A "LIKELIHOOD OF CONFUSION": CIRCUIT COURTS ATTEMPT TO RECONCILE SIXTY YEARS OF SCOTUS SILENCE SINCE BULOVA

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Part I of this Article introduces the issue by briefly explaining the federal trademark registration process and the global costs associated with trademark infringement. Part II introduces the judicial framework under which the Supreme Court analyzed the extraterritoriality issue of the Lanham Act and the major circuit cases since the Supreme Court’s decision. Part III offers a possible solution to the resulting judicial confusion by adapting an approach from the First Circuit. Finally, Part IV explains why the First Circuit’s approach serves as an ideal model for the Supreme Court to consider adopting if and when it

*346* Almost every child of the 1990’s either possessed personally, or knew someone who possessed, the popular electronic gaming system—the Nintendo Entertainment System® (U.S. Reg. No. 1440706). According to one study, by the year 2010, Nintendo Company, Ltd., a Japanese-based corporation, had sold an estimated 61.9 million units of their 8-bit system world-wide.1 The 8-bit, grey and black gaming console, uniquely identified by its distinct curvy-blocked “NINTENDO” logotype embedded in a capsule-like shape, became a staple of American households and laid the foundation for the impending multi-billion dollar electronic gaming industry of today. Needless to say, Nintendo’s success in the electronic gaming industry was contagious, prompting developers all over the world to rush similar consoles into the stores in an attempt to potentially capture any part of the rapidly-growing electronic gaming market.

Despite its worldwide successes in the electronic gaming industry, Nintendo of America, Ltd. (a United States subsidiary of its Japanese parent-corporation) filed suit in 1994 against an unlicensed imitator, Aeropower Co. (a Taiwanese corporation) claiming, among other causes of action, violations of its federal copyright and trademark rights.2 Evidence at trial showed the defendants had been manufacturing and distributing video game cartridges all over the world that contained software that infringed several of Nintendo’s domestically recognized rights, with many of the infringing products finding their way back into the hands of U.S. consumers.3 Accordingly, the district court found federal trademark and copyright violations and awarded monetary and injunctive relief to Nintendo for both the domestic and extraterritorial conduct of Aeropower. This prohibited Aeropower from further infringing Nintendo’s trademark and copyrights “in the United States, Mexico and Canada.”4

On appeal to the Fourth Circuit Court of Appeals, however, the Circuit Court vacated the district court’s granting of relief with respect to the extraterritorial conduct of Aerospace. The appeals court held that the district court did not consider certain limiting factors under the U.S. trademark law— the Lanham Act— in so awarding Nintendo injunctive relief for Aeropower’s extraterritorial conduct.5 The Fourth Circuit’s confused interpretation of exactly when the Lanham Act applied to extraterritorial conduct stemmed from an antiquated Supreme Court decision forty years earlier, in Steele v. Bulova Watch Co., 344 U.S. 280, 283 (1952), and the subsequent silence of the Supreme Court since that decision.6

Like many other circuits befuddled by the Supreme Court’s analysis in Bulova, the Fourth Circuit adopted its own interpretation and application of the *347* Supreme Court’s forty-year-old factors. In doing so, the Fourth Circuit created the following test:

While a court may issue an injunction having extraterritorial effect in order to prevent trademark violations under the Lanham Act, it should do so only where the extraterritorial conduct would, if not enjoined, have a significant effect on United States commerce, and then only after consideration of the extent to which the citizenship of the defendant, and the possibility of conflict with trademark rights under the relevant foreign law might make issuance of the injunction inappropriate in light of international comity concerns.7

This rendition, fully adopted only in the Fourth Circuit, represents one of several ways in which the various circuits have tried to interpret the Supreme Court’s intent in Bulova and ensuing silence since 1952. Moreover, the varying circuit court interpretations of the Supreme Court’s actual intent in Bulova subsequently left many trademark holders, like Nintendo, without judicial recourse for international infringements of their intellectual property rights. As a result, many federal trademark owners and courts, alike, seeking guidance are consequently left with, as the title of this Article suggests, a “likelihood of confusion” regarding the Lanham Act’s applicability to extraterritorial conduct.8

Part I of this Article introduces the issue by briefly explaining the federal trademark registration process and the global costs associated with trademark infringement. Part II introduces the judicial framework under which the Supreme Court analyzed the extraterritoriality issue of the Lanham Act and the major circuit cases since the Supreme Court’s decision. Part III offers a possible solution to the resulting judicial confusion by adapting an approach from the First Circuit. Finally, Part IV explains why the First Circuit’s approach serves as an ideal model for the Supreme Court to consider adopting if and when it
re-addresses the extraterritorial jurisdiction issue under the Lanham Act.

I. Introduction to Federal Trademarks

A. United States Intellectual Property Rights in the Context of International Commerce

According to urban myth, in 1898, then Commissioner of the United States Patent and Trademark Office (USPTO) and subsequent federal judge for the D.C. Circuit, Charles Holland Duell, purportedly claimed that “[at this time] everything that can be invented has been invented.” Since then, the USPTO has approved millions of applications for intellectual property ownership rights in the United States in the form of patents and trademarks, which, in turn, has generated trillions of dollars, annually, for the United States economy.10

*348 The USPTO is the exclusive federal agency that grants ownership of U.S. patents and trademarks.11 The USPTO, created under the U.S. Constitution, assists the Executive Branch in fulfilling its Constitutional mandate to “promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their respective . . . Discoveries.”12 Specifically in the realm of trademarks, the USPTO provides these protections by examining trademark applications and issuing trademark registration certificates to applicants that satisfy the filing requirements through its delegated authority under the Commerce Clause of the Constitution.13

A trademark is “a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others.”14 Trademarks serve as a two-fold form of domestic consumer protection, as they: (1) “protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get,” and (2) “where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.”15

A validly registered federal trademark, indicated by the “®” symbol,16 will protect the registrant’s mark whenever those goods enter the stream of commerce.17 In order to secure federal protections to a mark, an individual must file an application with the USPTO.18 The application then serves as constructive notice of the mark’s use as of the filing date, which, in turn, confers a nation-wide right of priority “on or in connection with the goods or services specified,” subject to *349 certain exceptions.19

Once the USPTO approves an application and issues the applicant a certificate of registration, that approval provides the registrant with several benefits: 1) notice to the public of the registrant’s claim of ownership of the mark; 2) a legal presumption of ownership nationwide, and the exclusive right to use the mark on or in connection with the goods or services set forth in the registration; 3) the ability to bring an action concerning the mark in federal court; 4) the use of the U.S. registration as a basis to obtain registration in foreign countries; 5) the ability to record the U.S. registration with the U.S. Customs and Border Protection (CBP) Service to prevent importation of infringing foreign goods; 6) the right to use the federal registration symbol (®); and 6) a listing in the USPTO’s online databases.20 While the USPTO does not enforce the registrant’s rights to use that specific mark, the agency will generally attempt to ensure that no other party receives a federal registration for a similar mark used on related goods or services.21

Generally speaking, however, the Lanham Act only affords its owner protections within United States territories.22 Consequently, should a federal trademark holder wish to maintain these domestic protections abroad, that person must apply for trademark protections in each individual country or region, or hopelessly rely upon foreign enforcement of treaties between the United States and the country of origin for the infringing goods.23 But U.S. courts have often held that international treaties, like the Paris Convention, are generally not self-executing, do not serve as valid U.S. law, and cannot be invoked by a plaintiff seeking redress in a U.S. court of law.24

Notably, the USPTO kindly offers suggestions for individuals wishing to protect their intellectual property rights (IPR) abroad, including but not limited to:

• Working with legal counsel to develop an overall IPR protection strategy;
• Developing detailed IPR language for licensing and subcontracting contracts;
• Conducting due diligence of potential foreign partners (The U.S. Commercial Service can help, see Export.gov);
• Recording their U.S.-registered trademarks and copyrights with Customs *350 and Border Protection; and
• Securing and registering patents, trademarks, and copyrights in key foreign markets, including defensively in countries where IPR violations are common.25 But while these suggestions may satisfy the USPTO’s sense of altruism and philanthropy, they offer little in the way of protection for individual domestic rights abroad.26 In fact, as of 2009, the United States only maintained bilateral, reciprocity agreements with eight other countries: China, Ethiopia, Germany, Greece, Ireland, Israel, Italy, and Japan.27 As the legislative branch has no official power to regulate affairs abroad, this complicated task has, therefore, been left up to the judicial branch of the United States to protect intellectual property rights while contemporaneously balancing its power against infringements of foreign sovereignty.

