6-1-1986

A General Theory of Jurisdiction in Trademark Cases

Hank M. Goldberg

A General Theory of Jurisdiction in Trademark Cases

I. INTRODUCTION

Jurisdiction is an essential prerequisite for a court to adjudicate a controversy. When a trademark registrant's product has been counterfeited abroad, he or she can bring an action under the Lanham Trade-Mark Act of 1946 (Lanham Act).[1] In such actions, jurisdiction presents a major issue. Section two of this comment discusses the analysis courts employ in exercising jurisdiction in cases involving foreign conduct. Such cases involve jurisdictional issues within both our national and international legal systems. Section three of this comment illustrates how and why courts will only exercise jurisdiction when the entire infringement, or at least part of it, occurs in the United States. This limitation flows from the nature of intellectual property rights in the international legal system.[2] Section four discusses the Act of State Doctrine.[3] This doctrine prohibits courts from exercising jurisdiction in certain trademark cases to avoid questioning a foreign nation's acts performed within its own territory or under its own law.

II. PRINCIPLES UNDERLYING JURISDICTION

Within our national legal system, the term "jurisdiction" deals with the division of authority within the nation (i.e. in personam and subject matter jurisdiction).[4] These intra-national jurisdictional issues are beyond the scope of this comment.

Within the international legal system, the term "jurisdiction" deals with the division of authority among the various nations.[5] Specifically, "jurisdiction" within the international legal system deals with whether a nation may adjudicate a matter involving foreign con-

1. 15 U.S.C. §§ 1051-1127 (1976). Other options include bringing an action in an American court under foreign law, *see infra* notes 43, 141-44 and accompanying text, and bringing an action in the nation where the infringement took place.

2. Discussed *infra* notes 43-45 and accompanying text.

3. Discussed *infra* notes 135-51 and accompanying text.

4. N. LEECH, C. OLIVER & J. SWEENEY, THE INTERNATIONAL LEGAL SYSTEM 109 (1973) (discussing the distinction between jurisdiction in the national and international legal system).

5. *Id.*

duct, where some or all of the conduct occurred abroad (hereinafter extraterritorial jurisdiction).[6] This comment examines under what circumstances the United States will exercise extraterritorial jurisdiction under the Lanham Act. Whether an American court will find any statute applicable, extraterritorially is a question of congressional intent involving four steps.[7]

First, the courts have employed a rule of statutory interpretation to determine how far Congress intends a statute's jurisdiction to extend. Under this rule, the court presumes Congress intended the law to govern only matters occurring within the United States.[8]

Second, the courts will examine the statute's specific language to determine whether the language overcomes the presumption.[9] For example, under the Lanham Act, the specific language demonstrates an intent to regulate all commerce within Congress' control.[10] The Act provides for extensive relief. It permits the trademark registrant to sue "[a]ny person" who wrongfully uses the registrant's trademark "in commerce."[11] The Act defines "commerce" as "all commerce which may lawfully be regulated by Congress."[12] Under the Constitution, the commerce that Congress can lawfully regulate includes commerce "with foreign Nations."[13] Foreign commerce includes importing, exporting, transportation, communications, and other commercial transactions between the United States and a foreign country.[14] The only acts excluded are those which do not affect United States commerce.[15] In light of the Lanham Act's broad jurisdictional grant, the Supreme Court has held that its language over-

6. F. MANN, STUDIES IN INTERNATIONAL LAW 2 (1973). The concept of extraterritoriality is discussed further *infra* note 29.

7. *See generally* RESTATEMENT (SECOND) FOREIGN RELATIONS LAW OF THE UNITED STATES §§ 6-62 (1965) (discussing jurisdiction in the international legal system) [hereinafter cited as RESTATEMENT (SECOND) FOREIGN RELATIONS].

8. *E.g.*, Steele v. Bulova Watch Co., 344 U.S. 280, 285 (1952).

9. *Id.* at 282-84 (examining Act's language to determine Congress' intended jurisdictional scope). *Steele* is discussed further *infra* notes 57, 119-21 and accompanying text.

10. 15 U.S.C. § 1127 (1982).

11. 15 U.S.C. § 1114 (1963).

12. 15 U.S.C. § 1127 (1982).

13. U.S. CONST. art. I, § 8, cl. 3.

14. Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287, 1291 (3d Cir. 1979).

15. NLRB v. Jones and Laughlin Steel Corp., 301 U.S. 1 (1937) (discussing congressional power to regulate commerce); Wickard v. Filburn, 317 U.S. 111 (1942) (Congress can regulate an isolated activity which alone does not affect commerce, but when aggregated, all such activities do affect commerce). Thus, congressional authority over commerce is extremely broad. 1 J. GILSON, TRADEMARK PROTECTION AND PRACTICE § 1.04[1] (1985) (discussing extent of congressional power over infringing acts in commerce).

comes the traditional presumption that laws are intended to apply only to domestic matters.[16]

Third, in statutes which contain sweeping jurisdictional language, such as the Lanham Act, courts have applied those laws more restrictively in the foreign commerce area than their language impliedly permits.[17] Restricting a statute's jurisdictional scope is based upon Congress' unstated desire to avoid international repercussions from the overly expansive exercise of extraterritorial jurisdiction.[18] To determine a statute's jurisdictional scope, American courts look to international law for guidance.[19] Unless it unmistakably appears that

16. Steele v. Bulova Watch Co., 344 U.S. at 286.

17. Craig, *Extraterritorial Application of the Sherman Act: The Search for a Jurisdictional Standard*, 7 SUFFOLK TRANSNAT'L L.J. 295, 298-302 (1983) (discussing methodological approach by courts, particularly in extraterritorial Sherman Act cases). For example, in Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956), discussed *infra* notes 74-80, 143-44 and accompanying text, the court declined to apply the Lanham Act extraterritorially because, given the international implications of so applying it, it found that Congress did not intend the Act to be applied extraterritorally.

18. Burr, *supra* note 17, at 298-99. For example, the court in *Vanity Fair*, 234 F.2d at 642, found that the Lanham Act was to be applied less expansively than its language would indicate. All courts agree that whether a statute will be applied extraterritorially raises a question of subject matter jurisdiction (i.e. whether Congress intended the Act to apply to the foreign subject matter being considered). Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 426-30 (9th Cir. 1977) (discussing extraterritorial jurisdiction under heading of subject matter jurisdiction). Other courts make short work of the subject matter inquiry, and consider the question of extraterritoriality by examining comity and international repercussions. They employ an abstention style inquiry rather than a subject matter determination. *Mannington Mills*, 595 F.2d at 1295-98. *See* Zenith Radio Corp. v. Matsushita Elec. Indus. Co., 494 F. Supp. 1161, 1187-88 (E.D. Pa. 1980) (explaining the difference between the two approaches).

19. Burr, *supra* note 17, at 298-302; RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 6 (defining "jurisdiction" as capacity of a nation under international law to prescribe or enforce a rule of law, and making no distinction between civil and criminal cases). "[I]nternational law is a body of consensual principles which have evolved from the customs and practices civilized nations utilize in regulating their relationships. These customs have great moral force, and are often cited approvingly by domestic courts." *Zenith Radio*, 494 F. Supp. at 1178. It is frequently difficult to determine what the rule of international law is in a given area. Burr, *supra* note 17, at 299. In the absence of a controlling treaty (conventional international law), executive or legislative act, or judicial decision, the court must examine the customs of nations (customary international law); and as evidence of custom, the works of jurists and commentators. The Paquete Habana, 175 U.S. 677, 700 (1900). Further, courts must interpret international law, not as of the date the statute under which jurisdiction is being asserted was enacted, but as it exists presently. Filartiga v. Pena-Irala, 630 F.2d 876, 881 (2d Cir. 1980) (citing Ware v. Hylton, 3 U.S. (3 Dall.) 198 (1796). For a more detailed discussion, see Note, *Custom and General Principles as Sources of International Law in American Federal Courts*, 82 COLUM. L. REV. 751 (1982).

It is possible to argue that international law does not limit a nation's exercise of civil jurisdiction. One important Ninth Circuit case, although recognizing that at some point a law will not be given extraterritorial effect, stated that what that point is or "how it is determined

Congress intended a statute to violate international law, the statute is interpreted to comply with it.[20] Accordingly, courts can presume that Congress intends certain laws to be applied extraterritorially, because that is consistent with traditional principles of jurisdiction under international law.[21]

Finally, courts will apply the doctrine of comity. Courts developed this doctrine to deal with the problem of two or more nations having the right to assert jurisdiction over a transaction. This problem is inevitable when jurisdiction is exercised extraterritorially. Applying the comity doctrine, in the interest of international harmony, the American court may decline jurisdiction in deference to other na-

---

is not defined by international law." Timberlane Lumber Co. v. Bank of America, 549 F.2d 597, 609 (9th Cir. 1976) (citing Miller, *Extraterritorial Effects of Trade Regulation*, 111 U. PA. L. REV. 1092, 1094 (1963), which suggests that international law has not been worked out in sufficient detail as to a country's right to exercise jurisdiction over foreign trade matters). Hence, commentators who agree with Miller argue that international law does not limit extraterritorial jurisdiction in civil matters (except certain international law jurisdictional defenses, such as diplomatic immunity and sovereign immunity). Akehurst, *Jurisdiction in International Law*, 46 BRIT. Y.B. INT'L L. 145, 170 (1972-73); *but see*, I. BROWNLIE, PRINCIPLES OF PUBLIC INTERNATIONAL LAW 292 (2d ed. 1973) (international law limits jurisdiction in civil and criminal cases). Thus, in deciding whether exercising jurisdiction—within the context of the international legal system—was appropriate, the court in *Timberlane*, 549 F.2d at 612-13, only applied principles of comity and fairness. Hence, the "effects test," which is one of international law's important jurisdictional principles, was "subsumed into [a] comity analysis as a factor to be balanced, rather than being a formulaic requirement of uncertain degree." *Zenith Radio*, 494 F. Supp. at 1188 (explaining *Timberlane*).

