated diminution of sales or goodwill caused by activities occurring abroad); Second Circuit Decisions, supra note 21, at 73-74 (stating that Second Circuit district courts have leniently applied the Vanity Fair factors).

103. Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 428 (9th Cir. 1977).
105. See Burk, supra note 3, at 730.

One can easily envision similar situations [to the Levi Strauss case] in electronic commerce where goods or services sold outside the United States under confusingly similar marks may adversely impact American firms offering their goods or services online. This may become especially prevalent as U.S. firms use the Internet to penetrate international markets that they might not have previously reached.
The second element of the Steele test, or the comity factors, as articulated in Vanity Fair's second and third prongs and in Wells Fargo's second prong, addresses the potential conflict of laws between the United States and foreign countries. As previously mentioned, the Second Circuit test no longer requires a defendant's U.S. citizenship, but does require some ties to the United States. The Ninth Circuit test has collapsed the citizenship requirement into the third prong, where judges are asked to balance the comity factors. Still, some argue that, although the first element of Steele will be satisfied more often on the Internet, the second element will balance this out due to the global reach of the Internet and the "likelihood that application of U.S. law will substantially interfere with the law of other nations."

This argument, however, fails to look at the test as a whole. The flexibility of a balancing approach encourages a focus on national interests at the expense of foreign interests. When judges in the Second and Ninth Circuits use balancing tests, they may easily overemphasize the first prong when they find an effect on U.S. commerce and underemphasize the second prong by applying the Lanham Act extraterritorially, even when there is a conflict in laws or the defendant is a foreign citizen. For example, in finding for the U.S. plaintiff in Euromarket Designs, Inc. v. Crate and Barrel Ltd., the court emphasized the fact that an Irish defendant entered into a sales contract with an Illinois resident over the Internet and underemphasized that there was pending litigation in the United Kingdom and Ireland and that the defendant was Irish. In that case, an Irish corporation with its principal place of business in Dublin sold goods on the Internet under the Crate & Barrel name. Although the case was both a domain name and an Internet trademark case, the court seemed more interested in the domain name issue and decided in favor of the plaintiff, citing to Intermatic Inc. v. Toeppen, a cyber-squatting case.
The court ignored the comity factors and found that, because the defendant had entered into a sales contract with an Illinois resident, even though the goods were shipped to an Irish address, it could extend the Lanham Act to such conduct.\(^\text{116}\) The Ninth Circuit has similarly underemphasized the comity factors in favor of the effects prong, as in *Reebok International, Ltd. v. Marnatech Enterprises*, where the court exercised jurisdiction over a Mexican defendant for the sale of counterfeit Reebok shoes that were made in Korea and sold in Mexico.\(^\text{117}\)

Generally, underemphasis of the comity factors occurs because courts require a clear conflict of law between the United States and the foreign sovereign. Usually, such clarity requires a published judicial decision,\(^\text{118}\) and pending litigation in the foreign state is not sufficient.\(^\text{119}\) Even when a judicial decision is shown, however, courts will try to tailor the scope of the Lanham Act's reach in order to avoid a possible conflict.\(^\text{120}\) Furthermore, some courts may find support for underemphasizing the comity factors from the Supreme Court's 1993 decision in *Hartford Fire Insurance Co. v. California*, an antitrust case dealing with the extraterritorial reach of the Sherman Act.\(^\text{121}\) In that case, although the Court had the option of using the Timberlane comity factors, it instead held that blocking extraterritorial application of the Sherman Act required a "true conflict" between United States and foreign law.\(^\text{122}\) In other words, when a defendant is subject to two different states' laws and can comply with both, no true conflict exists.\(^\text{123}\) Applied to trademark cases, for a true conflict to arise, a judicial decision by the foreign sovereign in favor of the defendant must be shown, as a U.S. judgment against the defendant would directly conflict with the foreign judgment in the defendant's favor. Of course, this precedent applies only to cases litigated under the Sherman Act. Lower courts, however, may still apply its reasoning to trademark cases and

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Solutions and then sold them to the rightful trademark owners, *id.* at 1229–30, and had little to do with trademark infringement on a web site.

\(^{116}\) See Euromarket Designs, 96 F. Supp. 2d at 832–33.

\(^{117}\) See Reebok Int'l, Ltd. v. Marnatech Enter., Inc., 970 F.2d 552, 557 (9th Cir. 1992).

\(^{118}\) See Alpert, *supra* note 66, at 140.

\(^{119}\) See Euromarket Designs, 96 F. Supp. 2d at 840 (extending extraterritorial jurisdiction despite pending litigation in the United Kingdom and Ireland).

\(^{120}\) Alpert, *supra* note 66, at 140.


\(^{123}\) See *id.* (quoting Hartford Fire Ins., 509 U.S. at 799).
underemphasize the comity factors. As a result, courts are too quick to extend extraterritorial jurisdiction over defendants where, under a stricter application of the Steele test, extension would not be proper.

3. Personal Jurisdiction

Whether the Lanham Act can cover a defendant’s activities abroad is a question of subject matter jurisdiction and concerns the extraterritorial reach of the Lanham Act. To demonstrate personal jurisdiction, however, one must also establish whether that specific defendant can be haled into a U.S. court based on his or her contacts with the forum state.

Most cases involving the exercise of jurisdiction over foreign web sites are analyzed under the sliding scale developed in Zippo Manufacturing Co. v. Zippo Dot Com, Inc. At one end of the sliding scale, where exercise of jurisdiction is almost always proper, are defendants who conduct business transactions over the Internet with residents in the forum state. This was the case in Euromarket Designs, where the court found that the foreign defendant allowed Illinois residents to purchase goods on its web site. At the other end of the scale are

124. Note that trademark law is also considered unfair competition law, which is analogous to antitrust law. In general, intellectual property laws are government-granted monopolies because they give owners an exclusive right to use their intellectual property asset, whether it be a patent, copyright, or trademark. In trademark cases, this means that others are excluded from using the trademark in a confusingly similar way. This is analogous to antitrust cases, where a company creates its own monopoly through anticompetitive behavior and excludes new entrants into its market.