B. Global Costs of Infringements upon Intellectual Property Rights

In 1998, the Organisation for Economic Co-Operation and Development (OECD) performed a study on the economic impact of counterfeiting by examining the costs to the property owner, the costs to the countries where the counterfeiting takes place, the costs where the counterfeits are sold, and the social costs.28 The OECD attributed worldwide losses in the billions of U.S. dollars every year to counterfeitters and their production of counterfeit goods.29 According to the estimates of a First Circuit judge, global piracy of American goods amounts to annual losses from unauthorized use of registered U.S. trademarks of roughly $200 billion.30

*351 The obvious and most expensive costs to the property owner stem from the direct loss in sales.31 Unsuspecting consumers who purchase these counterfeit goods believing them to be the genuine product are left unsatisfied by the knock-off and the property owner is likewise left without the corresponding fruits of his labor. Additionally, the OECD calculates even further losses when accounting for the goodwill associated with the mark and enforcement of one’s intellectual property rights, should that option even be available.32

The victimized country simultaneously suffers losses in the areas of direct foreign investment, or net inflows of investments by foreign investors into economies other than their own,33 loss of foreign know-how, job loss, loss of foreign exchange, and tax revenues. Society, as a whole, also suffers losses due to the inferior quality of counterfeits, particularly those relating to health and safety, along with social costs of proceeds of counterfeits becoming invested in organized crime.34 But arguably the most important loss to the producing country, one that cannot be really valued in any tangible sense, is the discouragement and disincentive of inventiveness in that particular country “since it deters honest producers from investing resources in new products and market development.”35 This incalculable loss not only hinders present economic growth, but stymies future economic growth. The act of counterfeiting products in a foreign country and subsequently introducing those products into the country of the property owner forces those property owners to seek other avenues, including protections outside their home country, or simply discourages ingenuity and innovation altogether.36

Granted, the United States can and does enjoin the sale of infringing goods within its borders,37 but the injunction is only valid in the United States.38 But with *352 the inevitability of international infringements, the increases in globalization of consumer markets, and the now seamless free-flow of information, future silence by the Supreme Court on the issue of extraterritorial application may ultimately render any protections under the Lanham Act obsolete. For now, a trademark holder remains left with the variations of the holding from Bulova and its confusing progeny.

II. The Judicial Framework for Extraterritorial Application of the Lanham Act

A. The Current State of the Law

Given the sixty years since the Bulova decision and the drastic advances in complexity of technology and transmission of information, it comes as no surprise that several people take issue with the Supreme Court’s silence. While the First, Second, Fifth, Ninth, and Eleventh Circuits have all adopted their own variations of the Bulova factors, the remaining circuits have simply piggy-backed onto one of these circuits’ tests or have decided individual cases on an ad hoc basis without putting
forth any cohesive tests of their own.\textsuperscript{39}

As one commentator states:

The current law is diverse, confused, and rife with potential for forum shopping. Given the huge differences between these tests, including those used in the same circuit, plaintiffs can select the law under which their claims are most likely to succeed and to get the most extensive injunction. The only significant check on the ability to forum shop is obtaining jurisdiction over the defendant, but jurisdiction can probably be obtained in a variety of locations, given that the majority of international trademark disputes are likely between multinational corporations. A Supreme Court decision or an act of Congress is the only way to resolve this problem.\textsuperscript{40}

But the shortcomings of the various tests mentioned, coupled with the silence on the issue by both Congress and the Supreme Court, leaves gaping holes in uniformity and predictability of an area of the law begging for modernization.

The following matrix attempts to provide the current state of affairs for the law:\textsuperscript{41}

<table>
<thead>
<tr>
<th>Circuit</th>
<th>Case Name</th>
<th>Nationality of Parties</th>
<th>Degree of Effect on US Commerce</th>
<th>Structure of Test</th>
<th>Separate Comity Inquiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>McBee\textsuperscript{42}</td>
<td>U.S.</td>
<td>Jap.</td>
<td>U.S. defendant = some or none; Foreign defendant = substantial</td>
<td>3-part conjunctive</td>
</tr>
<tr>
<td>2nd</td>
<td>Vanity Fair\textsuperscript{43}</td>
<td>U.S.</td>
<td>Can.</td>
<td>Substantial</td>
<td>3-element balancing</td>
</tr>
<tr>
<td>5th</td>
<td>American Rice\textsuperscript{44}</td>
<td>U.S.</td>
<td>U.S.</td>
<td>Some</td>
<td>3-element balancing</td>
</tr>
<tr>
<td>9th</td>
<td>Wells Fargo\textsuperscript{45}</td>
<td>U.S.</td>
<td>U.S.</td>
<td>Some</td>
<td>7-element balancing</td>
</tr>
<tr>
<td>11th</td>
<td>Levi Strauss\textsuperscript{46}</td>
<td>U.S.</td>
<td>U.S.</td>
<td>Substantial</td>
<td>3-element balancing</td>
</tr>
</tbody>
</table>

\textsuperscript{353} As one can see, these many interpretations of the Supreme Court’s intent in Bulova regarding when the Lanham Act applies extraterritorially have been anything but uniform in their approach. This diversity of judicial opinion on the issue provides very little in the way of predictability and certainty as to when the Lanham Act applies extraterritorially, and frustrates federal trademark holders seeking recourse for alleged infringing activities. The following case analyses explain the various shortcomings of the approaches mentioned, supra, and why this issue should be revisited by the Supreme Court.

B. The Supreme Court’s Approach: Steele v. Bulova Watch Co.

While Congress did not expressly prescribe federal jurisdiction to extraterritorial claims of infringement, the Supreme Court, for the first time in Steele v. Bulova Watch Co., resolved the jurisdictional short-coming by providing the proper framework for reviewing courts to analyze the extent of the Lanham Act’s reach.\textsuperscript{47}

Despite facing significantly less-globalized market conditions in 1952 as \textsuperscript{354} compared with today, the Supreme Court has failed to readdress the issue of extraterritoriality since Bulova in a manner that takes into account the technological advances in communications and free-flow of information. Instead, what the courts are left with are individual and distinct circuit court variations of the factor test from Bulova, which, in turn, leaves behind a muddled area of the law facing increasingly-complex fact scenarios. Writing for a 6-2 majority, Justice Thomas C. Clark began his opinion in Bulova with a review of the expressed intent of the Lanham Act, specifically noting the broad delegation of jurisdictional powers upon the United States courts:

The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of
reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.48

As Justice Clark poignantly notes, the Lanham Act further defines “commerce” as “all commerce which may lawfully be regulated by Congress.”49 Accordingly and ignoring any possibility of a presumption against extraterritoriality,49 Justice Clark instead relied on seemingly limitless statutory language to provide a cause of action against trademark infringement activities merely occurring in or affecting all “commerce within the control of Congress.”50 Notably, and to the detriment of lower courts, the Bulova Court, like Congress, failed to specifically define what acts of “commerce” would trigger extraterritorial jurisdiction under the Lanham Act. In Bulova, the defendant, Steele, conducted a counterfeit watch business in Mexico City.52 Without Bulova’s permission, Steele assembled and sold watches in Mexico containing the U.S.-registered trademark name “BULOVA,” which subsequently prompted Bulova to file suit in the Western District of Texas. As part of its claims for trademark infringement, Bulova sought injunctive and monetary relief under the Lanham Act against Steele and his corporation.53 Steele countered with a challenge to a lack of subject-matter jurisdiction by the federal courts, claiming that not only did he have valid pending legal proceedings regarding a valid registration of the mark in Mexico, but moreover that the complained of conduct “substantially related solely to acts done and trade carried on under full authority of Mexican law, and were confined to and affected only that nation’s internal commerce, [and therefore] (the District Court) was without jurisdiction to enjoin such conduct.”59