The court in *Timberlane* sends out confusing signals, however, by citing the often quoted language that in interpreting a statute's jurisdictional scope, a court will consider " 'the limitations customarily observed by nations upon the exercise of their powers.' " *Timberlane*, 549 F.2d at 609 (quoting United States v. Aluminum Co. of America, 148 F.2d 416, 443 (2d Cir. 1945)). Moreover, there is universal agreement that international law limits exercising criminal jurisdiction. *E.g.*, United States v. Layton, 509 F. Supp. 212, 215 (N.D. Cal. 1981) (post-*Timberlane* criminal case applying jurisdictional principles of international law). Finally, it could be argued that any distinctions between civil and criminal proceedings under the Lanham Act and the new criminal penalties for infringement are unwarranted. Civil proceedings may result in a decree, forbidding a defendant to do many things, the violation of which may result in a criminal sanction. Musidor v. Great American Screen, 658 F.2d 60 (2d Cir. 1981) (criminal contempt for violating court's injunction against trademark infringement). *See* Haight, *International Law and Extraterritorial Application of the Antitrust Law*, 63 YALE L.J. 639, 640-41 (1954) (no distinction warranted between civil and criminal proceedings under the Sherman Act).

20. Murray v. The Schooner Charming Betsey, 6 U.S. (2 Cranch) 64, 118 (1804) (congressional act never interpreted to violate international law if any other possible interpretation remains); *see also Zenith Radio*, 494 F. Supp. at 1178-79 (citing *The Schooner*). However, if Congress passed a statute violating international law, the courts could not prevent it from doing so, unless the statute also violated the Constitution. Lasco Data Processing Equip. Corp. v. Maxwell, 468 F.2d 1326, 1334 (2d Cir. 1972).

21. *Zenith Radio*, 494 F. Supp. at 1179.

tions, and in the interest of international harmony.[22]

III. THE EXTRATERRITORIAL EXERCISE OF JURISDICTION IN FOREIGN COMMERCIAL COUNTERFEITING CASES

In his treatise on trademark protection, Jerome Gilson noted that "with few exceptions the Lanham Act does not extend trademark protection outside the United States."[23] Two developments threaten to change this general rule: (1) a possible trend towards expansively exercising jurisdiction under the Act;[24] and (2) the recently enacted Trademark Counterfeiting Act.[25] The traditional principles of jurisdiction in international law provide a convenient format for discussing extraterritorial jurisdiction under both the Lanham Act and the Trademark Counterfeiting Act. Part A of this section discusses the territorial principle; and Part B discusses the other jurisdictional principles in international law, which are of comparatively minor significance.

A. The Territorial Principle

The territorial principle deals with the relationship between a nation's territorial boundaries and the extent of its jurisdiction.[26] Both the subjective and objective versions of the territorial principle limit

22. Burr, *supra* note 17, at 301-02; RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 40. Under the Revised Restatement, the "principle of reasonableness," that exercising jurisdiction be reasonable, is no longer merely a matter of comity, but has become a "principle of international law." RESTATEMENT (REVISED) FOREIGN RELATIONS LAW OF THE UNITED STATES § 403 comment a (1981) [hereinafter cited as RESTATEMENT (REVISED) FOREIGN RELATIONS].

23. 1 J. GILSON, *supra* note 15, § 9.01.

24. *See infra* notes 94-100 and accompanying text.

25. 15 U.S.C. § 2320 (1985). Rakoff & Wolff, *Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act*, 20 AM. CRIM. L. REV. 145, 194 (1982). "The considerations held to favor extraterritorial application of the Lanham Act in civil lawsuits would seem to apply with even greater force to actions commenced under the proposed Act, particularly to criminal prosecutions commenced by the United States government to vindicate its own authority and cleanse its territory of criminally fraudulent activities whether launched from home or abroad." *Id.*

A contrary argument is suggested by those arguing that international law does not limit the exercise of civil jurisdiction. *See supra* note 19. It follows that the international legal community is more sensitive to the exercise of criminal jurisdiction. *See* RESTATEMENT (REVISED) FOREIGN RELATIONS, *supra* note 22, § 403 comment e (in regulatory statutes containing both criminal and civil provisions, the presence of substantial foreign factors will weigh against the application of criminal law, and conduct outside a nation's territory is not covered by criminal law unless there is an express statement or clear implication to the contrary).

26. Jennings, *Extraterritorial Jurisdiction and the United States Antitrust Laws*, 33 BRIT. Y.B. INT'L L. 146, 148 (1957).

the exercise of sovereign power and the exercise of judicial jurisdiction.[27]

Under the territorial principle, as a limit on the exercise of sovereign power, the United States can only exercise jurisdiction in trademark cases when at least part of the infringement occurs in the United States.

There is a distinction between a nation's exercise of its sovereign power, and the exercise of judicial jurisdiction in cases involving foreign conduct. The former is strictly confined to the nation's territory,[28] while the latter is not. The Permanent Court of International Justice stated:

> Now the first and foremost restriction imposed by international law on a state is that—failing the existence of a permissible rule to the contrary—it may not exercise its power in any form in the territory of another state. In this sense jurisdiction is certainly territorial; it cannot be exercised by a state outside its territory except by virtue of a permissive rule derived from international custom or from a convention. . . . It does not, however, follow that international law prohibits a state from exercising jurisdiction in its own territory, in respect of any case which relates to acts which have taken place abroad. . . .[29]

In the area of extraterritorial jurisdiction in trademark cases, it is important to understand the restrictions on a nation's exercise of sovereign power. By exploring the nature of trademark rights, and a nation's ability to create them, it becomes clear that extraterritorial

---

27. *Zenith Radio*, 494 F. Supp. at 1179 n.39. Although it is not exactly clear what the objective/subjective dichotomy means in this context, the usage has gained widespread currency. The subjective principle is discussed *infra* notes 46-47 and accompanying text. The objective principle is discussed *infra* notes 48-116 and accompanying text.

28. *E.g.*, The Antelope, 23 U.S. (10 Wheat.) 66, 122 (1825) ("No principle of general law is more universally acknowledged, than the perfect equality of nations . . . . It results from this equality, that no one can rightfully impose a rule on another."); Federal Trade Commission v. De Saint-Gobain-Pont-a Mousson, 636 F.2d 1300, 1313 (D.C. Cir. 1980) (any exercise of sovereignty within the territory of another nation is impermissible under international law).

29. The Lotus, (Fr. v. Turk.) 1927 P.C.I.J., ser. A, No. 9, at 18-19 (Judgment of Sept. 7), discussed *infra* notes 49-53 and accompanying text. Thus, as the Permanent Court makes clear, to say a statute is applicable extraterritorially is technically incorrect. Laws are never applicable outside the nation enacting them. However, they may be applicable within the enacting nation to cases concerning foreign conduct. *See also* B. HAWK, UNITED STATES COMMON MARKET AND INTERNATIONAL ANTITRUST: A COMPARATIVE GUIDE 20-21 (1979) (explaining that "extraterritorial application" of the antitrust laws means simply enforcing the laws respecting "conduct occurring largely outside" the United States' territorial boundaries).

jurisdiction may be asserted in trademark cases only when the infringement, or part of the infringement, occurs in the United States.

A trademark cannot be infringed unless it has been created by law. A trademark, like a patent or copyright, is classified as "intellectual property." Intellectual property comes not from tangible raw materials, but from the human mind. It is an intangible right.[30] Each nation's laws determine the origin, content, protection, transfer, and loss of intellectual property rights.[31] Hence, a trademark, unlike a piece of personal property (i.e. a handbag) would not exist in the absence of the law creating it.[32] Therefore, it is impossible to infringe a domestic trademark abroad unless it has first been created by law abroad, because it is impossible to infringe a non-entity.

Under international law, one nation (e.g. the United States) cannot create a trademark in the territory of another. The reason is that no nation may exercise its sovereignty in another nation's territory.[33] As Professor Boguslavsky, a leading international commentator, stated:

> [Intellectual property] rights are based on the legislation of a particular country, which is limited to that country's territory. . . .
>
> This is the difference between copyright and, for example, personal property rights. A person acquiring an article in one country is recognized as its proprietor in all other countries. However, . . . copyright has no power beyond the boundaries of the country of its origin.[34]

Thus, a trademark that is valid in several countries, constitutes not a single trademark, but rather a "bundle" of trademark rights. Each

30. 1 J. GILSON, *supra* note 15, § 1.03(5) (explaining nature of intellectual property rights, particularly trademarks). The intangible nature of intellectual property rights can become confusing. It is easy to comprehend the legal consequences of a punch in the nose. However, unlike a punch in the nose, the "force of intellectual property is more . . . like that of the invisible beam of Buck Roger's ray gun." A. MILLER & M. DAVIS, INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS, AND COPYRIGHT IN A NUTSHELL 1 (1983).

31. Kegel & Seidl-Hohenveldern, *On the Territoriality Principle in Public International Law*, 5 HASTINGS INT'L & COMP. L. REV. 245, 247 (1982) (discussing limitations that the territorial principle places on intellectual property rights); Ingenohl v. Olsen & Co., 273 U.S. 541, 544 (1927) (a trademark in a country depends for its protection upon the law prevailing in that country and confers no rights except by that law's consent).

32. M. BOGUSLAVSKY, COPYRIGHT IN INTERNATIONAL RELATIONS: INTERNATIONAL PROTECTION OF LITERARY AND SCIENTIFIC WORKS 17 (1979) (intellectual property rights come into existence "as a result of certain legal facts corresponding to the standards of copyright, patent or invention rights of the given country." These rights are "non-existent without government protection."); *see also Ingenohl*, 273 U.S. 541 (1927).

33. *See supra* note 28 and authorities cited therein.

34. M. BOGUSLAVSKY, *supra* note 32, at 16.

trademark right comprising the bundle corresponds to the nation upon which the right depends for its existence.[35] This territorial nature of trademarks has been recognized by commentators,[36] foreign courts,[37] and in international treaty practice.[38] It has been recognized in the United States by the Department of State and the courts.