125. See Nguyen, supra note 6, at 560.


"passive" web sites or situations, where the defendant has posted information on a web site which is accessible to users in foreign jurisdictions. In these cases, courts have held that there must be "something more" than mere use of a trademark on the Internet for personal jurisdiction. This "something more," however, need not be much. In Nicosia v. De Rooy, for example, the court found that sending eleven e-mails to California residents informing them of the defendant's web site was sufficient to confer jurisdiction. "Interactive" web sites, where users exchange information with the host computer, are in the middle of this scale. In these cases, the court must examine "the level of interactivity and commercial nature of the exchange of information that occurs on the Web site." For example, in Quokka Sports, Inc. v. Cup International Ltd., the court exercised jurisdiction over a New Zealand company that used the plaintiff's trademark "America's Cup" in its domain name "americascup.com." Despite no proof of product sales to U.S. customers, the court found that jurisdiction was proper because the web site was accessible in California, half of its traffic had originated in the United States, and it had content aimed at U.S. consumers.

It has been shown that subject matter jurisdiction is based on a flexible balancing test that may have a tendency to favor U.S. plaintiffs. The Zippo personal jurisdiction test may seem to counterbalance the leniency of the subject matter jurisdiction test. In reality, however, it will not. The Zippo test can be easily stretched to reach a foreign defendant that has few contacts in the United States. For example, in Euromarket Designs, personal jurisdiction was established over an Irish defendant for one

web site "clearly falls into the first category of interactive web sites which allow a defendant to 'do business' and 'enter into contracts with residents of a foreign jurisdiction over the Internet' ")

131. See Zippo, 952 F. Supp. at 1124.
133. See id. at 23 ("The 'something more' requirement for a court to exert jurisdiction over a web site can be satisfied by relatively insignificant contact with the forum state.").
134. Id. See also Nicosia v. De Rooy, 72 F. Supp. 2d 1093, 1098–99 (N.D. Cal. 1999).
135. See Zippo, 952 F. Supp. at 1124.
136. Id.
138. See id. at 1112. See also Celedonia & Schmidt, supra note 126, at 1051. But see Ty Inc. v. Clark, 99 5532, 2000 U.S. Dist LEXIS 383, at *12 (N.D. Ill. Jan. 13, 2000) (holding jurisdiction to be improper over English defendants operating the beaniebabiesuk.com web site because purchases could not be made on the Internet but were available only by fax, phone, or mail to England); Desktop Techs., Inc. v. Colorworks Reprod. & Design, Inc., 98-5029, 1999 U.S. Dist. LEXIS 1934, at *15–16 (E.D. Pa. Feb. 24, 1999) (holding that personal jurisdiction was improper because the Canadian defendant did not have clients in Pennsylvania, and its web site specifically stated that it only served clients in Canada).
139. See discussion supra Part II.B.1–2.
Internet sale to an Illinois resident even though the product was sent within Ireland. Commentators have acknowledged this trend and have foreseen that U.S. courts will exercise jurisdiction over citizens from other countries with progressively more remote links to the United States, given past decisions outside of trademark law. Furthermore, the test is often applied arbitrarily. Compare, for example, the decisions in *Euromarket Designs* and *Ty Inc. v. Clark*. In *Ty*, a British firm established a domain name using the plaintiff's trademark and sold beanie babies over the Internet. The court denied personal jurisdiction, but only because U.S. consumers had to print out an order form that they would fax or mail to Great Britain instead of ordering the items directly online. In *Euromarket Designs*, personal jurisdiction was asserted over an Irish defendant for a single online sale to an Illinois resident. Both courts considered whether the defendants were conducting business over the Internet, and they came to completely opposite conclusions. A quick review of the facts indicates that both were conducting business on the Internet, both solicited customers on the Internet, and both received revenues from these Internet customers. The only difference was that one allowed consumers to order online and the other required a mail-in order. This seems like an arbitrary distinction and indicates that conflicting decisions are common when judges have discretion to apply the *Zippo* test. Although courts have acknowledged that extra caution should be used when determining personal jurisdiction over foreign defendants, inconsistent decisions are still likely to occur.

Part II has traced the evolution of the *Steele* progeny in the Second and Ninth Circuits and shown how, over time, the strict *Steele* requirements have been watered down. Similarly, the discussion on personal jurisdiction showed that, when applied to the Internet, jurisdiction is not difficult to prove. Thus, although a plaintiff must show both subject matter and


141. *See, e.g.*, Kraver & Purcell, *supra* note 78, at 119 (noting a U.S. court's recent decision to extend personal jurisdiction over a former dictator of Panama who was kidnapped from his country by U.S. armed forces and taken to the United States for trial on drug charges); Selvin, *supra* note 129, at 22 (remarking that even a "relatively insignificant amount of commercial activity may be sufficient" to satisfy personal jurisdiction).


143. *Id.* at *2–3.

144. *See id.* at *10–12.

145. *See Euromarket Designs*, 96 F. Supp. 2d at 839 ("When a court is considering haling a defendant from a foreign country into a United States courtroom to defend litigation . . . [personal jurisdiction analysis] takes on particular importance.").
personal jurisdiction when trying to extend the Lanham Act extraterritorially over a defendant in an Internet case, the balancing tests developed for both can be leniently applied and can allow courts to overextend the Lanham Act.

III. HOW THE LANHAM ACT'S EXTRATERRITORIAL REACH VIOLATES INTERNATIONAL LEGAL PRINCIPLES

The Second and Ninth Circuit’s extension of the Lanham Act over foreign defendants may violate international law in three ways. First, international trademark treaties have established a territorial treatment of national trademark laws, and U.S. courts’ extraterritorial application of the Lanham Act violates this principle. Second, U.S. courts violate their prescriptive jurisdiction because applying the Lanham Act extraterritorially wrongfully allows U.S. courts to prescribe laws for non-U.S. citizens. Finally, by allowing courts to hale foreign defendants into their courtrooms, the international principle of adjudicative jurisdiction is violated. Although international law does not have the same enforcement capabilities as national laws, which are enforced by a central government, U.S. courts’ violation of international legal principles may harm U.S. businesses who pursue interests abroad.