Despite the fact that most of the infringing activities have occurred outside the U.S. borders, the Court broadly interpreted the Congressional language of the Lanham Act to confer jurisdiction to federal courts in two ways: 1) prescriptive jurisdiction under Congress’s explicit powers to regulate “the conduct of its own citizens,” including extraterritorial conduct;55 and 2) Congress’s implicit powers to regulate foreign commerce (although the Foreign Clause is not cited), when the defendant’s conduct has an impact on commerce within the United States.56 As such, the Court submitted a list of three factors it would use to determine extraterritorial application of the Lanham Act: (1) whether the defendant’s conduct outside of the United States had a potentially adverse effect on commerce in the United States; (2) the U.S. citizenship of the defendant; and (3) whether issuing an injunction would infringe on the sovereignty of the nation within which the alleged infringing conduct occurred.57

Applying this test to the facts, the Court permitted application of the Lanham Act because Bulova--one of the largest watch manufacturers in the world at that time--advertised and distributed its marked “BULOVA” watches throughout the United States and other foreign countries, including Mexico; Steele, a resident of San Antonio, Texas, had worked in the watch-making business in the United States since 1922; upon knowledge that the name “Bulova” had not been registered in Mexico, Steele moved his business to Mexico and applied to register the mark in Mexico; and, finally, Mexican courts had nullified the registration of that mark under Steele’s name, thereby negating any infringement upon Mexican sovereignty with the issuance of an injunction.58

Justices Reed and Douglas provided a sharp dissenting opinion by arguing against the broad authority of the Act to regulate “all commerce which may lawfully be regulated by Congress.”59 Their dissent claimed that because Steele did not actually commit his illegal acts inside U.S. territory, but instead simply purchased unfinished watch materials in the United States and stamped the “BULOVA” mark on the counterfeit watches while on Mexican soil, that Steele’s actions were not within the Congressional authority to regulate such activities.60 This narrow reading of the Act,61 however, simply failed due to the dissent’s own admission that Steele purchased many of the assembly materials in the United States (albeit a legal act in and of itself), which then triggered Congress’s Foreign Commerce Clause powers.62 As a result, the district court had jurisdiction to hear Bulova’s claims against Steele.

While Bulova remains the benchmark case for extraterritorial application of the Lanham Act, its simplistic and antiquated holding provides little in the way of modern application with respect to vastly more complex and modernized infringement schemes. But, in Bulova, jurisdiction over Steele’s activities applied because of a relatively straightforward set of facts: (1) Mr. Steele was a United States citizen; (2) he was served with process in San Antonio, Texas; and (3) he purchased manufacturing materials in the United States. As shown by cases like McBee v. Delica Co.,63 these infringement schemes since Bulova have indeed become vastly more complex and difficult to police. Conversely, the relatively straightforward set of facts seen in Bulova provides little in the way of guidance regarding when the Lanham Act applies extraterritorially, and further fails to account for the complex nature of counterfeiting schemes found in today’s significantly more globalized marketplace. Nevertheless, the fact clearly remains that the Supreme Court’s silence since 1952 has left interpretations of
applicability to the circuits and federal trademark owners vastly confused.  


In Vanity Fair Mills, the Second Circuit applied Bulova in the context of an infringement scheme involving a corporation. The plaintiff, Vanity Fair Mills, Inc. (Vanity Fair), held its validly registered U.S. trademark, “VANITY FAIR,” since 1914, and had conducted business in Canada since 1917. Conversely, the defendant was a Canadian corporation, which claimed priority rights to a valid, yet identical, Canadian trademark. Suit was initiated by Vanity Fair when, after ceasing use of its own Canadian trademark for nearly ten years, the defendant resumed use of its mark and simultaneously sold Vanity Fair’s branded merchandise in Canadian markets.

In expanding upon the analysis from Bulova, specifically, with regard to congressional powers to regulate “commerce,” the Second Circuit stated that “[w]hile Congress has no power to regulate commerce in the Dominion of Canada, it does have power to regulate commerce ‘with foreign Nations, and among the several States.’” As such, the Second Circuit explained that Congress did not have the power to regulate actions taking place solely within Canada’s borders; but, should those actions have a “substantial effect on commerce between . . . the United States and foreign countries,” then such actions did fall within Congress’ regulatory powers. Consequently and unlike Bulova, the Second Circuit denied extraterritorial application of the Lanham Act under this specific set of facts because it did not believe “that Congress intended that the infringement remedies provided in [the Lanham Act] should be applied to acts committed by a foreign national in his home country under a presumably valid trademark registration in that country.”

While Vanity Fair may have narrowly construed the Supreme Court’s holding in Bulova, the Second Circuit’s most notable contribution came in the form of an official, yet slightly modified, adoption of the Bulova factors. Rather than just simply state the factors as the Bulova opinion had done, the Second Circuit chose to utilize a three-factor balancing test to determine extraterritorial application of the Lanham Act by reviewing whether: “(1) the defendant’s conduct had a substantial effect on United States commerce; (2) the defendant was a United States citizen and the United States has a broad power to regulate the conduct of its citizens in foreign countries; and (3) there was no conflict with trademark rights established under the foreign law.” In its analysis, however, the Second Circuit held that only one of the Bulova factors was present—the defendant’s conduct had a “substantial effect” on United States commerce. As a result, the court dismissed the plaintiff’s request for injunctive relief by denying extraterritorial application of the Lanham Act.

But the Second Circuit’s analysis contained a major flaw, as the court provided no formal explanation or definition of what exactly constituted a “substantial effect” on U.S. commerce. Perhaps this omission was simply due to the court’s indifference on the issue because the other elements were unsatisfied by the facts. Notwithstanding that possibility, this blatant omission has become a major source of contention amongst the several circuits regarding exactly how much of an “effect” on U.S. commerce is actually needed, and has left the decision up to them when deciding extraterritorial application of the Lanham Act.

In addition to the Second Circuit’s obvious shortcomings in the “substantial effect” analysis, its formal endorsement of the Bulova factors likewise fails to provide the full protections necessary under the Lanham Act--mainly because the Second Circuit test appears to completely dismiss the notion that non-U.S. citizens are subject the Lanham Act’s provisions. This limitation is a substantial blow to the protections sought by federal trademark holders today as it hinders their ability to prosecute foreign offenders. Arguably United States citizens wishing to manufacture counterfeited goods can simply hide behind the veil of foreign sovereignty by renouncing their U.S. citizenship--a consequence the Supreme Court surely did not wish to occur after Bulova. As a result, harmed plaintiffs must either forum-shop for more favorable tests regarding extraterritorial applications of the Lanham Act, simply allow the international infringement activity to continue, or attempt to take costly action in a foreign jurisdiction.

D. The Fifth Circuit: American Rice v. Arkansas Rice Growers Cooperative Association

The Fifth Circuit, in American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n, placed its own spin on the Second Circuit’s test by utilizing the three factors as individually-analyzed elements of a balancing test.

In American Rice, both the plaintiff, American Rice (ARI), and the defendant, Arkansas Rice (Riceland), were United States
corporations that processed, milled, packaged, and marketed rice in Saudi Arabia; however, neither owned a valid trademark in Saudi Arabia. At the time of the request for injunctive relief, ARI owned two federal registrations for a trademark with the distinctive design of a girl, and Texas state trademark registrations in both English and Arabic of the word mark “Abu Bint” (translated to English as “of the girl,” or “girl brand”)—a mark it had used since 1975. In 1974, Riceland entered into an agreement with a Saudi merchant to begin marketing for a similar product containing the marks “Abu *360* Binten” (or “twin girl”), and “Bint-al-Arab” (or “daughter of the Arabs”)—both of which employed a red, yellow, and black color scheme similar to ARI’s color scheme. ARI subsequently filed suit in 1981 alleging violations of common law trademark infringement, violations of the Lanham Act, false designations of origin in violation of 15 U.S.C. § 1125(a), and deceptive trade practices in violation of the Texas Deceptive Trade Practice Act.

In adopting the Second Circuit’s three-part factor test, the Fifth Circuit further explained that “[t]he absence of any one of these [factors] is not dispositive. Nor should a court limit its inquiry exclusively to these considerations. Rather, these factors will necessarily be the primary elements in any balancing analysis.” Due to the substantial likelihood of confusion of Riceland’s mark with that of ARI’s, the presence of two U.S. corporations, and Riceland’s inability to establish a valid Saudi Arabian mark, the court held the Lanham Act applicable under the three-part test. Moreover, the Fifth Circuit proclaimed that Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, even if those practices were limited to sales outside of the United States.