The Department of State has recognized the territorial limitations on the creation of trademark rights. Responding to an American firm's letter concerning interference with its United States trademark in Cuba, the Department stated: "[i]n the absence of treaty stipulations to the contrary, the registration of a trademark in the United States . . . [does not] confer upon the owner of such trademark a right to the exclusive use thereof in Cuba."[39] In short, United States law, in the absence of a treaty to the contrary, cannot create a trademark right in a foreign nation.

Just as United States law cannot create a trademark abroad, foreign law cannot extinguish a domestic trademark right. This latter

---

35. Kegel & Seidl-Hohenveldern, *supra* note 31, at 247-48.

36. *Id.* (discussing intellectual property); M. BOGUSLAVSKY, *supra* note 32, *passim* (discussing copyright); Koch & Froschmaier, *The Doctrine of Territoriality in Patent Law and The European Common Market*, 9 IDEA 343, 344 (1965) (discussing patents); II S. LADDAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS 1340 (1975) (discussing trademarks).

37. In holding that a Czechoslovakian nationalization decree could have no effect on French registered trademarks, the Court of Appeals of Paris recognized:

> The right of ownership in a mark, however protection for the same may have been acquired—whether by direct registration or by international registration, which is assimilated to the former—is an incorporeal right situate in the country in which it has been created and which provides for its exercise and protection independently of the laws giving protection in other countries. It cannot be affected by measures of expropriation and confiscation enacted in a foreign country . . . .

Enterprise Nationale L. et C. Hardtmuth v. Fabrique de Crayons Koh-i-noor, 26 I.L.R. 50, 50-51 (France Ct. of App. 1958). Three other European decisions came to the same result as the French court. Koh-i-noor, L. & C. Hardtmuth v. Koh-i-noor, Tuzkarna L. & C. Hardtmuth, 26 I.L.R. 40 (Austria Sup. Ct. 1958); Koh-i-noor Tuzkarna L. & C. Hardtmuth Narodni Podnik v. Fabrique de Crayons Hardtmuth, 26 I.L.R. 44 (Italy Ct. of App. 1958); Koh-i-noor Bleistift Fabrik L. & C. Hardtmuth v. Fabrique de Crayons Koh-i-noor L. & C. Hardtmuth, 24 I.L.R. 46 (Switz. Fed. Trib. 1957).

38. International intellectual property treaties are discussed in Schuyler, *Paris Convention for the Protection of Industrial Property — A View of the Proposed Revisions*, 8 N.C.J. INT'L L. & COM. REG. 155, 160 (1983). International intellectual property treaties do not establish a world-wide intellectual property system. Rather, they reaffirm the territorial principle under which intellectual property rights are determined by the law of the nation in which protection is sought. *See, e.g.*, quoted portion of French case *supra* note 37 and *infra* note 129 and accompanying text.

39. Correspondence from Counselor Lansing to Senator Penrose, April 30, 1915, MS. Department of State, file 837.543, *reprinted in* 2 G. HACKWORTH, DIGEST OF INTERNATIONAL LAW § 116, at 24-25 (1941). For additional examples illustrating the territoriality principle, see generally 2 G. HACKWORTH, § 116, at 24-25.

principle was applied in *Baglin v. Cusenier Co.*[40] In *Baglin*, the plaintiff, an order of Monks, had been manufacturing world famous liquor (Chartreuse) in France for several hundred years. The trademarks were registered in the United States. The order of Monks was dissolved by French Law. A French liquidator took possession of their properties. The Monks moved to Spain and continued manufacturing the liquor under the ancient and secret process. Meanwhile, back in the United States, the French liquidator marketed a product bearing marks similar to those used by the Monks. The Monks brought an infringement action in the United States. The Court had to decide what affect the French liquidation proceedings had on the Monks' United States trademark rights.[41] The Court held, "[t]he French law cannot be conceived to have any extra-territorial effect to detach the trade-marks in this country from the product of the Monks. . . ."[42] In short, one country's legislation has no effect on trademark rights outside its territory.

The two premises just presented and the conclusions following from them are conveniently summarized as follows:

— A United States trademark right cannot be violated abroad unless United States law has first created it abroad.

— United States law cannot create a United States trademark right abroad.

Hence, a trademark infringement that occurs entirely abroad could be litigated in the United States based only on a violation of a

---

40. 221 U.S. 580 (1911).

41. *Id.* at 591.

42. *Id.* at 596. For a more contemporary case similar to *Baglin*, see F. Palicio y Compania v. Brush, 256 F. Supp. 481, 490-93 (S.D.N.Y. 1966) (Cuban nationalization has no effect on United States registered trademarks because a nation's trademark legislation has no extra-territorial effect), *aff'd*, 375 F.2d 1011 (2d Cir. 1967); *see also* cases cited *supra* note 37. The court in Bell & Howell: Mamiya Co. v. Masel Supply Co., 548 F. Supp. 1063 (1982) held that under the territorial principle of trademarks, " 'the protection of a trademark in a certain country depends exclusively on the law of that country, and that the effects of a trademark ownership by use or registration in a country do not reach beyond the borders of that country.' " *Id.* at 1066 (quoting II S. LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS 1340 (1975)). Regarding patents, the United States Supreme Court has held:

> Our patent system makes no claim to extraterritorial effect; 'these acts of Congress do not, and were not intended to, operate beyond the limits of the United States,' . . . and we correspondingly reject the claims of others to such control over our markets. . . . To the degree that the inventor needs protection in markets other than those of this country, . . . [he must] seek it abroad . . . ."

Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972), discussed further *infra* note 162. *See also* RESTATEMENT (REVISED) FOREIGN RELATIONS, *supra* note 22, § 415 comment g.

foreign trademark and foreign trademark law.[43] Liability under the Lanham Act turns on the existence of an infringement of an American trademark,[44] and requires that at least part of the infringement occur within United States territory.[45] Judicial decisions interpreting the extent of extraterritorial jurisdiction under the Lanham Act are consistent with this rule, as will be illustrated.

1. The subjective territorial principle

Under the principle of sovereignty, nations have jurisdiction over acts and omissions occurring within their boundaries, and objects within their territory.[46] When an infringing act occurs entirely within the United States, the issue of extraterritoriality is not involved and the United States clearly has jurisdiction. Additionally, this principle clearly justifies exercising jurisdiction over infringing articles found within the United States.[47] In addition, the subjective territorial principle allows a court to exercise jurisdiction when a crime is commenced domestically but consummated abroad.[48] However, in

43. Kegel & Seidl-Hohenveldern, *supra* note 31, at 248. This leaves open the possibility of suing in an American court based upon foreign trademark laws. The Second Circuit indicated that this might be a possibility in Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956). The possibility was also explored in Kirios, *Territoriality and International Copyright Infringement Actions*, 22 COPYRIGHT L. SYMP. (ASCAP) 53, 62-78 (1972). This novel question of law was presented in London Film Prods. v. Intercontinental Communications, 580 F. Supp. 47 (S.D.N.Y. 1984). This case is discussed *infra* notes 141-44 and accompanying text.

44. 15 U.S.C. § 1114 (1963). One exception is section 1125, false designation of origin and false descriptions. 15 U.S.C. § 1125 (1983), reproduced *infra* note 67. The purpose of that section is to make actionable the deceptive use of false designations of origin on goods containers or in connection with services. New West Corp. v. NYM Co. of California, Inc., 595 F.2d 1194 (9th Cir. 1979). Under this section, liability may arise for a false description or representation even though no trademark is involved. Ames Publishing Co. v. Walker-Davis Publications, Inc., 372 F. Supp. 1 (E.D. Pa. 1974). Because liability under the section turns upon the activities of the defendant, and not infringement of intellectual property rights, this section may not be limited by the territorial nature of intellectual property rights.

45. Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 639 (2d Cir. 1956). The *Vanity Fair* court observed that "foreign law confers no privilege in this country that our courts are bound to recognize." 234 F.2d at 639, (citing *Baglin*, 221 U.S. 580 (1911) and *Ingenohl*, 273 U.S. 541 (1927)). Similarly, the court continued, the trademark rights of Americans abroad are determined by foreign law, not U.S. law. *Vanity Fair*, 234 F.2d at 639. The court went on to decline to exercise jurisdiction over an entirely foreign infringement action. *See* discussion *infra* notes 72-80 and accompanying text.

46. RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 17.

47. *Id.* This principle would justify asserting jurisdiction under 15 U.S.C. § 1124 (1982), dealing with imports of infringing products into the United States.

48. Jennings, *supra* note 26, at 156. Some commentators, such as Jennings, draw a distinction between the objective and subjective territorial principles. The distinction between the two is not completely clear, however. As a matter of categorization, it could be argued that

asserting jurisdiction over cases involving any foreign conduct, U.S. courts have focused on the objective territorial principle.

2. The objective territorial principle

In exercising jurisdiction in cases involving foreign conduct, courts have relied on the objective territorial principle. This principle justifies exercising jurisdiction in two situations: where a constituent element of an act takes place in the United States, and when the adverse impact of an act abroad is felt in the United States.

a. the objective territorial principle's constituent element version

In trademark infringement cases, U.S. courts are likely to exercise jurisdiction when a constituent element of the infringement takes place within the United States. Constituent, or material, elements of a law are known as the *corpus delecti* (body of a crime).[49] For example, manslaughter is (a) any act, (b) which causes the death, (c) of another human being, (d) with the actor behaving recklessly or under the influence of extreme mental or emotional stress.[50] Each of these elements is a constituent element of the crime of manslaughter. Under the constituent element version, if any of the above stated elements occurred within a particular territory, that territory would have jurisdiction of the case. The classic case applying the constituent element version in the international law context is *The Lotus*.[51] In that case, French and Turkish ships collided in international waters killing several Turkish nationals. The Turkish government sought to prosecute the French officer in charge of the watch for the deaths of the Turkish citizens. The court in *The Lotus* held that it could exercise jurisdic-

---

some or all of the cases discussed under the objective territorial principle should have been discussed under the subjective territorial principle. Therefore, in the interests of clarity, in this comment all cases involving foreign conduct, regardless of where the acts were commenced or consummated, are discussed under the objective territorial principle. In this connection Akehurst's observation is appropriate:

> At the turn of the century some writers argued in favour of conferring jurisdiction on the State where the crime was initiated, others argued in favour of conferring jurisdiction on the State where the crime was completed. But the arguments were so evenly matched that it was eventually realized that there was no logical reason for preferring the claims of one State over the claims of the other; and the only alternative to granting jurisdiction to neither State (which would have led to intolerable results) was to grant jurisdiction to both states.