A. THE INTERNATIONAL FRAMEWORK OF TRADEMARK LAW

Established in 1883, the Paris Convention for the Protection of Industrial Property146 is one of the principal international treaties governing intellectual property.147 The Paris Convention was not only the first international effort to harmonize the protection of intellectual property rights in member states, but it also established the principles of national treatment and minimum rights, both of which support a territorial approach to trademark law. The national treatment principle required that nationals of member states enjoy the same rights, advantages, and protections as nationals in every other member state.148 The minimum rights principle established that all member states enact certain minimum trademark

147. See Bradley, supra note 6, at 546–47.
protections, such as protecting “well-known” marks against exploitation by similar goods.\textsuperscript{149}

Subsequent treaties, including the Madrid Agreement, the Madrid Protocol, and the Trademark Law Treaty, have focused more on establishing a worldwide trademark registration system rather than substantive trademark law, like the Paris Convention. The Madrid Agreement\textsuperscript{150} sought to establish a system where a single filing in one’s home country would lead to an international trademark registration with the World Intellectual Property Organization (“WIPO”), which in turn would forward the application to designated member states.\textsuperscript{151} The Madrid Protocol\textsuperscript{152} was intended to improve the Madrid Agreement with a comprehensive one-stop registration system.\textsuperscript{153} Similarly, the most recent Trademark Law Treaty\textsuperscript{154} was designed to eliminate cumbersome registration formalities.\textsuperscript{155} Despite these procedural changes, the substantive principles of nationality and minimum rights principles described in the Paris Convention still remain.

B. THE INTERNATIONAL LEGAL PRINCIPLES INVOLVED

The three international legal principles that U.S. courts may be violating when applying the Lanham Act extraterritorially include the Paris Convention’s territoriality principle, which requires national trademark laws to remain territorial; the prescriptive jurisdiction principle, which limits a state’s authority to prescribe laws over certain activities and persons; and the principle of adjudicative jurisdiction, which limits a domestic court’s ability to hale foreign defendants into their courtrooms.

1. Violating the Territoriality Principle

As previously mentioned, the Paris Convention established two principles concerning international intellectual property rights: the national

\begin{enumerate}
\item \textsuperscript{149} See id.
\item \textsuperscript{151} Leaffer, supra note 148, at 12.
\item \textsuperscript{153} Leaffer, supra note 148, at 16.
\item \textsuperscript{155} See Leaffer, supra note 148, at 20.
\end{enumerate}
treatment principle and the minimum rights principle. Both of these support a territorial treatment of national trademark laws.

The national treatment principle requires that "[n]ationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals." In other words, it is a nondiscrimination principle that requires everyone to be treated equally. This implies a territorial approach to trademark law, because if national law could be applied extraterritorially, there would be no need for a state to protect its nationals against discrimination in a foreign state. Furthermore, applying national trademark laws extraterritorially, as is done in the United States, undermines the national treatment principle by extending superior rights to nationals outside of their home country. This further encourages other states to apply their trademark laws extraterritorially to protect their own nationals, and it can lead to a complicated and unpredictable system where trademark holders may not know which country’s trademark laws apply in given situations.

Similarly, the minimum rights principle also supports a territorial presumption in trademark law. This principle envisions different levels of protection in member states as long as the protection is above a minimum level. Therefore, when defendants infringe a mark in Mexico by selling goods on the Internet to U.S. consumers, they will expect the protection of Mexican trademark law. When a U.S. plaintiff can hale the defendant into a U.S. court under the lax standards of personal and subject matter jurisdiction, the court will extend the Lanham Act extraterritorially over the defendant’s sales in Mexico. As a result, Mexico’s right to choose certain minimum standards of protection for trademarks is undermined by the United States’ extension of its law to acts occurring in Mexico. This puts Mexican defendants at a disadvantage: Although they may have chosen to do business in Mexico because of the level of protection it grants to trademarks, in the end they must comply with U.S. trademark law. Consequently, states will be forced to protect their own nationals by

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156. Paris Convention, supra note 146, 21 U.S.T. at 1631; 828 U.N.T.S. at 313.
157. See Bradley, supra note 6, at 547.
158. Id. at 548.
159. Id.
160. Id. at 549.
161. Id.
162. See id. (arguing that a nation’s right to choose standards of protection is undermined if other nations can override that choice with extraterritorial application of their laws).
extending trademark protection to higher levels, possibly stifling fair competition.

Not only are these two long-standing principles undermined by the extraterritorial application of the Lanham Act, but the United States may be violating its Paris Convention treaty obligations to adhere to the territoriality principle. This commitment requires the United States to recognize the separate legal existence of each trademark in all the states where the trademark is registered or legally recognized as a trademark. Yet, when the Lanham Act is applied extraterritorially to goods that do not enter the United States, or over foreign conduct in general, the United States is refusing to recognize that a U.S. trademark exists only as a legal entity in the United States.

2. Violating the Principle of Prescriptive Jurisdiction

Under international law, the extraterritorial application of the Lanham Act involves prescriptive jurisdiction. The Restatement (Third) of Foreign Relations Law of the United States defines prescriptive jurisdiction as the authority of a state "to make its law applicable to the activities, relations or status of persons, or the interests of persons in things." The Restatement identifies five bases of prescriptive jurisdiction: (1) nationality, (2) effects, (3) protective, (4) universality, and (5) passive personality. The Restatement also provides that jurisdiction under any of these bases may be exercised to the extent necessary to protect the security of the state or against a limited class of other state interests.