However, of significant importance to this case, the Fifth Circuit rejected the “substantial effect” test from the first factor analyzed in Vanity Fair, instead employing its own “some effect” test. This subtle difference from Vanity Fair appears to directly contradict what the Second Circuit was trying to prevent in denying application to attenuated effects from the infringing activity. Likewise, the Fifth Circuit may be trying to suggest that extraterritorial application of the Lanham Act only applies to situations where both the plaintiff and defendant are U.S.-based companies—but the Fifth Circuit never expressly limits its analysis as such.

*361 As a result, should reviewing courts elect to adopt the Fifth Circuit’s “some effect” analysis and ignore the “substantial effect” requirement from Vanity Fair, it has the potential to open the proverbial flood gates for truly litigious plaintiffs to bring claims in which no calculable economic effect in the United States is necessary.


Much like the Fifth Circuit, the Ninth Circuit created yet another rendition of the “some effect” test, in Wells Fargo & Co. v. Wells Fargo Express Co., when it adopted a test utilized in the antitrust context to analyze extraterritorial application of the Lanham Act. In order for the Act to apply, the Ninth Circuit weighs seven elements—i.e., four more than either the Second or Fifth Circuits: 1) the degree of conflict with foreign law or policy, 2) the nationality or allegiance of the parties and the locations or principal places of business of corporations, 3) the extent to which enforcement by either state can be expected to achieve compliance, 4) the relative significance of effects on the United States as compared with those elsewhere, 5) the extent to which there is explicit purpose to harm or affect American commerce, 6) the foreseeability of such effect, and 7) the relative importance to the violations charged of conduct the United States as compared with conduct abroad.

But much like the Fifth Circuit, this holistic approach also appears to contain the same shortcomings in its analysis mainly due to the relatively low “some effect” threshold necessary to trigger subject-matter jurisdiction under the Act. Moreover, the Ninth Circuit’s test retains the ad hoc nature of the Second Circuit’s test, which can leave too much room for judicial activism, and does very little in terms of providing guidance or uniformity for reviewing courts to decide extraterritorial application of the Act, or even discouraging forum-shopping.


In what may be the most cogent analysis of the extraterritorial application of the Lanham Act, the First Circuit in McBee v. Delica Co., provides an ideal model upon which the Supreme Court should base its own analysis in the event it decides to ever revisit Bulova. The analysis that follows explains the complexities the First Circuit dealt with, and then examines why this approach could be ideal for today’s modern trademark infringement schemes.

A. The Case -- McBee v. Delica Co.
In McBee, Cecil McBee, a well-known jazz musician and American citizen, sought to hold the defendant, Delica Co., Ltd., a Japanese corporation, responsible for activities in Japan that allegedly harmed McBee’s reputation in both Japan and the United States. Delica had adopted the name “Cecil McBee” for an adolescent female clothing line, which Delica marketed both in Japan and on its website. McBee had never licensed or authorized the use of his name to anyone, except, as he claimed, “in direct connection with his musical performances,”--such as an album. After several failed requests to cease the sales and production of goods containing the “Cecil McBee” moniker, McBee filed suit under the Lanham Act requesting injunctive relief, damages, and attorney’s fees.

The series of events leading up to this lawsuit demonstrate the exact complexity faced by Lanham Act plaintiffs and the great lengths to which infringers will go to avoid suit in the United States:

In 1995, plaintiff McBee became aware that Delica was using his name, without his authorization, for a line of clothing in Japan. He contacted an American lawyer, who advised him that Delica was unlikely to be subject to personal jurisdiction in the United States. McBee retained a Japanese attorney, who sent a letter to Delica asking it to cease using the “Cecil McBee” name. When Delica declined, McBee petitioned the Japanese Patent Office to invalidate Delica’s English-language trademark on “Cecil McBee.”

On February 28, 2002, the Japanese Patent Office ruled Delica’s trademark in Japan invalid. However, Delica appealed to the Tokyo High Court, which on December 26, 2002, vacated the decision of the Japanese Patent Office.

*363 In early 2002, Delica formulated a policy not to sell or ship “Cecil McBee” brand products to the United States and informed its managers throughout the company. Delica’s admitted reason for this policy was to prevent McBee from being able to sue Delica in the United States.

. . . From December 2001 through early 2003, McBee retained three Japanese-speaking investigators to attempt to purchase “Cecil McBee” products from Delica and have them shipped to Maine. . . . One initially, in December 2001, contacted the webmaster of http://www.cecilmcbee.net by email, asking about certain jewelry displayed on the website; that webmaster referred the investigator to the “Cecil McBee” retail shops in Japan for further information, but noted that at that time only domestic shipping was available.

The investigators then used the telephone numbers on the http:// www.cecilmcbee.net website to contact various “Cecil McBee” retail stores in Japan directly. The investigators made it clear that they were residents of the United States inquiring about purchasing “Cecil McBee” goods. When the investigators requested an opportunity to buy merchandise and have it shipped to them in Maine, some stores stated that this could not be done, some of the stores worked out an arrangement whereby they would ship to an address in Japan but the investigator would then arrange to have the products forwarded to Maine, and some of the stores, at various times, shipped directly to the investigators in Maine. The total value of “Cecil McBee” merchandise purchased by these three investigators--including both goods shipped directly to Maine by Delica and goods shipped via the indirect method--was approximately $2,500.

In its review of this complex and befuddling fact-pattern, the First Circuit created its own test for extraterritorial application of the Lanham Act by expressly deviating from the Vanity Fair court in two major ways: 1) instead of including the “substantial effects” inquiry as part of a three-part balancing test, the First Circuit disaggregated the elements into conjunctive independent analyses; and 2) instead of including comity considerations as part of its analysis, the First Circuit precluded extraterritorial application of the Lanham Act only when statute or ratified treaty expressly provided.

Drawing upon the antitrust context from Hartford Fire Insurance Co. v. California, the First Circuit provided the following test to determine extraterritorial application of the Act:

Our framework asks first whether the defendant is an American citizen; that inquiry is different because a separate constitutional basis for jurisdiction exists for control of activities, even foreign activities, of an American citizen. Further, when the Lanham Act plaintiff seeks to enjoin sales in the United States, there is no question of extraterritorial application; the court has subject matter jurisdiction.

In order for a plaintiff to reach foreign activities of foreign defendants in American courts, however, we adopt a separate test. We hold that subject matter jurisdiction under the Lanham Act is proper only if the complained-of activities have a substantial effect on United States commerce, viewed in light of the purposes of the Lanham Act. If this “substantial effects” question is answered in the negative, then the court lacks jurisdiction over the defendant’s extraterritorial acts; if it is
answered in the affirmative, then the court *364 possesses subject matter jurisdiction.

We reject the notion that a comity analysis is part of subject matter jurisdiction. Comity considerations, including potential conflicts with foreign trademark law, are properly treated as questions of whether a court should, in its discretion, decline to exercise subject matter jurisdiction that it already possesses.105

Using this test, the First Circuit granted jurisdiction over McBee’s request for injunctive relief against any future importation by the United States of goods carrying his name.106 But notably, the only factual predicate for granting this relief rested upon the $2,500 of “Cecil McBee” goods that McBee’s investigators were able to import into the state of Maine. McBee did not present any other evidence of sales containing the infringing mark—an apparent endorsement of the Fifth and Ninth Circuit’s “some effects” tests.107 As for McBee’s request for injunctive relief barring access to Delica’s website in the United States, the court denied such request based upon the grounds that the court lacked subject-matter jurisdiction, declaring it only to have been appropriate if McBee could have shown a “substantial effect” on United States commerce.108 Likewise, despite having only mere access to the Japanese-hosted website, McBee failed to provide the court with any substantial effect to United States commerce beyond mere visibility of the website to a United States citizen.109 Accordingly, any injunctive relief beyond domestic sales was denied, as McBee’s request for damages stemming from Delica’s sales in Japan failed for lack of “substantial effects” on commerce in the United States.110

*365 B. Analysis of the First Circuit’s Approach in McBee

While the First Circuit’s approach in McBee at first glance may appear starkly unique when compared with Bulova and its progeny, the McBee test captures the very essence of what the Lanham Act seeks to provide in the way of protections for federal trademark holders.111 Moreover, the McBee test maintains the judicial framework established in Bulova and Vanity Fair, yet builds upon the analyses by: (1) actually defining exactly how much of an “effect” is required and, (2) disposing of any inquiries regarding comity concerns.112

On the other hand, as much as the First Circuit adds to the analysis, the Circuit hesitated to precisely define what exactly constitutes a “substantial effect” on United States commerce. Arguably, under the facts in McBee, the only reason the court was able to exercise jurisdiction was because the plaintiff tricked Delica into selling infringing products to his own private investigators.113 And even then, the minimal effect of $2,500 of product is not a “substantial effect” on United States commerce.114

As such, a Supreme Court re-visitation of the Bulova holding should necessarily be two-fold: (1) adopt the analysis from McBee, or at the very least provide a modernized and singular test to be employed by courts throughout the United States, and (2) clarify what exactly constitutes a “substantial effect” on U.S. commerce necessary to trigger subject-matter jurisdiction.