Akehurst, *supra* note 19, at 152.

49. W. LAFAVE & A. SCOTT, HANDBOOK ON CRIMINAL LAW § 4, at 16 (1972).

50. MODEL PENAL CODE § 210.3 (Proposed Official Draft 1962).

51. The Lotus, (Fr. v. Turk.) 1927 P.C.I.J., ser. A, No. 9 (Judgment of Sept. 7). *See* Jennings, *supra* note 26, at 159-60 (construing The Lotus).

tion because two constituent elements of the crime of manslaughter, the death of a human being, occurred in Turkey (the Turkish boat). The court found it immaterial that the other elements took place on French territory (the French boat), and that the French officer was at all times on French territory.[52] Thus, *The Lotus* stands for the proposition that a nation may exercise jurisdiction over an offense, so long as at least one of the constituent elements takes place within its territory.

Applying the constituent element approach to the Lanham Act is more complex. The elements constituting a violation under section 1114(a) of the Act are: (a) using a registered mark, (b) without consent, (c) in commerce, (d) in connection with selling, distributing or advertising goods, (e) in a deceptive manner.[53] These elements are not so discrete that it can be positively determined whether a particular element took place in a particular nation.

However, a trademark infringement scheme may involve many essential steps leading to the eventual sale of the counterfeit goods: forging the trademark, buying components for the bogus products, assembling the product, packing it, labeling it with the mark, etc. Some of these essential steps, viewed in isolation, are lawful. In trademark cases, however, the Supreme Court has held that these otherwise lawful "essential steps" in an infringement scheme "lose that character when they become part of an unlawful scheme."[54] Once part of an unlawful scheme, the individual essential steps become unlawful, and, if any of them take place in the United States, they can provide a jurisdicitonal basis. Thus, similar to *The Lotus* case, jurisdiction may be exercised in trademark cases when part of the unlawful activity takes place in the territory of the forum nation.

---

52. The Lotus, 1927 P.C.I.J. at 20.

53. This is an oversimplification of the actual provision which reads:

> Any person who shall, without the consent of the registrant— use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant . . . .

15 U.S.C. § 1114(1)(a) (1963).

54. Steele v. Bulova Watch Co., 344 U.S. at 287, discussed further *infra* notes 119-21 and accompanying text.

i. infringing acts commenced abroad and consummated in the United States

Clearly, it is permissible to exercise jurisdiction under the Lanham Act when the violation is consummated in the United States. The court in *Menendez v. Faber, Coe & Gregg, Inc.*,[55] easily found jurisdiction over the defendant. There, the defendant, a cigar manufacturer owned by the Cuban government, affixed infringing trademarks to cigars which were manufactured, boxed, and labeled in Cuba. The cigars were shipped to the United States with the knowledge and intention that they would be sold to American consumers. The court held:

> In cases of trade-mark infringement and unfair competition, the wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs, i.e., where the deceived customer buys the defendant's product in the belief that he is buying the plaintiff's.[56]

Menendez leaves the clear implication that an American court can assert jurisdiction under the Lanham Act even if the infringing acts took place outside the United States "where the effects of the acts complained of were felt in this country. . . ."[57] The opinion states that it was abundantly clear that its exercise of jurisdiction was entirely consistent with international law.[58]

Although *Menendez* involved a case in which the defendant directly sold the counterfeit products into the United States, jurisdiction can also be properly found even when the defendant does not directly introduce the goods into the United States. Such a situation would involve the defendant selling the goods to a third party, who in turn

---

55. 345 F. Supp. 527 (S.D.N.Y. 1972), *modified on other grounds*, Menendez v. Saks & Co., 485 F.2d 1355 (2d Cir. 1973), *rev'd on other grounds*, Alfred Dunhill of London, Inc. v. Republic of Cuba, 425 U.S. 682 (1976).

56. *Id.* at 557.

57. *Id.* at 558. *See also Steele*, 344 U.S. at 288.

58. *Id.* Of similar effect is Miller Brewing Co. v. Carling O'Keefe Breweries of Canada, Ltd., 452 F. Supp. 429 (W.D.N.Y. 1978). There, a Canadian company manufactured and sold infringing products in Canada. It advertised the products on a radio station in Buffalo which could be received by Canadian consumers. These advertisements violated 15 U.S.C. § 1114(1)(a) (1963). *See supra* note 53. The court held that it had jurisdiction, and that no question of extraterritorial jurisdiction was presented. *Miller*, 452 F. Supp. at 442. Interestingly, plaintiff conceded that the court lacked jurisdiction over the sales of the allegedly infringing products abroad. *Id.* at 444 n.6.

sells them to someone in this country.[59] Because a major concern of the Lanham Act is preventing the deception of consumers,[60] a court would be likely to exercise jurisdiction in such a case if the products were causing deception in the United States.[61]

ii. infringing acts commenced in the United States and consummated abroad

A basis for jurisdiction also arises when the infringing actions are commenced in the United States and are consummated abroad. In *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*,[62] the defendant affixed counterfeit labels to its products in Mexico where it then sold the products. The labels, however, were printed in the United States. Section 1114(1)(b) of the Lanham Act prohibits the (a) in commerce, (b) application, of a (c) counterfeit, (d) registered trademark, to (e) labels, packages, or advertisements, etc., (e) intended to be used in connection with selling, distributing, or advertising of goods, (f) in a deceptive manner.[63] The court in *Ramirez & Feraud* found that the production of the infringing labels constituted "acts committed in the

59. It is possible to contend that the mere fact that the infringing products are eventually found in the United States does not justify a court in exercising jurisdiction. Such an approach would limit the holding of *Menendez* to cases where the defendant actually introduced or sold the counterfeit goods to someone in the United States. This narrow approach follows from Marvel Products, Inc. v. Fantastics, Inc., 296 F. Supp. 783 (D. Conn. 1968), which dealt with the exercise of jurisdiction in the national legal system (whether a court in one state of the United States could exercise jurisdiction over a person in another state). In *Marvel Products*, the defendant entered into the sales contracts outside the forum state. Additionally, the defendant merely sold the infringing products to national retailers, and therefore, the products only indirectly entered outlets in the forum. The court held that neither the sales consummated outside the forum nor the resales by independent retailers in the forum justified asserting jurisdiction over the defendant. *Marvel Products*, 296 F. Supp. at 787.

60. *Menendez*, 345 F. Supp. at 557-58.

61. Thus, in Ramirez & Feraud Chili Co. v. Las Palmas Food Co., 146 F. Supp. 594, 599 (S.D. Cal. 1956), *aff'd*, 245 F.2d 874 (9th Cir. 1957), discussed *infra* notes 62-65 and accompanying text, the court exercised jurisdiction even though the infringing sales took place in Mexico. One factor in its decision was that the products were carried by consumers back into the United States, thereby causing confusion in the United States. *Id.* However, the counterfeit labels were also manufactured in the U.S. *Id.* at 598.

62. 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd*, 245 F.2d 874 (9th Cir. 1957).

63. This is an oversimplification of the actual provision which reads:

> Any person who shall, without the consent of the registrant— reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive shall be liable in a civil action by the registrant . . . .

15 U.S.C. § 1114(1)(b) (1963).

United States which clearly [violated] the Lanham Act."[64] The court, therefore, exercised jurisdiction based upon the unlawful acts committed in the United States which led up to the foreign sales.[65]

In *Scotch Whiskey Association v. Barton Distilling Co.*,[66] the court exercised jurisdiction although the defendant's domestic acts, viewed in isolation, were lawful. The alleged wrong in *Scotch Whiskey* was the false designation of Scottish origin on the product's label. The plaintiff was an association promoting Scotch Whiskey interests. The action was brought under section 1125 of the Lanham Act which prohibits (a) the affixation, of (b) a falsely designated origin, (c) to goods, (d) used in commerce.[67] In *Scotch Whiskey*, the product was sold exclusively in Panama. Moreover, the actual affixation of the false labels took place in Panama. However, the defendant procured the

64. *Ramirez*, 146 F. Supp. at 601-02.

65. *Id.* Out of the handful of extraterritorial Lanham Act cases, several have used this rationale, *e.g.*, Hecker H-O Co. v. Holland Food Corp., 31 F.2d 794 (S.D.N.Y. 1929) (jurisdiction over passing off abroad when labeled with infringing mark in U.S.), *aff'd*, 36 F.2d 767 (2d Cir. 1929).

In American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n, 701 F.2d 408 (5th Cir. 1983), each of the activities from processing and packaging to transportation of the products leading up to the passing off abroad occurred in the United States. Although it is not completely clear, it appears that the products were also labeled here and that the labels were produced here, since the American defendant was a supplier of the labels. The court exercised jurisdiction. *Id.* at 414-15, discussed further *infra* notes 138-40 and accompanying text.

An interesting twist on this same theme is A.T. Cross Co. v. Sunil Trading Corp., 467 F. Supp. 47 (S.D.N.Y. 1979). There, the American defendant concocted a sophisticated scheme to counterfeit the American plaintiff's pens. The pens were manufactured in Taiwan. Defendant bought them in Taiwan and shipped them here to be exported to the Canary Islands. The warehousing of the pens in the United States, viewed in isolation, was lawful. However, it was an essential step in the infringement scheme because it enabled defendant to avoid import duties, and, more importantly, permitted defendant to disguise the true nature of the pens as having been made in Taiwan and not here. *Id.* at 49; see *infra* notes 66-70 and accompanying text for discussion of lawful activities as an essential step in the infringement scheme. Finally, a false designation of origin was placed on the goods in violation of 15 U.S.C. § 1125 (1982), reproduced *infra* note 67. Both the lawful, and unlawful essential steps in the infringement occurring in *A.T. Cross* presented a jurisdictional basis under the Lanham Act. *A.T. Cross*, 467 F. Supp. at 50.

66. 489 F.2d 809 (7th Cir. 1973).