163. Nguyen, supra note 6, at 543. See Paris Convention, supra note 146, 21 U.S.T. at 1631; 828 U.N.T.S. at 313.

164. See, e.g., Ocean Garden, Inc. v. Marktrade Co., 953 F.2d 500, 503-04 (9th Cir. 1991) (extending the Lanham Act over the defendant for sales of canned seafood in the Far East); Euromarket Designs, Inc. v. Crate & Barrel Ltd., 96 F. Supp. 2d 824, 824 (N.D. Ill. 2000) (applying the Lanham Act to an Irish defendant who sold goods over the Internet to an Illinois resident, even though the goods were shipped to an Irish address); Warnaco Inc. v. VF Corp., 844 F. Supp. 940, 950-52 (S.D.N.Y. 1994) (extending the Lanham Act over the defendant for sales of infringing apparel products in Europe).

165. RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 401(a) (1987) [hereinafter RESTATEMENT].

166. See id. § 402(2) ("[A] state has jurisdiction to prescribe law with respect to ... the activities, interests, status or relations of its nationals outside as well as within its territory.").

167. See id. § 402(1)(c) ("[A] state has jurisdiction to prescribe law with respect to ... conduct outside its territory that has or is intended to have substantial effect within its territory.").

168. See id. § 402(3) ("[A] state has jurisdiction to prescribe law with respect to ... certain conduct outside its territory by persons not its nationals that is directed against the security of the state or against a limited class of other state interests.").

169. See id. § 404.

170. See id. § 402 cmt. g ("[A] state may apply law—particularly criminal law—to an act committed outside its territory by a person not its national where the victim of the act was its
of the five bases must be reasonable and based on the eight factors set out in section 403: (1) substantiality of effect, (2) the defendant’s connections with the forum, (3) character of the activity, (4) existence of justified expectations, (5) importance of regulation to the international system, (6) extent to which regulation is consistent with international norms, (7) extent to which another state may have an interest in regulating the activity, and (8) the likelihood of conflict with another nation.\textsuperscript{171}

The application of the Lanham Act in the international context can involve three of the five bases: (1) nationality, (2) effects, and (3) passive personality. The nationality principle, which allows states to prescribe laws for its own citizens around the world, was articulated in \textit{Steele v. Bulova Watch Co.}\textsuperscript{172} and evolved into the \textit{Vanity Fair} requirement that the defendant be a U.S. citizen.\textsuperscript{173} Today, however, as the Second and Ninth Circuit cases have evolved, a defendant’s U.S. citizenship is no longer required. Instead, the Second Circuit has replaced it with the idea of “constructive citizenship,” and the Ninth Circuit has collapsed the requirement into the comity factors it balances in the \textit{Timberlane} test.\textsuperscript{174} To further complicate the matter, in Internet cases involving the extraterritorial reach of the Lanham Act, it is more likely that defendants will be citizens of other countries, given the worldwide reach of the Internet. This means that U.S. courts will be less likely to assert nationality as a basis for prescriptive jurisdiction. Consequently, whenever the Lanham Act is extended over a non-U.S. defendant, one of the remaining four bases of jurisdiction must be applied in order for prescriptive jurisdiction to be proper.

Most courts would argue that jurisdiction is proper under the effects principle. The effects principle requires that the infringing act have or intend to have a “substantial effect” within the United States.\textsuperscript{175} In \textit{Vanity Fair}, the court did require a substantial effect on U.S. commerce;\textsuperscript{176} however, as discussed above, this standard has been watered down over

\textsuperscript{national.”}). See also Wade Estey, \textit{The Five Bases of Extraterritorial Jurisdiction and the Failure of the Presumption Against Extraterritoriality}, 21 HASTINGS INT’L & COMP. L. REV. 177, 181 (1997).

\textsuperscript{171.} See RESTATEMENT, supra note 165, § 403(2). See also Estey, supra note 170, at 181.

\textsuperscript{172.} Steele v. Bulova Watch Co., 344 U.S. 280, 286 (1952) (“Congress has the power to prevent unfair trade practices in foreign commerce by U.S. citizens of the United States, although some of the acts are done outside the territorial limits of the United States.”) (quoting Branch v. FTC, 141 F.2d 31, 35 (7th Cir. 1944)).

\textsuperscript{173.} See Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642–43 (2d Cir. 1956).

\textsuperscript{174.} See discussion \textit{supra} Part II.B.1.b.

\textsuperscript{175.} See RESTATEMENT, supra note 165, § 402(1)(c).

\textsuperscript{176.} See \textit{supra} Part II.B.1.a–b.
time in both the Second and Ninth Circuits. As a result, whenever a court finds that a foreign defendant's infringing acts have less than a substantial effect on U.S. commerce, it cannot assert prescriptive jurisdiction over the foreigner under the effects principle.

Finally, some might argue that the passive personality basis is applicable to trademark cases. This principle allows a court to assert jurisdiction where the victim of the act is a national of that state. For example, whenever a U.S. plaintiff sues a foreign defendant for trademark infringement, a court might argue that it is asserting prescriptive jurisdiction under the passive personality principle. This principle, however, traditionally has not been accepted for ordinary torts and is usually applied to terrorist and other organized attacks on a state's nationals or to the assassination of a state’s diplomatic officials. The rationale is that, although states are concerned with the overextensive application of extraterritorial laws, this is mitigated by the recognition that the most serious criminals are "unanimously condemned by members of the international community." This rationale cannot apply to trademark law, or a given infringement would not unanimously be seen as a violation of trademark law because all states have different levels of protection for intellectual property.

The universality principle, which applies to universal crimes such as genocide, the slave trade and protective jurisdiction would not apply to trademark cases. As a result, there is no basis to assert prescriptive jurisdiction over foreign defendants in Internet trademark cases. Thus, any extraterritorial application of the Lanham Act over foreign defendants that does not cause substantial effects on U.S. commerce is an affront to the international legal principle of prescriptive jurisdiction.