IV. A SCOTUS Adoption of McBee Would Provide the Best National Framework for Extraterritorial Application of the Lanham Act

One of the consequences associated with owning a federal trademark owner is that the owner must then serve as his own private attorney general by monitoring the market for similar or counterfeit marks and bringing suit for any alleged infringements.115 However, a U.S. trademark registration only affords its owner protections within United States territories.116 Therefore, should a federal trademark owner wish to maintain these domestically protected rights, that individual must bear the burden—including costs, time, and expenses—associated *366 with securing trademark protections, policing for infringements, and enforcing internationally-recognized rights in each individual country.117

Consequently, changes to the current structure, as with most issues in our governmental system of checks and balances, would require Congressional or judicial review by our nation’s highest court—with the latter likely being the optimal measure for doing so.

A. A Congressional Remedy?
One commentator previously suggested that a Congressional update to the Lanham Act’s language that would expressly limit the Act’s extraterritorial reach. But, like most new bills introduced through either chamber, additional Congressional language to the Lanham Act has the potential to create several logistical nightmares, as it would require years of floor debate and partisan politics to generate a legislatively-created solution for a problem immediately plaguing trademark owners today. Further Congressional delays have the potential to possess outdated or ambiguous language, which, in turn, further handcuffs a federal court’s ability to hear a case and interpret new laws. Even if a Congressional solution were found in the immediate future, it still leaves the door open to further judicial interpretation regarding Congressional intent and meaning, while continuing this vicious cycle of leaving valid federal trademark holders without any effective U.S.-based recourse for international infringement.

Instead, Congress should leave the language of the Lanham Act as is and simply allow the Supreme Court to define the scope of the Lanham Act’s extraterritorial application. A Supreme Court revisitation further allows reviewing courts to account for new and unimaginable facts under a uniform framework, while simultaneously providing an efficient, yet comprehensive, form of relief to valid federal trademark holders seeking recourse for international infringements of their respective marks.

B. A Supreme Court Adoption of McBee

Ultimately, McBee’s benefit is three-fold: (1) the test accounts for citizenship of the defendant; (2) it provides solidarity, yet discourages frivolity, with its implementation of the “substantial effect” test; and (3) the test only allows for limited analyses regarding comity concerns—three benefits which no other circuit test to date can fully claim. Likewise, a formalized and modified adoption by the Supreme Court of the McBee test provides a seemingly simple solution to an otherwise complex issue, while still providing federal trademark owners with a conclusive test that accounts for modern-day complexities and maintains the spirit of the Lanham Act. Such a solution contemporaneously discourages forum-shopping, and ensures uniformity throughout the United States district courts.

For example, one of the biggest issues faced by those seeking to prosecute transnational infringement schemes stems from the fact that counterfeiters can seek asylum in countries with relaxed laws of commerce. Judge Lynch explains this issue when he analogizes the difficulties with prosecuting trademark infringement cases to those of antitrust:

One can easily imagine a variety of harms to American commerce arising from wholly foreign activities by foreign defendants. There could be harm caused by false endorsements, passing off, or product disparagement, or confusion over sponsorship affecting American commerce and causing loss of American sales. . . . In both the antitrust and the Lanham Act areas, there is a risk that absent a certain degree of extraterritorial enforcement, violators will either take advantage of international coordination problems or hide in countries without efficacious antitrust or trademark laws, thereby avoiding legal authority. Therefore, drawing from the antitrust context may actually provide a benefit in the context of trademarks, in large part due to the speculative nature of harms associated with trademark violations and the lengths to which counterfeiters will go to avoid jurisdiction in U.S. courts.

Taking into account these concerns, the Supreme Court should adopt the following test:

1) Is the defendant a United States’ citizen?

   a. Yes--Lanham Act applies because that citizenship provides an independent constitutional basis for exercising jurisdiction.

   b. No--Proceed to Step 2.

2) In light of the core purposes of the Lanham Act, are there “substantial effects” on the United States economy?

   a. Yes--Proceed, in appropriate cases, to Step 3.

   b. No--Lanham Act does not apply.

3) Are there treaties or federal statutes that expressly preclude extraterritorial application of the Lanham Act?
a. Yes--Lanham Act may not apply.
b. No--Lanham Act applies.

C. An Analysis of the Proposed Test

Many of the short-comings from the various interpretations of Bulova consistently involve incomplete or partially developed definitions in the tests, over-complication of the issues, or a general lack of adaptability to today’s market conditions. Some tests leave too much room for judicial activism,’ while other tests severely limit the Lanham Act’s powers. Some tests are simplistic, yet fail to fully capture the spirit of the Lanham Act,’ with others achieving just the opposite. Nevertheless, any formal re-visiting by the Supreme Court would require particular attention to the complexities presented in the trademark context, be simple enough not to frustrate the purposes of the Lanham Act, and simultaneously give predictability to those seeking remedial measures. Therefore, the following analysis provides reasoning for why a McBee-like restructuring would best serve the overall purposes of the Lanham Act.

1. Citizenship of the Defendant

As the First Circuit states in McBee, the initial inquiry should ask whether or not the defendant is a United States citizen. This initial inquiry is crucial to the overall analysis because, if the defendant is, in fact, a United States citizen, then “a separate constitutional basis for jurisdiction exists for control of activities, even foreign activities, of an American citizen.” The term “United States citizen” should be distinctively defined in accordance with its constitutional definition and in light of the core purposes of the Lanham Act so as to minimize jurisdictional avoidance measures, like those taken by the defendant in McBee.

Moreover, this initial inquiry would bifurcate the analysis as between a U.S. defendant and a foreign defendant by remaining sensitive to many of the issues regarding foreign enforcement of domestically-recognized rights and conflicts with foreign sovereignty when a non-U.S. citizen is involved in the litigation. But the analysis should not simply end when the defendant is not a United States citizen, as the Vanity Fair holding would suggest. Rather, an additional inquiry into the full effect on U.S. commerce is necessary.

2. “Substantial Effect” on United States Commerce

When interpreting the Supreme Court’s intentions in Bulova what exactly constitutes a potentially adverse effect on United States commerce--the degree of effect necessary to trigger subject-matter jurisdiction of the Lanham Act--appears to remain the biggest source of disagreement amongst the various circuits. While the First Circuit proclaims the “substantial effects” test to be the “sole touchstone to determine jurisdiction,” some circuits seem to overlook or even minimize the importance of this inquiry. Instead, a bright-line definition which adopts the “substantial effect” framework is necessary, therefore, not only for purposes of uniformity in application of the Lanham Act extraterritorially, but also to prevent attenuated or speculative harms from triggering jurisdiction.

The First Circuit’s definition in McBee, while possibly lacking full development of the issue, appears to achieve both of these purposes. As the McBee opinion explains, the “substantial effects” test must be applied in light of the core purposes of the Lanham Act, which are to protect the ability of American consumers to avoid confusion and to help assure a trademark’s owner that it will reap the financial and reputational rewards associated with having a desirable name or product. The court then defines a “substantial effect” in the following way: 1) evidence of impacts within the United States, and 2) these impacts must be of a sufficient character and magnitude to give the United States a reasonably strong interest in the litigation. Examples of impacts within the United States could include: risk of confusion by consumers, risks of unfair or competitive advantages gained by the defendant, actual and calculable economic losses, etc.