67. This is an oversimplification of section 1125 which reads:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representatation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1982).

labels and containers in the United States before shipping them to Panama. Otherwise lawful steps in an infringement scheme become unlawful when they are part of an overall infringement scheme.[68] Because the court viewed all these acts as a single transaction, it held that the domestic acts presented a sufficient basis for exercising jurisdiction.[69] Like *Ramirez*, this case exemplifies the state of the law in this area for over eight decades.[70] In both cases the courts exercised jurisdiction when an essential step of the infringement scheme, leading up to the infringing sales abroad, occurred in the United States.

After finding that a jurisdictional basis exists, but before actually exercising jurisdiction, courts will generally consider the comity problems posed by exercising jurisdiction. For example, in *Scotch Whiskey*, after concluding that there was a jurisdictional basis, as discussed above, the court went on to explore whether exercising jurisdiction would be an affront to Panama's sovereignty. The court implied that the Panamanian Government did not protect the sale of spirits labeled "Scotch Whiskey."[71] Further, and most significantly, the relief granted in *Scotch Whiskey* had no extraterritorial effect. It applied only to the domestic activity of producing the falsely designated labels. These considerations are of the type courts explore under the Act of State Doctrine, discussed in section four of this comment. Comity considerations are mentioned here primarily to show that the same types of factors can be considered in deciding whether to exercise jurisdiction in the first instance, and whether to apply the Act of State Doctrine, a jurisdictional defense.

---

68. *See supra* note 54 and accompanying text.

69. *Scotch Whiskey*, 489 F.2d at 812.

70. For some reason, special significance has been attributed to *Scotch Whiskey*. Two student commentaries suggest that it represents an abandonment of the "place-of-the-tort test," Note, *Extraterritorial Application of the Lanham Act: Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406 (9th Cir. 1977), 18 COLUM. J. TRANSNAT'L L. 173, 185 (1979); Note, *Extraterritorial Application of the Lanham Act; American Rice, Inc, v. Arkansas Rice Growers Cooperative Ass'n*, 9 N.C.J. INT'L L. & COM. REG. 133, 139 (1983). Whatever the term "place-of-the-tort test" means as used in these works, *Scotch Whiskey* does not announce or abandon anything which had not already been done as early as the turn of the century. It goes no further than to say that jurisdiction may be exercised even when some of the infringing acts occur abroad. *Scotch Whiskey*, 489 F.2d at 812. The same approach was used in Vacuum Oil Co. v. Eagle Oil Co., 154 F. 867 (C.C.D.N.J. 1907). There, the products were packaged and shipped unmarked from the United States to avoid a technical violation of the trademark laws. They were passed off abroad. However, because an essential step of the infringement scheme took place here, the court exercised jurisdiction. *Id.* at 874. *See also* Steele v. Bulova Watch Co., 344 U.S. 280, discussed *infra* notes 119-21 and accompanying text.

71. *Scotch Whiskey*, 489 F.2d at 812.

iii. infringing acts commenced and consummated abroad

The objective territorial principle's constituent element version does not authorize jurisdiction when the acts are both commenced and consummated abroad. That is the import of *Vanity Fair Mills v. T. Eaton Co.*[72] and its progeny, which make the Lanham Act inapplicable to entirely foreign infringing acts.

The court in *Vanity Fair* declined to exercise jurisdiction over the defendant for infringing acts which occur entirely outside of the United States. In *Vanity Fair*, the defendant was sued for selling infringing products in Canada and the United States. The court indicated that it would have been possible to exercise juridsiction over the domestic sales. However, the plaintiff did not press its claims based upon the domestic sales, perhaps because they were of minor significance.[73] The bulk of the Canadian defendant's sales occurred in Canada, and involved Canadian manufactured goods. While *Vanity Fair* is sometimes cited for the three prong test it employed,[74] its true significance is its holding that jurisdiction may not be exercised when all of the essential steps of the infringement take place abroad.[75]

Vanity Fair was reaffirmed in *American White Cross Laboratories, Inc. v. H.M. Cote, Inc.*[76] That case is factually similar to *Vanity Fair*. The defendant in *White Cross* committed independent acts of infringement in the United States. However, the bulk of the infringing acts occurred in Canada. As in *Vanity Fair*, the *White Cross* court indicated that it might have been possible to exercise jurisdiction over the independent acts of infringement which occurred in the United States.[77] However, the court refused to exercise jurisdiction over the entirely foreign acts of infringement. It held that *Vanity Fair* is "controlling authority for the proposition that insofar as [plaintiff] alleges trademark infringement and unfair competition occurring within Canada, the complaint does not state a claim arising out of the laws of

72. 234 F.2d 633 (2d Cir. 1956). *See infra* text accompanying notes 143-44.

73. *Id.* at 647.

74. This test considers: (1) whether the defendant's conduct has a substantial effect on U.S. commerce; (2) the nationality of the defendant; and (3) the potential conflicts with foreign law. *Id.* at 642. In applying this test, although the conduct may have had a substantial effect on commerce, *id.* at 642, the court was concerned that the defendant was an alien, *id.* at 643, and with the potential conflicts with foreign law, *id.* at 646-47.

75. *Id.* at 642-43.

76. 556 F. Supp. 753 (S.D.N.Y. 1983).

77. *Id.* at 758.

the United States."[78] In short, the Lanham Act is inapplicable to entirely foreign infringement, i.e. when no essential step in the infringement scheme takes place in the United States. The court allowed leave to amend on the jurisdictional issue respecting the domestic infringement. It stated: "[t]he amended complaint must be limited to acts of infringement . . . within the United States. Plaintiff may wish to consider . . . the pursuit of broader remedies in the courts of Canada."[79]

Vanity Fair and *White Cross* make it clear that infringing domestic sales do not justify jurisdiction over infringing foreign sales. The domestic sales are viewed as independent acts of infringement. They apparently cannot be viewed as an essential step in an overall infringing scheme, which would justify asserting jurisdiction over the entire scheme.[80]

b. the objective territorial principle's adverse impact version

To summarize, the objective territorial principle's constituent element version only justifies exercising jurisdiction when an essential step of the infringement scheme occurs in the United States. However, the objective territorial principle could arguably justify a court in exercising jurisdiction in trademark cases when activities committed entirely abroad adversely impact on United States' commerce.[81] Nevertheless, such an application would be problematic.

i. application of the objective territorial principle's adverse impact version

The classic American case articulating the adverse impact version is *United States v. Aluminum Co. of America*[82] (*Alcoa*). In that

78. *Id.* While *White Cross* clearly recognized the controlling nature of *Vanity Fair*, *id.* at 757-58, it was able to reach its conclusion without applying the three part *Vanity Fair* test.

79. *Id.* at 760. *Vanity Fair*'s three part test was also recently followed in C-Cure Chemical Co. v. Secure Adhesives Corp., 571 F. Supp. 808 (W.D.N.Y. 1983). The *C-Cure* court held: "[t]he clear import of *Vanity Fair Mills* is that the Lanham Act should not be applied to a foreign citizen allegedly committing infringing acts in his or her home country." *Id.* at 821.

80. As noted, in both *Vanity Fair*, and *White Cross*, there were some domestic sales, yet jurisdiction was not exercised over the foreign sales. *See also Miller Brewing Co.*, 452 F. Supp. at 442 n.6, discussed *supra* note 58.

81. RESTATEMENT (REVISED) FOREIGN RELATIONS, *supra* note 22, § 402(1)(c). Unless the exercise of jurisdiction would otherwise be unreasonable, "a state may, under international law, exercise jurisdiction to prescribe and apply its law with respect to conduct outside its territory which has or is intended to have [a] substantial effect within its territory." *Id.*

82. 148 F.2d 416 (2d Cir. 1945).

case, Judge Learned Hand was faced with an agreement between foreigners in violation of the U.S. antitrust laws. None of the conspirators' conduct occurred in the United States. In the now famous language of the case, Judge Hand declared it to be settled law "that any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders that has consequences within its borders which the state reprehends."[83] Judge Hand found that jurisdiction could be exercised in *Alcoa* since conduct outside the United States was intended to, and did, adversely impact on United States' commerce.[84] For the purposes of this test, "commerce" includes domestic and foreign commerce. The *Alcoa* test also justifies exercising jurisdiction when conduct abroad affects exports from the United States.[85] Because the test is so expansive, its utility in trademark cases should be obvious, but the difficulty is finding some limiting principle.

Rackoff and Wolff, in their article on foreign counterfeiting, suggest how the adverse impact approach can be applied in trademark cases.[86] They conclude that the United States can exercise jurisdiction in trademark cases when an offense has an "adverse impact within" the United States.[87] They point out, for example, that the adverse impact on the computer industry in American commerce is "unquestionable":

> To take one company in the computer industry as an example, the exports of Apple Computer, Inc. to the Far East have been significantly affected by counterfeit products originating in Taiwan. In a recent New York Times article, Jeremy Lack, general manager of the California company's Hong Kong distributors, stated that the Hong Kong market for genuine Apple home computers (is no

83. *Id.* at 443.

84. *Id.* at 444.

85. Blechman, *Remarks on Subject Matter Jurisdiction*, 17 VAND. J. TRANSNAT'L L. 59, 62 (1984). For example, in Pacific Seafarers Inc. v. Pacific Far East Line, Inc., 404 F.2d 804 (D.C. Cir. 1968), the defendants conspired to exclude the plaintiff from shipping goods between Taiwan and Vietnam. Because the foreign conduct affected the plaintiff's export of shipping services in the United States, the court exercised jurisdiction. *Id.* at 816. *See* Blechman, *supra*, at 62, describing *Pacific Seafarers* as an example of extraterritorial jurisdiction's furthest limits.

86. Rakoff & Wolff, *supra* note 25, at 191-95.

87. *Id.* at 192 n.320. For this proposition they relied on the RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 18. However, the Restatement (Second) only permits exercising jurisdiction based upon an effect in the United States which constitutes a constituent element of a crime or tort. *Id.* § 18, which is reproduced *infra* note 133; *cf.* RESTATEMENT (REVISED) FOREIGN RELATIONS, *supra* note 22, § 402(1)(c), reproduced *supra* note 81.

longer there).[88]

Rakoff and Wolff presumably used this as an illustration of an instance where the exercise of extraterritorial jurisdiction would be justified based on the adverse impact on exports from the United States.