Even if one were to argue that the effects principle might apply in some cases, the reasonableness test in section 403 of the Restatement is not met by either the *Vanity Fair* test or the *Wells Fargo* comity factors. The

177. See *Vanity Fair Mills*, 234 F.2d at 642 (requiring “substantial effects” on U.S. commerce for the first prong of the extraterritoriality test).
178. See *RESTATEMENT*, supra note 165, § 402 cmt. g.
179. See id.
180. Estey, supra note 170, at 205.
181. See *RESTATEMENT*, supra note 165, § 404.
182. See id. § 402(3) cmt. Protective jurisdiction involves punishing a limited class of offenses that compromise a state's security. Id.
183. Cf. *Nguyen*, supra note 6, at 550-52 (arguing that prescriptive jurisdiction under the nationality and effects principles is not valid when courts try to apply the Anti-Cybersquatting Consumer Protection Act extraterritorially).
Vanity Fair test requires the defendant to be a U.S. citizen and prohibits conflicts with other states’ laws. As previously mentioned, however, the Second Circuit is comfortable extending the Lanham Act’s reach to non-U.S. defendants. Furthermore, the broad consideration of whether there is conflict with international law is often outweighed by the substantiality of the effect on U.S. commerce. Although the Wells Fargo test comes closer to the Restatement’s “reasonableness” factors, courts may not apply them as stringently as required. The Ninth Circuit courts require a clear conflict with another state’s laws to prevent jurisdiction from extending. Pending litigation is generally not enough, as was the case in Euromarket Designs. Furthermore, with Internet cases, judges are more likely to find that the United States has a larger interest in regulating the activity because an infringing website can reach most U.S. consumers. Finally, the comity factors in the Wells Fargo test do not concern the importance of the regulation to the international system or the extent to which the regulation is consistent with international traditions, two of the factors in the Restatement test. It can even be argued that extending the Lanham Act extraterritorially goes against international traditions by undermining the territoriality principle of the Paris Convention.

3. Violating the Principle of Adjudicative Jurisdiction

The Restatement defines adjudicative jurisdiction as a state’s authority to “subject persons or things to the process of its courts or administrative tribunals.” For a national court to hale a foreign defendant into court, adjudicative jurisdiction over the defendant must be shown under international law. This requirement applies whenever a U.S. court tries to extend the Lanham Act over a foreign defendant. The Restatement requires that the relationship between the adjudicating state and the

185. See discussion supra Part II.B.1.a.
188. See RESTATEMENT, supra note 165, § 403(2)(e)–(f).
189. See discussion supra Part III.B.1.
190. RESTATEMENT, supra note 165, § 401(b).
defendant be reasonable. Reasonableness is assumed when one of eleven categories in section 421 is met. Most of these categories ask whether defendants are somehow present or connected to the state through their nationality, residence, or engagement of business in that state.

Analyzing adjudicative jurisdiction is similar to analyzing personal jurisdiction, but on an international level. The reasonableness standard in the Restatement, however, differs significantly from the U.S. minimum contacts standard, or the standard set forth in the Zippo test for Internet cases. In general, international law requires closer prelitigation contacts between the defendant and the forum state than would be necessary in domestic cases. For example, in Euromarket Designs, it is arguable whether the U.S. court had jurisdiction to adjudicate an Irish defendant who made one sale to an Illinois resident. The various categories in section 421(2) of the Restatement do not seem to fit in this case. The defendant was an Irish national who never lived in the United States and whose corporation was organized under Irish law. The defendant did not prove that he regularly carried on business in Illinois or that his activity had a substantial, direct, and foreseeable effect within the state. Unless he had consented to the exercise of jurisdiction over him, the court did not require him to meet the criteria to allow adjudicative jurisdiction over this particular defendant. In other words, the case was wrongly decided under international legal principles. This may be a surprising result given that the court characterized the defendant’s web site as a “doing business” site, the first and most accessible category on the Zippo sliding scale when it comes to asserting personal jurisdiction. This suggests that the Zippo scale is

191. Id. § 421(1).
192. See id. § 421(2). The categories require that defendant be one of the following: (1) present in the territory other than transitarily; (2) domiciled in the state; (3) a resident of the state; (4) a national of the state; (5) if a corporation, organized pursuant to the state’s laws; (6) if the matter concerns a ship, aircraft, or vehicle, that it be registered under the laws of the state; (7) have consented to jurisdiction; (8) have regularly carried on business in the state; (9) have carried on activity in the state relating to the matter; (10) have carried on an activity outside the state that has substantial, direct, and foreseeable effect within the state; or (11) the thing that is the subject of adjudication be owned, possessed, or used in the state. Id.
194. Id. at 146.
196. See id. at 832 (finding jurisdiction proper due to one sale entered into with an Illinois resident). See also Wilske & Schiller, supra note 193, at 145–46 (stating that, on an international level, mere accessibility of a web site should not amount to the substantial, direct, and foreseeable effect required by section 421(2)(j) of the Restatement to make adjudicative jurisdiction proper).
197. See Euromarket Designs, 96 F. Supp. 2d at 838. See also discussion supra Part II.B.3.
much more lenient in extending personal jurisdiction over defendants than the international reasonableness standard for adjudicative jurisdiction.