Thereafter, upon a finding of one of the aforementioned examples and in the event the court determines that the United States would have a reasonably strong interest in remedying the effects of these impacts, the Act could then be applied to a foreign defendant’s extraterritorial conduct. These two requirements would theoretically eliminate the use of speculative or nominal damages to trigger jurisdiction, while simultaneously providing trademark plaintiffs with sufficient justification for initiating the litigation process.
3. Limited Comity Concerns Precluding Extraterritorial Application of the Act

Finally, the court should consider a limited set of comity concerns that may preclude extraterritorial application of the Act. In McBee, the First Circuit failed to fully develop the notion that comity concerns could limit the jurisdictional reach of the Lanham Act, mainly due to the fact that there was no risk of confusion to American consumers, the company’s website was written in Japanese, and the infringing goods were only sold to McBee’s investigators and not the general U.S. public.\footnote{137}

Moreover, the First Circuit only addressed potential comity concerns in the antitrust context provided by Hartford Fire Ins. Co. v. California.\footnote{138} In justifying this position, the First Circuit disagreed with holdings, like Vanity Fair, that examined whether the defendant acted under color of foreign trademarking laws because it did not understand “why the scope of Congressional intent and power to create jurisdiction under the Lanham Act should turn on the existence and meaning of foreign law.”\footnote{139}

Therefore, in accordance with the First Circuit’s reasoning and contrary to the holdings in Bulova and Vanity Fair, Congressional intent and power to create jurisdiction, as the McBee opinion explains, should not turn on the existence and meaning of foreign law--mainly because under the principle of territoriality of federally-registered trademarks,\footnote{140} such ownership rights, subject to a few exceptions involving bilateral treaties, are only validly recognized and enforced within U.S. borders.\footnote{141}

Moreover, evidence that a foreign defendant acted under color of foreign trademark law serves more as an element of an intentional violation of the Lanham Act--not intent of the defendant to avoid extraterritorial application of the Lanham Act. Therefore, it is generally immaterial to the present jurisdictional analysis of a federal court whether or not the defendant holds a valid foreign trademark because: 1) the plaintiff is not seeking any relief in foreign courts, and 2) actions of a defendant are generally reserved for analyses pertaining to personal jurisdiction--not subject-matter jurisdiction.

Instead, as the First Circuit suggests, comity inquiries should be limited in scope only with respect to possible treaties or federal statutes that may expressly preclude extraterritorial application of the Lanham Act. This limited inquiry would avoid a conflict of law analysis or necessity of interpretation regarding applicability of foreign law by U.S. judges. Only in the event of any express provisions of ratified United States treaties or federal statutes denying extraterritorial application of the Lanham Act would those provisions serve as a possible bar to an exercise of jurisdiction--a notion that a U.S. court arguably may already possess.\footnote{143}

V. Conclusion

Nearly twenty years have passed since the Fourth Circuit’s opinion in Nintendo. While the 8-bit system has generally become a relic of the electronic gaming past, two years after the Fourth Circuit issued the opinion, Nintendo released its state-of-the-art 64-bit system--the Nintendo 64® (U.S. Reg. No. 2372472).\footnote{144} On March 27, 2011, Nintendo released its Nintendo 3DS® gaming console (U.S. Reg. No. 4191194)--a portable, handheld device that permits its users to view 3D content without the use of 3D glasses.\footnote{145} Conversely, around the same time the Supreme Court issued its opinion in Bulova, Robert Adler invented the first “wireless” remote control for house-hold televisions.\footnote{146} Needless to say, the world has seen significant advances in technology and communications since Bulova. Taking these global advances into consideration, the infringement schemes plaguing federal trademark owners have become increasingly complex and, in turn, more difficult to prosecute. Therefore, it has become absolutely necessary for the Supreme Court to revisit the Bulova holding and provide federal trademark holders with a uniform and modernized statement on the law. Neglecting to do so could, otherwise, spell “Game Over” for those seeking complete protections for their federally registered marks.

Footnotes


\footnote{2} Nintendo of Am., Inc. v. Aeropower Co., 34 F.3d 246, 248 (4th Cir. 1994).
3 Id.

4 Id. at 249.

5 Id. at 248.

6 Id. at 250 (citing Bulova, 344 U.S. at 285-89).

7 Id.


12 U.S. Const. art. I, § 8, cl. 8.

13 See The USPTO: Who We Are, supra note 11. Note that state trademark laws also provide various mechanisms for registration of state trademarks.


16 The often-seen “™” symbol can be used by anyone claiming the rights to use a mark, regardless of whether or not they have filed an application with the USPTO. However, an owner may only use the “®” symbol after the USPTO actually issues a certificate of registration for the mark and not while an application is pending. Frequently Asked Questions About Trademarks, USPTO.GOV, http://www.uspto.gov/faq/trademarks.jsp (last modified Mar. 23, 2013).

17 Id.


19 Id. § 1057(c).
Frequently Asked Questions About Trademarks, supra note 16.


Office of Policy and External Affairs - Protecting Intellectual Property Rights (IPR) Overseas, USPTO.GOV, http://www.uspto.gov/ip/iprtoolkits.jsp (last modified July 26, 2013). See also Person’s Co. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country’s statutory scheme.”).

Protecting IPR Overseas, supra note 22. Notably, the USPTO website provides several country-specific “toolkits” to aid the individual in beginning the foreign application process.


Protecting IPR Overseas, supra note 22. See also Frequently Asked Questions About Trademarks, supra note 16.

See John C. Yoo, Deputy Assistant Att’y Gen., Dep’t of Justice, The President’s Constitutional Authority to Conduct Military Operations Against Terrorists and Nations Supporting Them (2001), available at http://www.justice.gov/olc/warpowers925.htm (quoting Acting Attorney General John K. Richards: “The preservation of our territorial integrity and the protection of our foreign interests is intrusted [sic], in the first instance, to the President....In the protection of these fundamental rights, which are based upon the Constitution and grow out of the jurisdiction of this nation over its own territory and its international rights and obligations as a distinct sovereignty, the President is not limited to the enforcement of specific acts of Congress. [The President] must preserve, protect, and defend those fundamental rights which flow from the Constitution itself and belong to the sovereignty it created.”).


Id. at 22.


Id.

While the Lanham Act’s jurisdictional reach may not encompass all activities occurring outside U.S. borders, the Supreme Court in Bulova suggests that some purely foreign-based activities may, in fact, be covered. See Steele v. Bulova Watch Co., 344 U.S. 280, 285-86 (1952). For example, assuming the elements of personal jurisdiction over the defendant are satisfied, a merchant in a foreign nation that labels its own goods with an infringing mark and imports those goods into the United States will, in all likelihood, trigger federal jurisdiction over such activities. See, e.g., Norman M. Morris Corp. v. Weinstein, 466 F.2d 137, 142 (5th Cir. 1972).

See 15 U.S.C. § 1116(a) (“The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title.”).

See, e.g., Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 645 (2d Cir.1956) (denying injunctive relief for an American manufacturer alleging infringement of an American trademark by a Canadian mark and unfair competition from sales of infringing goods stating that “[a]n American citizen does not have an absolute right under all circumstances to sue in an American court”).


Id. at 673 (citation omitted).

See id. at 672-73. Special thanks to Mr. Gary D. Feldon for creating this table. This author has added the nationality of the parties to the table, as he believes it further provides a context for the bifurcated analyses from the court in McBee and the author’s suggestion in Section III.B, infra.


Vanity Fair, 234 F.2d at 642.


Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 425-26, 428 (9th Cir. 1977).


344 U.S. 280, 283 (1952) (“The Lanham Act...confers broad jurisdictional powers upon the courts of the United States.”).


Contra Morrison v. Nat’l Austl. Bank Ltd., 130 S. Ct. 2869, 2877-78 (2010) ("[U]nless there is the affirmative intention of the Congress clearly expressed” to give a statute extraterritorial effect, “we must presume it is primarily concerned with domestic conditions.”... When a statute gives no clear indication of an extraterritorial application, it has none.” (quoting EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 248 (1991))).

Bulova, 344 U.S. at 283-84, 286.

Id. at 281.

Id. at 281-82.

Id. at 282 (quoting the dissenting judge on Court of Appeals).

Id. at 285-86; McBee v. Delica Co., 417 F.3d 107, 118 (2d Cir. 2005) (“This doctrine is based on an idea that Congressional power over American citizens is a matter of domestic law that raises no serious international concerns, even when the citizen is located abroad.”). See also Restatement (Third) Of Foreign Relations Law §402(2) (1987) ("[A] state has jurisdiction to prescribe law with respect to...the activities...of its nationals outside as well as within its territory.”).