A major problem with the adverse impact approach is the lack of a limiting principle. As Judge (then Professor) Jennings stated, once we move out of the sphere of constituent elements of a crime, or physical consequences, "to employ the formula of 'effects' is to enter upon a very slippery slope; for here the effects within the territory may be no more than an element of alleged consequential damages which may be more or less remote."[89] In *Timberlane Lumber Co. v. Bank of America*,[90] an antitrust case, Judge Choy grappled with the problems presented by the overexpansiveness of the adverse impact approach. *Timberlane* has been characterized as "[t]he most thorough and thoughtful analysis of the concerns relevant to the assertion of extraterritorial jurisdiction. . . ."[91]

Judge Choy was well aware of the almost universal expression of sentiment that the United States was violating international law by applying its trade law extraterritorially.[92] He noted that the adverse impact test was incomplete, because it failed to adequately address the concerns of comity and fairness. Thus, he devised a new three step analysis. First, it requires "some effect" on American commerce, so

88. Rakoff & Wolff, *supra* note 25, at 192 n.320.

89. Jennings, *supra* note 26, at 159.

90. 549 F.2d 597 (9th Cir. 1976).

91. *Zenith Radio*, 494 F. Supp. at 1187 (characterizing *Timberlane*).

92. "Extraterritorial application is understandably a matter of concern for the other countries involved. Those nations have sometimes resented and protested, as excessive intrusions into their own spheres, broad assertions of authority by American courts." *Timberlane*, 549 F.2d at 609. Some American decisions have produced criticism internationally. One noted example is United States v. Imperial Chemical Industries, 105 F. Supp. 215 (S.D.N.Y. 1952). There, the American court ordered the defendant, a British company, to divest itself of certain patents. However, these patent rights were the subject of a grant of exclusive license, lawful under British laws, from another British company. The British court required the defendant to keep the agreement with the other British corporation stating: "[a]pplied conversely, I conceive that the American courts would likewise be slow (to say the least) to recognize an assertion on the part of the British courts of jurisdiction extending (in effect) to the business affairs of persons and corporations in the United States." British Nylon Spinners Ld. v. Imperial Chemical Indus. Ld., [1953] 1 Ch. 19, 24, *made permanent*, [1955] 1 Ch. 37.

Britain has since enacted the Protection of Trading Interests Act, 1980, Ch. II, § 1-8, which provides for the non-recognition and non-enforcement of measures taken by other nations applying to things done outside such countries when such measures would damage British trading interests. *See* D. WILSON, INTERNATIONAL BUSINESS TRANSACTIONS IN A NUTSHELL 122-23 (1984), explaining that this Act was principally aimed at United States antitrust laws.

as to justify jurisdiction under the Constitution's commerce clause. Second, it requires the effect to be a sufficient restraint on the plaintiff's trade to constitute an antitrust violation. Thus, under the test's first and second prongs, the adverse impact or effect is relevant only as it relates to our national legal system; the Constitution and the antitrust laws. Finally, the analysis requires a comity balancing test designed to address the special problem of exercising jurisdiction in the context of the international legal system. This third prong incorporates the adverse impact as one of the seven factors to be balanced, and not as a separate inquiry. The factors are:

1. degree of conflict with foreign laws or policy;
2. nationality of the parties and, the locations or principal places of business of the corporation;
3. the extent to which enforcement by either state will achieve compliance;
4. the relative significance of the effects on the United States as compared with effects elsewhere;
5. the extent to which there is an explicit purpose to harm or affect American commerce;
6. the foreseeability of such effect; and,
7. the relative importance to the violations charged of conduct within the United States as compared with conduct abroad (extent to which conduct in the United States is a significant part of an alleged violation).[93]

---

93. *Timberlane*, 549 F.2d at 612-14. After *Timberlane*, the Congress passed 15 U.S.C. § 6 (1984), which provides:

> [The Sherman Act] shall not apply to conduct involving trade or commerce (other than import trade or import commerce) with foreign nations unless—
>
> (1) such conduct has a direct, substantial, and reasonably foreseeable effect—
>
> (A) on trade or commerce which is not trade or commerce with foreign nations, or on import trade or import commerce with foreign nations; or
>
> (B) on export trade or export commerce with foreign nations, of a person engaged in such trade or commerce in the United States . . . .

Id.

It has been said that section 6 does not overrule *Timberlane* but merely clarifies the "effects" element of the test. Wallace, *Extraterritorial Jurisdiction*, 15 L. & POL. INT'L BUS. 1099, 1119 (1983). However, *Timberlane*'s first prong merely requires "some effect." The court specifically rejected the requirement that the effect be "substantial." *Timberlane*, 549 F.2d at 611-12. Furthermore, *Timberlane* was premised upon the notion that the adverse impact or effect was only considered as a separate factor under the national legal system's laws (constitution and antitrust laws). *Id.* at 611-12. Section 6 makes it clear that the adverse impact must be "direct, substantial, and reasonably foreseeable" and makes it clear that, in the context of jurisdiction in the international legal system, "adverse impact" is a separate factor to be considered,

After *Timberlane*, Judge Choy applied the comity balancing test in a trademark case, *Wells Fargo & Co. v. Wells Fargo Express Co.*[94] There, the plaintiff brought a trademark infringement action against both an American and foreign defendant. The *Wells Fargo* court held that the Lanham Act's extraterritorial reach should not be gauged by the locus of the activity to be reached, but by the nature of its effect on commerce.[95] Finding that the lower court erroneously applied the *Vanity Fair* test, which emphasizes the locus of the activity to be reached, the court remanded the case to the lower court with instructions to apply the *Timberlane* test.[96] In the context of trademarks, this test has two prongs. First, the foreign activities must have some effect on United States' foreign commerce. Second, the seven factor comity balancing approach is applied. In trademark cases, there is no counterpart to the second prong of the test used in antitrust cases, namely that the effect must be a sufficient restraint on plaintiff's trade to constitute an antitrust violation.[97]

The test announced in *Wells Fargo* would seem to permit the exercise of jurisdiction over entirely foreign infringing acts. However, the facts of *Wells Fargo*, involving an infringement scheme which occurred partly in the United States, do not justify such an expansive reading. In *Wells Fargo*, the plaintiff alleged that the foreign defendant directed the American defendant's domestic activities from abroad. The court suggested that the American defendant was acting as the foreign defendant's agent in the United States.[98] Thus, the foreign defendant actually committed unlawful infringing acts in the United States through its American agent. Jurisdiction over the domestic infringing acts would be justified under the "fundamental 'territorial' reach of the Lanham Act."[99] Thus, exercising jurisdiction over the defendant's foreign activities presented little difficulty. The court made it clear that the American and foreign activities would be viewed as part of an overall infringing scheme.[100] Hence, the limited

---

and not simply subsumed into a comity balancing approach as one of many factors to be balanced.

94. 556 F.2d 406 (9th Cir. 1977).

95. *Id.* at 428.

96. *Id.* at 427, 430.

97. *Id.* at 428.

98. *Id.* at 419.

99. *Id.* at 430. This phrase was probably a reference to the subjective territorial principle, which justifies asserting jurisdiction over activities in the United States, discussed *supra* note 47 and accompanying text.

100. *Id.* For this proposition the court relied on *Ramirez* and Feraud Chili Co. v. Las

holding of *Wells Fargo* is the unremarkable proposition that extraterritorial jurisdiction is permissible under the Lanham Act when an essential step of the infringement takes place domestically.

ii. potential problems of the *Wells Fargo* adverse impact approach

Professor Wilson, speaking of the *Wells Fargo* test, stated that "such a 'test' has substantial potential for working a restrictive trade effect and for inviting retaliation by other countries, virtually all of whom have a national scheme for recognizing and for regulating trademarks."[101] Post-*Wells Fargo* cases make it abundantly clear that the rule of *Wells Fargo* is not the law in the Second[102] and Fifth[103] Circuits. Perhaps the failure of some circuits to follow the *Wells Fargo* test stems from the test's unsound analogy between antitrust and trademark laws. This analogy is troublesome because it ignores the territorial nature of intellectual property rights, and because in antitrust law, unlike trademark law, an adverse impact is a constituent element of the offense.

To the extent that the *Wells Fargo* test permits exercising jurisdiction over entirely foreign infringement actions, it ignores the territorial nature of intellectual property rights. A trademark created by the Lanham Act does not exist outside the United States. Therefore, an American trademark cannot be infringed entirely outside the United States.[104]

Further, under antitrust law, the plaintiff must prove that he has been injured, since injury is a constituent element of the offense.[105] However, the plaintiff in a trademark case need not be injured in order to state a *prima facie* case for trademark infringement.[106] Thus,

---

Palmas Food Co., 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd.*, 245 F.2d 874 (9th Cir. 1957), discussed *supra* notes 61-64 and accompanying text, which permits exercising jurisdiction over infringement schemes consummated abroad but commenced domestically. The *Wells Fargo* court, however, did not specify exactly what the foreign activities were or how they could be considered part of an overall infringing scheme.

101. D. WILSON, *supra* note 92, at 276.

102. For discussion of the Second Circuit approach see *supra* notes 72-80 and accompanying text.

103. The Fifth Circuit follows the Second Circuit approach. American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n., 701 F.2d 408, 414 (5th Cir. 1983), discussed further *infra* notes 138-40 and accompanying text.

104. *See supra* notes 30-45 and accompanying text.

105. 15 U.S.C. § 15 (1984) provides: "any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue . . . ." *Id.* Under this standing requirement, the plaintiff must demonstrate that he has been injured.

106. In Menendez v. Faber, Coe & Gregg, Inc., 345 F. Supp. 527, 558, 560 (S.D.N.Y.

under the constituent element approach, it would technically be permissible to exercise jurisdiction in an antitrust case whenever the plaintiff suffers an adverse impact on his business in the United States because one of the offense's constituent elements, suffering an injury, would have occurred in the United States. This rationale is inapplicable in trademark cases. Since injury is not a constituent element of the offense of infringement, a constituent element of the offense does not occur in the United States when only an adverse impact is felt domestically.