Similarly, Stephan Wilske and Teresa Schiller argue that the Zippo court established an improper precedent by holding that jurisdiction is proper when based on a web site advertisement and a single sale to the forum state.\textsuperscript{198} Although this was a domestic case, when applied to international cases that decide whether adjudicative jurisdiction is proper, the sliding scale becomes incompatible with the international reasonableness standard.\textsuperscript{199}

C. HOW IMPORTANT IS IT THAT THE LANHAM ACT ABIDE BY INTERNATIONAL LEGAL PRINCIPLES?

The United States has traditionally justified its imposition of extraterritorial laws by arguing that it needs to protect its producers and consumers from foreign wrongdoing, especially in a world where there are enormous domestic consequences of foreign conduct, increased transnational trade, and increased development of technology, particularly the Internet.\textsuperscript{200} Today, however, the legality of extraterritorial regulation is extremely controversial, as evidenced by the international reaction to the recent Helms-Burton Act, the Iran-Libya Sanctions Act, and various applications of U.S. antitrust law.\textsuperscript{201} Furthermore, the United States is considered by many states to be the most flagrant abuser of international law when it comes to the application of its laws extraterritorially.\textsuperscript{202} Specifically, a report by the British-North American Committee found that “the extraterritorial application of U.S. anti-trust and regulatory laws taking place in Western Europe, Canada, and Australia [has] been the subject of

\textsuperscript{198}. Wilske & Schiller, supra note 193, at 166.
\textsuperscript{199}. Id.
\textsuperscript{202}. See Kraver & Purcell, supra note 78, at 117.
many diplomatic protests,” and, in particular, found that extraterritorial application of domestic laws leads to international conflict.\textsuperscript{203}

In their article \textit{Application of the Lanham Act to Extraterritorial Activities}, Pamela Kraver and Robert Purcell list several harmful effects caused by the United States’ practice of applying its laws extraterritorially:

First, the international business community requires certainty as to which law will govern its practices. Second, fear of and unfamiliarity with U.S. law will impair the free movement of capital and the creation of new business ventures. Third, distrust of U.S. companies will lead to distorted trading patterns as foreign businesses seek out new, more reliable, trading partners. Fourth, because U.S. extraterritorial actions may be mitigated by the enactment of contrary foreign laws, foreign nations will enact business laws merely to “block” U.S. efforts to apply U.S. law extraterritorially. Fifth, unwelcome application of U.S. law creates unfavorable relations between the U.S. and foreign nations, which in turn leads to undesirable and unnecessary political conflicts.\textsuperscript{204}

This discussion will focus on the third and fourth effects because most of the others are self-explanatory.

Kraver and Purcell expect problems to emerge between the United States and its trading partners if the United States continues to apply its laws extraterritorially. This has already occurred in the extraterritorial application of the Sherman Act to antitrust cases. In \textit{United States v. Aluminum Co. of America},\textsuperscript{205} the United States extended the Sherman Act over a Canadian company’s participation outside the United States in an international aluminum cartel.\textsuperscript{206} After this case was decided, the international community heavily protested against the United States’ extraterritorial regulatory efforts.\textsuperscript{207} In fact, the extraterritorial application of the Sherman Act has "caused considerable friction between the United States and its trading partners, leading to diplomatic protests, foreign blocking statutes, antitrust injunctions, and other forms of reaction."\textsuperscript{208} Furthermore, this kind of criticism is likely to follow in the context of

\textsuperscript{203} Id. at 116–17 (quoting the British-North American Committee report in A.H. Hermann, \textit{Conflicts of National Laws with International Business Activity: Issues of Extraterritoriality}, at V (1982)).

\textsuperscript{204} Id. at 117 (citations omitted).

\textsuperscript{205} United States v. Aluminum Co. of Am., 148 F.2d 416 (2d. Cir. 1945).

\textsuperscript{206} Id. at 423.

\textsuperscript{207} See Gary B. Born, \textit{A Reappraisal of the Extraterritorial Reach of U.S. Law}, 24 \textit{Law & Pol'y Int'l Bus.}, 1, 32–33 (1992).

\textsuperscript{208} Bradley, \textit{supra} note 6, at 557 n.258 (quoting Gary B. Born, \textit{International Civil Litigation in United States Courts} 585 (3d ed. 1996)).
international trademark cases because extraterritorial application by U.S. courts is more likely under "market" statutes, such as antitrust and securities, than "nonmarket" statutes, such as labor and employment laws.\(^{209}\) The Lanham Act, as part of unfair competition law, is more similar to antitrust law and is likely considered a market statute. This means that U.S. courts are more willing to apply the Lanham Act abroad to protect U.S. economic interests. Consequently, foreign companies doing business in the United States will become fearful of being subject to a suit in the United States and may seek out business opportunities elsewhere.

Kraver and Purcell also argue that blocking statutes will be enacted by foreign states if the United States continues to broadly apply its domestic laws extraterritorially. Australia, Canada, Britain, and France, along with several other states, have already considered and passed blocking statutes that protect rights that these countries define as inherent.\(^{210}\) For example, the French have passed a French Blocking Statute that denies discovery in international litigation unless permission is granted by the French government.\(^{211}\) Blocking statutes became popular after World War II in response to the overextension of the Sherman Act,\(^ {212} \) and their use may continue if the United States persists in asserting jurisdiction in trademark cases beyond what other states consider generally accepted principles of international law.\(^ {213} \) In fact, looking beyond blocking statutes, "an

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\(^{210}\) Edieth Yvette Wu, Evolutionary Trends in the United States Application of Extraterritorial Jurisdiction, 10 TRANSNAT'L LAW. 1, 24 (1997).

\(^{211}\) See id. at 25. The French Blocking Statute reads,

[It is prohibited for any party to request, seek or disclose, in writing, orally or otherwise, economic, commercial, industrial, financial or technical documents or information leading to the constitution of evidence with a view to foreign judicial proceeding. The parties shall forthwith inform the competent minister if they receive any request concerning such disclosure.

Id. (citing French Blocking Statute, Art 1A-2, Law No. 80-538 of July 16, 1980; JCP 1980, III, 50160).


\(^ {213}\) Wu, supra note 210, at 26.
aggressive extraterritorial application of U.S. laws in... tort and antitrust, where the United States is already perceived abroad to be aggressive, will lead to a reputation as a judicial bully, and may lead foreign authorities to refuse to enforce judgments from that bully's jurisdiction."214 In other words, not only will the United States face blocking statutes in trademark cases, but applying the Lanham Act extraterritorially could set a harmful precedent that may come back to haunt U.S. businesses that try to enforce their trademark rights abroad.