See Bulova, 344 U.S. at 287 (“[W]e do not think that petitioner by so simple a device can evade the thrust of the laws of the United States in a privileged sanctuary beyond our borders.”).


Bulova, 344 U.S. at 284-86, 89. Notably, the Court held the facts satisfied the third factor because the Mexican courts nullified the registration of that mark to Mr. Steele. While this is not a major factor in Bulova, various Circuits have addressed that scenario and denied extraterritorial application of the Act on this factor, alone.

Id. at 289-90 (Reed, J. & Douglas, J. dissenting) (“The canon of construction which teaches that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States is a valid approach whereby unexpressed congressional intent may be ascertained.” (citations omitted)).

Id. at 291-92.

Id. at 290.

See U.S. Const. art. I, §8, cl. 3. See also Veazie v. Moor, 55 U.S. 568, 573 (1852) (“Commerce with foreign nations, must signify commerce which in some sense is necessarily connected with these nations, transactions which either immediately, or at some stage of their progress, must be extraterritorial.”).


As the Fourth Circuit suggested in Nintendo, the Bulova case may have actually overstepped Congressional regulatory authority and limitations by regulating extraterritorial conduct “[b]ecause [Congressional] power is more extensive under the Lanham Act than under the Copyright Act”— another preliminary question that may also need answering by a modern-day Supreme Court. See Nintendo of Am., Inc. v. Aeropower Co., 34 F.3d 246, 249 (4th Cir. 1994). But some critics, like Professor Roger Schechter of George Washington University, suggest that this expansive view may actually be a good thing considering that, unlike patent and copyright laws, the harm from trademark infringement outside the United States has the potential to impact the value and domestic

65 Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956).

66 Id. at 637.

67 Id. Notably, in 1919, Vanity Fair sought to register its trademark in Canada, but the application was denied due to the prior registration of the defendant. Id. at 638.

68 Id.

69 Id. at 641 (quoting U.S. Const. art. 1, §8, cl. 3) (“This power is now generally interpreted to extend to all commerce, even intrastate and entirely foreign commerce, which has a substantial effect on commerce between the states or between the United States and foreign countries.”).

70 Id. at 641-42.

71 Vanity Fair, 234 F.2d at 642.

72 Id. at 642-43.

73 Id.

74 Id. The court entertained the notion that the citizenship factor could have been satisfied because the defendant had a corporate office in New York City that employed U.S. citizens. However, because the officers and directors who directed corporate affairs were Canadian citizens and the plaintiff brought the lawsuit against those individuals, the second factor was not satisfied on these facts. Id.

75 Id. Interestingly enough, the court provides no formal analysis or guidance for reviewing courts to assess this factor. This point of contention, regarding how much of an “effect” is actually needed, has been left to subsequent circuit opinions utilizing the Second Circuit test. Consequently, it appears that the Second Circuit is at the very least requiring calculable economic losses to occur inside the United States itself, in order to apply the Lanham Act extraterritorially. See also Totalplan Corp. of Am. v. Colborne, 14 F.3d 824, 830-31 (2d Cir. 1994) (holding that there is no substantial effect when plaintiff fails to show that any of the cameras sold by defendant in Japan made their way back to the United States, that the cameras caused confusion among American, or that any of plaintiff’s foreign sales were diverted by defendant’s Japanese sales). See also Calvin Klein Indus. v. BFK Hong Kong, Ltd., 714 F. Supp. 78, 80 (S.D.N.Y. 1989) (holding that a mere diversion of sales from an American company constituted a substantial effect).

76 Vanity Fair, 234 F.2d at 647-48 (“[W]e do not think it the province of United States district courts to determine the validity of trademarks which officials of foreign countries have seen fit to grant. To do so would be to welcome conflicts with the administrative and judicial officers of the Dominion of Canada. We realize that a court of equity having personal jurisdiction over a party has power to enjoin him from committing acts elsewhere. But this power should be exercised with great reluctance when it will be difficult to secure compliance with any resulting decree or when the exercise of such power is fraught with possibilities of discord and conflict with the authorities of another country.” (citations omitted)).

77 Id. at 642-43.
It appears that the Second Circuit is at the very least requiring calculable economic losses to occur inside the United States, itself, in order to apply the Lanham Act extraterritorially. See Totalplan, 14 F.3d at 830-31 (holding no substantial effect when plaintiff fails to show that any of the cameras sold by defendant in Japan made their way back to the United States, that the cameras caused confusion among Americans, or that any of plaintiff’s foreign sales were diverted by defendant’s Japanese sales). See also Calvin Klein, 714 F. Supp. at 80 (holding that a mere diversion of sales from an American company constituted a substantial effect).

See Vanity Fair, 234 F.3d at 641-42. In fact, the Second Circuit rejected the plaintiff’s assertion that the Bulova analysis was even applicable to this case because, under its interpretation, the Supreme Court’s holding rested squarely on the fact that Congress had the power to regulate the conduct of its own citizens—and the defendant, in this case, was not an American citizen. Id. at 642-43 (“We do not think that the Bulova case lends support to plaintiff; to the contrary, we think that the rationale of the Court was so thoroughly based on the power of the United States to govern ‘the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed,’ that the absence of one of the above factors might well be determinative and that the absence of both is certainly fatal.” (citation omitted)).

Only one other circuit, the Fifth Circuit, appears to adopt the basic structure of the Vanity Fair test. See Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass’n, 701 F.2d 408, 414 (5th Cir. 1983). But as Subsection B, infra, will address, the Fifth Circuit’s test is still not a full adoption of Vanity Fair. The Fourth Circuit, in Nintendo, has a slightly varied rendition of Second Circuit’s three-factor test that raises the bar on the first factor to require what it has defined as a “significant effect” on United States commerce. See Nintendo of Am., Inc. v. Aeropower Co., 34 F.3d 246, 250 (4th Cir. 1994). Additionally, the Fourth Circuit decided that the absence of two of the tripartite factors is fatal to a finding of the Lanham Act’s foreign applicability. Id. at 251.

“Even before the [infringing] mark was introduced, evidence admitted at the hearing showed that Saudi Arabian merchants, longshoremen, and consumers occasionally confused the defendant’s Bint al-Arab brand with the plaintiff’s Abu Bint rice. Riceland bags were shipped to and accidentally mixed with ARI bags at a merchant’s warehouse. And one witness testified that he heard the owner of the Bint al-Arab mark, Alamoudi, attempt to tell a customer looking for Abu Bint that Bint al-Arab was the same rice.”

“We agree with the Ninth Circuit that Bulova contains no such requirement, and that some effect may be sufficient. As the Court noted in Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d at 428, ‘since the origins of the “substantiality” test apparently lie in the effort to distinguish between intrastate commerce, which Congress may not regulate as such, and interstate commerce, which it can control, it may be unwise blindly to apply the factor in the area of foreign commerce over which Congress has exclusive authority.’”).

Vanity Fair Mills, Inc., v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956) (“[W]e 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.”).

In fact, the Fifth Circuit questioned the American Rice holding several years later on this very basis when it suggested the American Rice holding may even extend the jurisdictional reach of the Lanham Act to situations where no effect on United States commerce would be necessary. See Paulsson Geophysical Servs., Inc. v. Sigmar, 529 F.3d 303, 307 (5th Cir. 2008) (“The language of Bulova and American Rice suggests that a district court may have jurisdiction over Lanham Act claims against United States citizens properly before it where there is no interference with a foreign nation’s sovereignty, regardless of the effect on United States commerce.”). Notably, the Fifth Circuit permitted extraterritorial application in American Rice despite the fact that none of the examined sales occurred inside the United States. Am. Rice, 701 F.2d at 414-16.

This point is further analyzed in the analysis of McBee in Section III, infra.

Wells Fargo, 556 F.2d at 428-29 (applying the jurisdictional “rule of reason” from Timberlane Lumber Co. v. Bank of Am., 549 F.2d 597, 614-15 (9th Cir. 1976)). As one commentator points out, “[A] majority of the factors in the Wells Fargo test have analogues in section 403 of the Restatement.” Feldon, supra note 39, at 690-91 (alluding to Restatement (Third) Of Foreign Relations Law §403 (1987)).