The single trademark case applying the *Wells Fargo* approach, *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*,[107] declined to exercise jurisdiction. *Playboy* dealt with whether the court would enjoin the defendant's sales in foreign countries of allegedly infringing

---

1972) discussed *supra* notes 55-58 and accompanying text, the court exercised jurisdiction over infringing acts commenced abroad, even though the plaintiffs could not demonstrate that they had been injured; *but see* 15 U.S.C. § 1125 (1982) (false designation of origin) reproduced *supra* note 67. Thus, the plaintiff need not demonstrate injury to state a claim under the Lanham Act, but must demonstrate an injury under the antitrust laws. Undoubtedly, this is the reason that in Lanham Act cases there is no counterpart to the second prong of the *Timberlane* test, which requires that the effect be substantial enough to state a cognizable injury under the antitrust laws. *See supra* note 97 and accompanying text.

Hence, there are two important distinctions between extraterritorial antitrust cases and Lanham Act cases. First, the application of the Lanham Act is limited by the territorial nature of trademarks. Second, the plaintiff in antitrust cases must demonstrate an injury. But, imagine this hypothetical "trademark" statute:

> Anyone who (a) in the foreign commerce of the United States, (b) commits an act which—if committed in the United States—would constitute trademark infringement under the Lanham Act, and (c) such act adversely affects the export opportunities of the trademark registrant in the United States, shall be liable . . . .

The first notable feature of the hypothetical statute, is that liability does not turn upon trademark infringement. Part (b) merely defines the type of acts the defendant must commit to be liable, and these acts need not constitute trademark infringement where they were committed. Liability does not turn upon interference with intellectual property rights, which are limited to the territory of the nation upon which they depend for their creation. Thus, it would arguably avoid the limitations imposed by the territorial nature of trademarks.

The second notable feature of the hypothetical statute is that part (c) requires that the plaintiff demonstrate an injury in the United States. Thus, the plaintiff's injury in the United States would constitute a material element of the offense. As Akehurst explains:

> [I]f a State wishes to punish someone for causing certain effects, it can evade the restrictions imposed by the 'constituent elements' approach by creating a new offence . . . . Suppose *A* kills *B* in State *X*, leaving *B*'s widow in State *Y* destitute. *Y* cannot try *A* for murder; but it could create a new offence of causing the destitution of widows by killing their husbands, and try *A* for that. This would be lawful under the constituent element approach because one of the constituent elements of the new offence (the destitution of the widow) has occurred in State *Y*.

Akehurst, *supra* note 19, at 155.

The point is that a "trademark" statute could be conceived which would avoid the two distinctions between extraterritorial jurisdiction under the antitrust laws and the Lanham Act.

107. 511 F. Supp. 486 (S.D.N.Y. 1981), *aff'd*, 687 F.2d 563 (2d Cir. 1981).

foreign language sex-oriented magazines. Specifically refusing to hold whether it would follow *Wells Fargo*, the *Playboy* court stated that even if it did, *Wells Fargo* would not justify asserting jurisdiction.[108]

Two of the seven factors of the *Timberlane—Wells Fargo* comity balancing test clearly militated against exercising jurisdiction in *Playboy*. The court, under the second factor, determined that the defendant was not an American national.[109] The seventh factor, the extent to which conduct within the United States is a significant component of the alleged violation, cut against exercising jurisdiction. The defendant did not transact business in this country. Moreover, the allegedly infringing foreign language magazines were sold abroad.[110]

The remaining five factors of the comity balancing test either favored the exercise of jurisdiction or were inconclusive. Considering the first factor, the degree of conflict with foreign law or policy, the court observed that the trademark policy of the defendant's home country, Italy, and American trademark policy, were consistent.[111] Because of this consistency, the third factor, the extent to which enforcement would achieve compliance, militated in favor of exercising jurisdiction. There was a probability that the Italian courts would enforce the *Playboy* court's order.[112] The court considered the fourth

108. *Id.* at 495. Post-*Playboy* Second Circuit cases make it clear that *Wells Fargo* is not followed there. *See supra* notes 76, 79 and accompanying text.

109. *Playboy*, 511 F. Supp. at 495-96. For discussion of defendant's American nationality bolstering the basis for asserting jurisdiction, see *infra* note 120 and accompanying text.

110. This prong of the comity balancing text originates from Kingman Brewster's jurisdictional rule of reason test. *Timberlane*, 597 F.2d at 613 n.31 (citing K. BREWSTER, ANTITRUST AND AMERICAN BUSINESS ABROAD 446 (1958)). Brewster originally phrased this factor "the relative significance to the violations charged of conduct within the United States as compared with conduct abroad." K. BREWSTER, *supra*, at 446. This somewhat unclear language was substantially adopted by *Timberlane*, 549 F.2d at 614. Clearly, what Brewster had in mind was that frequently the foreign conduct is "part and parcel of a total scheme" including some conduct in the United States. K. BREWSTER, *supra*, at 447. This prong of the test, expressed succinctly, envisions a consideration of "[t]he extent to which conduct within the United States is a significant component of the alleged violation." Wallace, *supra* note 93, at 1114. To the extent conduct within the United States is a significant component of the alleged violation, the case for asserting jurisdiction is strengthened. K. BREWSTER, *supra*, at 447. The court in *Playboy*, understandably confused by Brewster's original phraseology, erroneously compared the unlawful conduct's relative foreign impact to its domestic impact. *Playboy*, 511 F. Supp. at 495-96. That inquiry is dealt with in a separate prong of the *Timberlane-Wells Fargo* analysis, number four in the following discussion, *infra* note 113 and accompanying text.

111. *Playboy*, 511 F. Supp. at 495.

112. In discussing this factor the *Playboy* court alluded to a countervailing consideration: that denial of relief would not leave plaintiff without a remedy. Plaintiff could seek relief in Italy. *Id.* This factor in the balancing analysis comes from section 40 of the Restatement (Second), which states that exercising jurisdiction may be unreasonable when it will not be

factor, the impact of the unlawful activity in America compared to the impact in the foreign country. Plaintiff alleged that the damages abroad were the same as in America. Plaintiff also argued that it lost substantial revenue in the United States because of the alleged infringement of its trademark abroad.[113] The court did not discuss the sixth factor, foreseeability of the effects.[114] However, it was established that defendant's foreign conduct was consistent with an intention to exploit the plaintiff's mark abroad.[115] Finally, since the conduct was intentional, it would follow that there was an explicit purpose to harm or affect commerce, the balancing test's fifth factor.[116]

The application of the balancing approach in *Playboy* seems somewhat dubious. The outcome, however, is unassailable. Jurisdiction can only be exercised in trademark cases when justified under the constituent element approach—when an essential step of the infringement occurs domestically. In *Playboy*, the court correctly declined jurisdiction because no essential step of the infringement action took place in the United States.

B. The Remaining Jurisdictional Principles of International Law in Trademark Cases

It has been demonstrated how the territoriality principle justifies

---

effective in attaining the objectives of the law in question; for example, where the court has no way to enforce its order. RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 40 comment e.

113. Although the court did not seem to deny these allegations, it stated that plaintiff failed to demonstrate that the foreign effects were greater than the domestic effects. It stated that even if the overseas violations could be proved, their effects would be relatively inconsequential compared to the potential effects of a possible violation in this country. *Playboy*, 511 F. Supp. at 495-96. The court appears to have applied the test backwards. The whole idea of the adverse impact approach is that the greater the effect in the United States, the greater the basis for exercising jurisdiction. Perhaps what the court was getting at was that the plaintiff's losses abroad were insufficient to warrant granting an injunction.

114. The court thought there were six, not seven factors in the *Timberlane-Wells Fargo* test. *Id.* at 495-96.

115. *Id.*

116. In this connection, the court stated that the evidence was not convincing that the efforts were intended to hurt commerce. *Id.* at 495. The court did not explain exactly what the phrase "intend to hurt commerce" means in this context. With the possible exception of nefarious communist conspiracies to undermine America's economy, few schemes are intended to hurt commerce as their ultimate goal. It would be reasonable to assume that an intentional effort to capture the plaintiff's share of the market by exploiting its mark, would constitute an intention to harm commerce. *Wells Fargo*, 556 F.2d at 429 (suggesting that purposeful and deliberate scheme to capitalize on plaintiff's trademark cuts in favor of exercising jurisdiction).

exercising jurisdiction in trademark cases. The remaining principles of jurisdiction in international law are of comparatively minor significance in trademark cases. In fact, it has been said that only the territoriality principle is relevant in cases involving economic regulatory matters.[117] However, other jurisdictional principles demonstrate the type of comity considerations which bolster a claim for asserting jurisdiction. These are the nationality, protective, passive personality, and universality principles.

1. The nationality principle

Under the nationality principle, a nation may claim jurisdiction over acts committed by its nationals abroad.[118] Although the Supreme Court discussed the nationality principle in *Steele v. Bulova Watch Co.*,[119] jurisdiction over the acts of counterfeiting in that case was justified under the constituent element approach.

In *Steele*, the American defendant sold Mexican manufactured counterfeit products in Mexico. The Court justified extraterritorial jurisdiction by stating:

> [T]he United States is not debarred by any rule of international law from governing 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. With respect to such an exercise of authority there is no question of international law, but solely of the purport of the municipal law which establishes the duty of the citizen in relation to his own government.[120]

---

117. Zenith Radio Corp. v. Matsushita Elec. Indus. Co., 494 F. Supp. 1161, 1179 (E.D. Pa. 1980).

118. Marcuss & Richard, *Extraterritorial Jurisdiction in United States Trade Law: The Need for a Consistent Theory*, 20 COLUM. J. TRANSNAT'L L. 439, 443 (1981).

119. 344 U.S. 280, 285-86 (1952).