IV. RECOMMENDATIONS TO AVOID CONFLICTS WITH INTERNATIONAL LEGAL PRINCIPLES

The following four recommendations are only a sample of the many options the United States has to help courts avoid conflicts with international legal principles when they are faced with a matter that asks the courts to extend the Lanham Act extraterritorially. The purpose of these recommendations is to give U.S. court decisions more international legitimacy, lessen the number of opportunities that U.S. courts have to overextend the Lanham Act, and change the substantive trademark law domestically and internationally.

A. THE JOINT RECOMMENDATION CONCERNING PROVISIONS ON THE PROTECTION OF MARKS, AND OTHER INDUSTRIAL PROPERTY RIGHTS IN SIGNS, ON THE INTERNET

In 2001, the WIPO and the Assembly of the Paris Convention adopted the Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet.215 This document aims to provide a clear legal framework for adjudicating international trademark disputes on the Internet. The explanatory notes emphasize, however, that it does not "constitute a self-contained industrial property law for the Internet, but [is] intended to guide the application of existing national or regional industrial property laws" to legal problems

214. Robert Wai, Transnational Liftoff and Juridical Touchdown: The Regulatory Function of Private International Law in an Era of Globalization, 40 COLUM. J. TRANSNAT'L L. 209, 248 (2002). For a discussion on the importance that national courts recognize their role in the international judicial system, see generally Jenny S. Martinez, Towards an International Judicial System, 56 STAN. L. REV. 429, 444 (2003) (arguing that the choice of a national court to ignore the existence of international law can shape the international judicial system into one filled with chaos and dysfunction).

arising from international trademark disputes concerning the Internet.\textsuperscript{216} The most important part of the document is Article 3, where several factors are laid out to aid courts in determining whether the use of a trademark has produced a commercial effect in a member state.\textsuperscript{217} Similar to the Restatement, the recommendation considers such factors as circumstances indicating the defendant is doing business in the member state, the level and character of the commercial activity, the connection of an offer of goods on the Internet with the member state, the connection of the manner of use of the trademark on the Internet with the member state, and the relation between Internet use of the trademark and a trademark right in the member state.\textsuperscript{218} Interestingly, however, the joint recommendation does not consider the defendant's ties to the member state, apart from the Internet activity conducted by the defendant in the adjudicating state. No factor inquires into the citizenship of the defendant or into the allegiance of the parties to the adjudicating state, unlike the tests articulated in the Restatement and in the Second and Ninth Circuit. This suggests a more expansive view of extraterritorial jurisdiction that could be more in accordance with the U.S. view of extending the Lanham Act extraterritorially. Overall, however, the joint recommendation is a more refined and customized list of factors intended for use in Internet disputes.

The fact that it is a more refined list of factors, however, presents the same problem to judges as do the Second and Ninth Circuit tests. Although judges are not accustomed to applying international law and neutrally balancing national and foreign interests,\textsuperscript{219} they will still be asked to do so under the joint recommendation. As a result, when there is any doubt, national interests will be favored over foreign interests, and U.S. plaintiffs will still be more likely to succeed in applying the Lanham Act extraterritorially over defendants.\textsuperscript{220} The only difference is that these factors may have more legitimacy in the international community because they were adopted by the WIPO. Furthermore, as stated in the preamble, the joint recommendation is not intended to establish substantive law governing trademarks on the Internet; it is merely a legal guideline for

\begin{itemize}
    \item \textsuperscript{216} Id. at Explanatory Note 0.01.
    \item \textsuperscript{217} Id. at art. 3.
    \item \textsuperscript{218} See id. at art. 3(1).
    \item \textsuperscript{219} See McKinnon, supra note 186, at 1292–93.
    \item \textsuperscript{220} See id. (noting that when domestic courts are asked to balance national and foreign interests, "there have been few times when courts have found foreign interests to prevail") (quoting Laker Airways, Ltd. v. Sabena, Belgian World Airlines, 731 F.2d 909, 951 (D.C. Cir. 1984)).
\end{itemize}
national courts to use when they believe it is needed. This means that national courts' application of the joint recommendation factors will not be harmonized, and courts will still apply their divergent views. On the other hand, if the joint recommendation becomes well recognized, it could be adopted by parties to arbitrations or, even further, it could evolve into an international norm encouraging national courts to harmonize their application of the recommendation.

**B. ADOPT SUBSTANTIVE TREATIES THAT HARMONIZE INTERNATIONAL TRADEMARK LAWS**

International harmonization of substantive trademark laws is needed because of the worldwide scope of the Internet and the problems associated with the extraterritorial application of national laws. Some have argued that, although international harmonization of patent and copyright laws is inappropriate, harmonization of trademark laws is more feasible due to the purpose of trademarks, which is to protect consumers from marketplace confusion. The Internet is a one-stop shop for everything, where products and services are presented in an intangible form, and, as a result, the role of trademarks will be even more important. If states continue to apply their trademark laws extraterritorially, however, inconsistent application may cause even greater consumer confusion. Consequently, a treaty establishing substantive trademark law governing the Internet may be helpful in eliminating the need for the United States to apply the Lanham Act extraterritorially. This could be based on the joint

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221. See Joint Recommendation, supra note 215. See also Graeme W. Austin, Valuing “Domestic Self-Determination” in International Intellectual Property Jurisprudence, 77 Chi.-Kent L. Rev. 1155, 1174 (2002) (noting that the joint recommendation does not seek to impose supranational norms on states, but crafts suggested rules in determining whether a trademark use has actionable commercial effect within a jurisdiction).

222. See Avakian, supra note 2, at 938–39 (calling for international agreements and treaties to resolve global unfair competition disputes); Bradley, supra note 6, at 572 (recommending that the U.S. government improve intellectual property protection through international treaty negotiations rather than through extraterritorial application of national laws); French & Zahralddin, supra note 209, at 127 (recommending a "global consensus on what is and is not illegal activity on the Internet").