In Reebok Int’l, Ltd. v. Marnatech Enters, Inc., 970 F.2d 552, 555 (9th Cir. 1992), the Ninth Circuit later elaborated on what type of effect would satisfy the “some effect” test--activities that “affect American foreign commerce in a manner which causes an injury to [the plaintiff] cognizable under the Lanham Act.” Id. This incredibly low threshold seems to imply that, as was the case in Reebok, extraterritorial application of the Lanham Act would be permitted simply where the sale price of the good decreased in a foreign market or the stock prices of the plaintiff decreased. Id. Such a low threshold seems too speculative, as many other factors could cause such events to happen. Consequently, this author joins the stance of the First Circuit in maintaining that a “substantial effect” on United States Commerce is necessary to trigger Lanham Act protections. See McBee v. Delica Co., 417 F.3d 107, 111 (1st Cir. 2005).

See Feldon, supra note 39, at 668 (“This manner of interrelating the factors considered for extraterritorial jurisdiction under the Lanham Act has proven popular among a number of circuits, although the actual elements of the Wells Fargo test have not.”).

McBee, 417 F.2d at 121 (“We disagree and do not see why the scope of Congressional intent and power to create jurisdiction under the Lanham Act should turn on the existence and meaning of foreign law.”).

105 McBee, 417 F.3d at 111.

106 Id. at 123.

107 Id. at 122. This relatively low threshold of $2,500 seems puzzling, at best, especially considering the court’s continued insistence that the effect be “substantial” in nature to warrant extraterritorial application. Judge Lynch addresses any critics of the $2,500 figure when he states: “Since sales in the United States are domestic acts, McBee need not satisfy the ‘substantial effect on United States commerce’ test for this claim; jurisdiction exists because, under the ordinary domestic test, the $2,500 worth of goods sold by Delica to McBee’s investigators in the United States were in United States commerce, at least insofar as some of those goods were shipped directly by Delica to the buyers in the United States.” Id. Granted the United States does have the power to enjoin such sales, regardless of the “substantial effects” test, but the analytical preface Judge Lynch provides leading up to this part in the opinion possibly renders his words superfluous, at least in the context of domestic injunctive relief. In fact, Judge Lynch justifies his circumvention of the “substantial effects” test by analogizing to the Sherman Act, which, according to Judge Lynch, exempts “import trade or commerce” from the extraterritoriality effects test. Id. See also Carpet Grp. Int’l v. Oriental Rug Imps. Ass’n, 227 F.3d 62, 71-75 (3d Cir. 2000); 1 Wilbur L. Fugate, Foreign Commerce and the Antitrust Laws §2.14 (5th ed. 2004).

108 McBee, 417 F.3d at 123.

109 Id. (“That is the nature of the Internet....To hold that any website in a foreign language, wherever hosted, is automatically reachable under the Lanham Act so long as it is visible in the United States would be senseless. The United States often will have no real interest in hearing trademark lawsuits about websites that are written in a foreign language and hosted in other countries.”).

110 Id. at 124-26. Interestingly, Judge Lynch hangs his judicial hat on the fact that the website was written almost entirely in Japanese characters, thereby “mak[ing] it very unlikely that any real confusion of American consumers, or diminishing of McBee’s reputation, would result from the website’s existence.” Id. at 124. In light of the admission by Delica that it purposefully took steps to avoid the jurisdictional reach of a district court, it seems slightly short-sighted to limit extraterritorial application of the Act simply due to the defendant’s exploitation of the American ethnocentric view about learning languages other than English.

111 See generally 15 U.S.C. § 1127. See also Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 34 (2003) (explaining that the core purposes of the Lanham Act include: 1) protecting the ability of American consumers to avoid confusion, and 2) helping assure a trademark’s owner that it will reap the financial and reputational rewards associated with having a desirable name or product).

112 McBee, 417 F.3d at 120-21.

113 Id. at 113, 122.

114 Id.

115 Protecting IPR Overseas, supra note 22.


117 Id. Notably, the USPTO website provides several country-specific “toolkits” to aid the individual in beginning the foreign application process. Protecting IPR Overseas, supra note 22.
Susan S. Murphy, Note, Copyright Protection, “The New Economy” and the Presumption Against the Extraterritorial Application of United States Copyright Law: What Should Congress Do?, 33 Conn. L. Rev. 1401, 1439 (2001) (“Congress should act rather than wait for the economic effects of piracy to reach the level where American courts take it upon themselves to overcome the presumption against the extraterritorial application of the Copyright Act.”).

See McBee, 417 F.3d at 119.

Compare to “twin aims of Erie,” as explained by Hanna v. Plumer, 380 U.S. 460, 468 (1965) (“discouragement of forum-shopping and avoidance of inequitable administration of laws”).

McBee, 417 F.3d at 119.

Admittedly, this proposed test adopts heavily from the test employed by the First Circuit, but this author believes it is necessary for the Supreme Court to expressly adopt a specific test by using specific language, instead of scattering the test throughout the opinion and leaving it up to the Circuits to decipher its intent.

McBee, 417 F.3d at 111. Judge Lynch does not elaborate on this proposition; instead, he unequivocally proclaims that “a separate constitutional basis for jurisdiction exists for control of activities, even foreign activities, of an American citizen.” Id. While this author agrees with most of Judge Lynch’s analysis, he would still proceed to the “substantial effects” analysis under Vanity Fair before applying the Lanham Act extraterritorially.

Id. at 121 (listing “the core purposes of the Lanham Act” as avoiding consumer confusion and ensuring owners receive their earned financial and reputational rewards).

Id. at 120-21. Because the Vanity Fair opinion failed to provide any guidance for what exactly constitutes a “substantial effect,” Judge Lynch defined a “substantial effect” in the following way: 1) evidence of impacts within the United States, and 2) these impacts must be of a sufficient character and magnitude to give the United States a reasonably strong interest in the litigation. Id. Again, this provides little in the way of guidance, but in light of the holdings of American Rice and McBee, this author still interprets this phrase to mean that calculable economic damages must be present within the United States in order to satisfy the “substantial effects” test.

See Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406 (9th Cir. 1977).


See McBee, 417 F.3d at 120.

Although the Lanham Act may not expressly define the word “United States citizen,” this issue may require further congressional language or simply an adaptation of the definition from other areas of the law. See, e.g., 33 C.F.R. §141.10 (“Citizens of the United States means: (1) In the case of an individual, one who is a native born, derivative, or fully naturalized citizen of the United States; (2) In the case of a partnership, unincorporated company, or association, one in which 50% or more of the controlling interest is vested in citizens of the United States; or (3) In the case of a corporation, one which is incorporated under the laws of the United States or of any State thereof.”).

See McBee, 417 F.3d at 113.
See id. at 120 (“We hold that the Lanham Act grants subject matter jurisdiction over extraterritorial conduct by foreign defendants only where the conduct has a substantial effect on United States commerce. Absent a showing of such a substantial effect, at least as to foreign defendants, the court lacks jurisdiction over the Lanham Act claim. Congress has little reason to assert jurisdiction over foreign defendants who are engaging in activities that have no substantial effect on the United States, and courts, absent an express statement from Congress, have no good reason to go further in such situations.” (citations omitted)).

The Fifth Circuit in American Rice seems to bifurcate the analysis for “risk of confusion” into whether or not the defendant is a United States citizen. If the defendant is a U.S. citizen, then the confusion can come from any consumer. See Am. Rice Inc. v. Ark. Rice Growers Coop. Ass’n, 701 F.2d 408, 414-16 (5th Cir. 1983). However, McBee stands for the proposition that if the defendant is a foreign national, then the confusion can only be viewed from the point of a consumer in the United States. See McBee, 417 F.3d at 124.

See McBee, 417 F.3d at 124, 128.

The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country’s statutory scheme.”).

See Person’s Co. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country’s statutory scheme.”).

See Protecting IPR Overseas, supra note 22.

See McBee, 417 F.3d at 121.

See id. at 121 (“[C]omity considerations are properly analyzed not as questions of whether there is subject matter jurisdiction, but as prudential questions of whether that jurisdiction should be exercised.”) (analogizing to the antitrust context from Hartford Fire Ins. Co. v. California, 509 U.S. 764,798 n.24 (1993)).


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