223. Compare Burk, supra note 3, at 735 (explaining that, between copyright and trademark laws, trademark laws are in greater need of harmonization than copyright laws due to their radically different role in society and the economy), with Bradley, supra note 6, at 509–10 (arguing that, although the substantive nature of trademark law is different from patent and copyright law, intellectual property laws in general should not be applied extraterritorially).

224. See Burk, supra note 3, at 735.

225. For information on the Internet's impact on the role of trademarks in global electronic commerce, see id. at 697–703.

226. See id. at 735.
recommendation or it could be entirely rewritten. Either way, if most states agree to follow a substantive trademark treaty, they may not feel compelled to protect their nationals or their interests through extraterritorial extension of domestic laws. Furthermore, if a U.S. national sues a foreigner in another state and that state fails to enforce fully a substantive trademark treaty, the United States may then file a claim on behalf of its national in an international tribunal, such as the International Court of Justice or the World Trade Organization ("WTO"), and have a panel of international jurists decide the issue.

C. USING INTERNATIONAL ORGANIZATIONS AND ARBITRATION

Another possible solution would require the United States to work through international tribunals, such as the WTO. Instead of applying the Lanham Act extraterritorially and causing possible conflict with a foreign state, the United States could sue the foreign state in the WTO on behalf of its national for a violation of the "TRIPs agreement," also known as the Trade-Related Aspects of Intellectual Property Rights Agreement.\(^\text{227}\) Given the increasing number of Internet trademark disputes, however, this would be far too burdensome an undertaking for the government.

Instead, U.S. courts can encourage individual parties to use alternative dispute resolution methods, such as international arbitration at the WIPO Arbitration and Mediation Center.\(^\text{228}\) The center, established in 1994 and based in Geneva, Switzerland, provides arbitration and mediation services for the resolution of international commercial disputes between private parties.\(^\text{229}\) In particular, the center specializes in the administration of disputes relating to intellectual property on the Internet and e-commerce.\(^\text{230}\) This solution would reduce the amount of opportunities a U.S. court would have to extend the Lanham Act extraterritorially, since the parties would arbitrate instead. In addition, it does not require the intervention of the U.S. government and can easily be orchestrated by the influence of U.S. judges and lawyers. For example, when private parties file a suit in a U.S. court that implicates an extraterritorial application of the Lanham Act, instead of litigating the lawyers or judges involved could encourage the

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227. Bradley, supra note 6, at 572.
228. For general information about the WIPO Arbitration and Mediation Center, see WIPO Arbitration and Mediation Center, at http://arbiter.wipo.int/center/index.html (last visited Mar. 13, 2004).
229. Id.
230. Id.
parties to arbitrate the case in the WIPO. This would avoid the unnecessary extension of the Lanham Act and subsequent conflicts with international law.

D. POLITICAL BRANCH INVOLVEMENT

Finally, to avoid possible conflicts with international law, Congress could amend the Lanham Act to address the extraterritoriality issue directly. Congress has already passed similar legislation in other areas of intellectual property. For example, in 1984 Congress amended the patent statute to overrule Deepsouth Packing Co. v. Laitram Corp., which denied an extraterritorial application of patent law. Such congressional guidance will give courts a clearer idea of congressional intent with respect to specific issues. Furthermore, the imposition of set rules governing behavior in specific situations will enable courts to refrain from using subjective balancing tests. Finally, because the political branches negotiate intellectual property treaties, and because they are better attuned to U.S. foreign policy concerns, Congress and the executive branch are much better suited than U.S. courts to decide when the Lanham Act should be applied extraterritorially.

V. CONCLUSION

As the importance of trademarks on the Internet increases, it is expected that U.S. courts will have many opportunities to extend the Lanham Act extraterritorially. Although in some cases it may be perfectly

231. There are, of course, many factors that parties in a dispute must consider before agreeing to forgo litigation in favor of arbitration. For one thing, unlike litigation, arbitration awards are generally not appealable in the United States. Therefore, the parties will both evaluate the advantages and disadvantages of arbitration before agreeing to proceed. This Note simply proposes that international arbitration in a specialized agency such as the WIPO may help to prevent U.S. courts from extending the Lanham Act extraterritorially in unnecessary situations. For a thorough discussion on the advantages of resolving international trademark disputes through arbitration at the WIPO Arbitration and Mediation Center, see generally Julia A. Martin, Arbitrating in the Alps Rather than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution, 49 STAN. L. REV. 917 (1997).

232. Bradley, supra note 6, at 570-71. See also Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531-32 (1972) (holding that patent law did not apply to the manufacture and sale in the United States of components for assembly abroad, even though such an assembly would have infringed the patent).

233. See Bradley, supra note 6, at 571.

234. See id.

235. For a discussion on the separation-of-powers justification for the presumption against extraterritoriality, see id. at 550-66.
justified, in others the decision may conflict with international legal principles. Generally, in determining whether a U.S. law can be applied extraterritorially, courts look to the legislative intent of the statute. When intent is unclear, the courts have developed subjective balancing tests to determine if subject matter and personal jurisdiction is proper over a defendant. The balancing tests developed in the Second and Ninth Circuits allow too much latitude to judges in balancing national interests with foreign interests. The inherent danger is that U.S. judges will tend to overweigh national interests and exert extraterritorial jurisdiction over defendants when such extension of the Lanham Act is unjustified by international legal principles. In the past, the United States has come under heavy criticism for overextending its national laws to situations where other states felt it was not warranted.

Several recommendations have been proposed to alleviate this criticism. First, courts can use the joint recommendation as a guideline for their application of the act. This could lead to the same problems that U.S. judges face today under the circuit tests, however, and it would be more effective to adopt the recommendation in a substantive law treaty. This may encourage courts to rein in their extension of the Lanham Act with the knowledge that U.S. plaintiffs will be equally protected around the world. Finally, courts could encourage litigants to settle their disputes with arbitrations under the WIPO. Regardless of which solution the United States chooses, courts confronted with international trademark cases dealing with the Internet should carefully interpret the precedent cases and consider the global implications of extending the Lanham Act in situations that may violate international legal principles.