120. *Id.* (quoting Skiriotes v. Florida, 313 U.S. 69, 73 (1941)). *See also* American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n, 701 F.2d 408, 416 (5th Cir. 1983) (trademark case mentioning the nationality principle), discussed *supra* note 65, and *infra*, notes 138-40 and accompanying text. Explaining the nationality principle, the court in Laker Airways v. Sabena, Belgian World Airlines, 731 F.2d 909, 922 (D.C. Cir. 1984) stated:

> Just as the locus of the regulated conduct or harm provides a basis of jurisdiction, the identity of the actor may also confer jurisdiction upon a regulating country. The citizenship of an individual or nationality of a corporation has long been a recognized basis which will support the exercise of jurisdiction by a state over persons. Under this head of jurisdiction a state has jurisdiction to prescribe law governing the conduct of its nationals whether the conduct takes place inside or outside the territory of the state.

Id. (citing *Steele*, 344 U.S. 280 (1952) and RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 30(1)(a) (jurisdiction based on nationality)). The application of the nationality principle may involve complex issues of the nationality of a corporation. For a discussion of

However, as previously noted, the *Steele* Court based jurisdiction primarily on the constituent element version of the objective territorial approach. The defendant purchased unfinished products in the United States, affixing the counterfeit label in Mexico. The Court viewed these purchases as "essential steps in the course of business consummated abroad, [and therefore,] part of an unlawful scheme."[121] So in *Steele*, as in all of the other extraterritorial Lanham Act cases, an essential step of the infringement occurred within the boundaries of the United States. It is doubtful that the Court would have exercised jurisdiction based solely on the nationality principle.

2. The protective or security principle

Under the protective or security principle of jurisdiction, a nation may exercise jurisdiction when a foreign act threatens its security, territorial integrity, or political independence.[122] Only in unusual cases might this principle bolster a claim for asserting jurisdiction. However, in some cases, for example, where counterfeit parts have been used in military equipment, it could be argued that an infringement has affected America's national defense preparedness.[123]

3. The passive personality principle

The passive personality principle permits a nation to exercise ju-

---

the problems of corporate nationality in this context, see Marcuss & Richard, *supra* note 118, at 456-58.

121. *Steele*, 344 U.S. at 287; *see also supra* note 55 and accompanying text. Furthermore, in *Steele*, the plaintiff's Texas sales representative received numerous complaints from plaintiff's customers in the Mexican border area. *Id.* at 285. Hence, there is evidence that the Mexican sales caused confusion in the United States. See discussion *supra* note 61 and accompanying text for relevance. Moreover, by the time the case reached the United States Supreme Court, the Supreme Court of Mexico had nullified defendant's trademark registration. *Id.*

122. Marcuss & Richard, *supra* note 118, at 445-46; RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 33. Interestingly, this principle is particularly concerned with the counterfeiting of a state's seals and currency, and the falsification of its official documents. RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 33(2). Of course, such counterfeiting, unlike commercial counterfeiting, always involves an important national interest. For a recent case discussing the principle, see United States v. Layton, 509 F. Supp. 212, 216 (N.D. Cal. 1981) (shooting of Congressman in Guyana on official business had potential effect on security and governmental functions, providing basis for jurisdiction under protective principle and other principles).

123. Rakoff & Wolff, *supra* note 25, at 153. "Inevitably, commercial counterfeiters have not been able to resist seeking to defraud the biggest 'consumer' of all, the United States Department of Defense, and thus to jeopardize to some extent national defense and security." *Id.* They cite several examples, including Bell Helicopter parts placed in NATO fleets purportedly causing several accidents in the United States. *Id.*

risdiction when a national is injured by an alien's foreign acts.[124] This is the most questionable basis for asserting jurisdiction.[125] Clearly, American courts will not exercise jurisdiction in trademark cases merely because the plaintiff is a United States citizen.[126] However, American citizenship may be a factor to consider in a comity balancing test.

4. The universality principle

Under the universality principle a nation may exercise jurisdiction over persons outside of its territory for crimes repugnant to the law common to all nations. This principle focuses on crimes of concern to the public order of every nation (e.g. piracy).[127] While trademark rights are clearly not universal, trademark law, in contrast to other areas of the law, does possess a universal ingredient.

The basic idea of the universality principle is that certain violations are cognizable everywhere. This concept is inapplicable respecting jurisdiction over trademark infringement. About one hundred years ago, the view was held that a trademark lawfully affixed to a product in one country would be recognized everywhere it went. This view was referred to as the universality principle.[128] However, it has

---

124. Marcuss & Richard, *supra* note 118, at 447.

125. Jennings, *supra* note 26, at 155; *see* RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 30(2) (rejecting passive personality principle); and *Zenith*, 494 F. Supp. at 1179 n.38 ("the United States does not accept [the passive personality] principle as a legitimate basis for jurisdiction"); *but see Layton*, 509 F. Supp. at 216 (that victim was a U.S. citizen provided basis for jurisdiction under passive personality principle; however, court did not decide whether this basis alone would be sufficient).

126. The passive personality principle was rejected as a basis for asserting jurisdiction in trademark cases by the court in American White Cross Laboratories, Inc. v. H.M. Cote, Inc., 556 F. Supp. 753, 758-59 (S.D.N.Y. 1983) (the residence or domicile of the injured party within the state not sufficient for extraterritorial jurisdiction), discussed *supra* notes 76-80 and accompanying text.

127. Marcuss & Richard, *supra* note 118, at 447; RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 34. *See, e.g.*, Filartiga v. Pena-Irala, 630 F.2d 876 (2d Cir. 1980) (tort action against Paraguayan citizen visiting United States—who in Paraguay, wrongfully caused a former Paraguayan citizen son's death by torture—allowable under universality principle). Historically, this principle was applied to the international problem of piracy. Recently, states have extended the universality principle to other crimes considered to be a threat to the well being of the international community. Such crimes may include aircraft hijacking and terrorism, "now considered by the international community to be deserving of treatment in a manner traditionally reserved for piracy." *Layton*, 509 F. Supp. at 223.

128. Osawa & Co. v. B & H Photo, 589 F. Supp. 1163, 1171 (S.D.N.Y. 1984) (whether foreign manufactured imported merchandise—containing trademark lawfully affixed abroad under foreign law—would infringe American trademark owner's trademark, is question of his American trademark rights).

been pointed out that the universality principle of trademarks was fatally flawed:

> [I]t failed to recognize that legal rights within one sovereignty are creatures of that sovereignty's law. The establishment by A of legal rights to exclusivity in one country could obviously not satisfactorily be squared with B's establishment of exclusive right in a second country, if either right (much less if both) were thought to extend across the world universally. The principle was perhaps based on an idealistic view of the world as a single marketplace. That view, however, did not conform to reality or to international treaty. While it might have been possible to imagine the development of a unified world marketplace, organized on the same set of assumptions that have dominated the creation of a single marketplace among the United States, the development between nations did not occur in that fashion.[129]

Thus, as has been demonstrated throughout this comment, trademark protection in one nation does not extend throughout the world. Hence, a violation in one country is recognizable only under that country's laws, and the universality principle, as a jurisdictional basis, will not be applied in trademark cases.

Nonetheless, the substance of trademark law does possess universal characteristics. A distinction between antitrust law and trademark law, which arguably militates in favor of a more expansive application of the Lanham Act than the antitrust laws,[130] is that the antitrust laws are devoid of any universal ingredient. Antitrust laws are distinctively American.[131] Conversely, trademark infringement is proscribed both criminally and civilly in numerous nations throughout the world.[132] Thus, the Lanham Act may be said to have universal characteristics. This fact arguably justifies extending the Lanham Act's

129. *Id.* at 1172. The universality principle's second flaw, according to the court, was "the failure to recognize that, within one country, a mark may represent a factually different goodwill from that which the mark signifies elsewhere." *Id.*

130. However, two major distinctions between the extraterritorial application of the antitrust laws and the Lanham Act, which have already been discussed, militate in favor of a more restrictive application of the Lanham Act. First, that the Lanham Act, but not the antitrust laws, is limited by trademark's territorial nature. See *supra* note 106 and accompanying text. Second, that under the antitrust laws, but not the Lanham Act, an impact on the plaintiff's business in the United States may be viewed as a constituent element of the offense. See *supra* notes 105-06 and accompanying text.

131. Jennings, *supra* note 26, at 146.

132. Rakoff & Wolff, *supra* note 25, at 192 n.320.

applicability beyond that of less universal laws.[133] However, the extent of the Lanham Act's jurisdiction must always be interpreted in light of the abandonment of the universality principle in favor of the territoriality principle. Until our international order radically changes into a single marketplace, American courts must refrain from violating a foreign nation's sovereignty by extending the Lanham Act to entirely foreign infringing acts. In cases involving an entirely foreign infringement, an American court can adjudicate the matter consistently with the present international legal order only by applying foreign law.[134]

C. Summary of the Territorial Principle

Jurisdiction in trademark cases is limited by the territorial nature of trademark rights; that trademark protection in one nation does not extend beyond that nation's territory. Under the subjective territorial principle, courts can exercise jurisdiction over infringing acts occurring entirely within the United States, and infringing articles found domestically. Respecting infringements taking place abroad, courts must look to the objective territorial principle. The objective territorial principle's constituent element version permits exercising jurisdiction when an essential step in an infringement scheme occurs domestically. The objective territorial principle's adverse impact version permits courts to exercise jurisdiction over foreign conduct which produces an adverse impact domestically. Certain language in the *Wells Fargo* opinion indicates the approach could be used in

---

133. *Id.* For example, the RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 18 provides:

> A state has jurisdiction . . . [over] conduct [occuring] outside its territory and [causing] an effect within its territory, if either
>
> (a) the conduct and its effect are generally recognized as constituent elements of a crime or tort under the law of states with reasonably developed legal systems, or
>
> (b)(i) the conduct and its effect are constituent elements of activity to which the rule applies; (ii) the effect within the territory is substantial; (iii) it occurs as a direct and foreseeable result of the conduct outside the territory; and (iv) the rule is not inconsistent with the principles of justice generally recognized by states that have reasonably developed legal systems.

Id.

Arguably, trademark infringement would come under the less stringent requirements of section 18(a). Rakoff & Wolff, *supra* note 25, at 192 n.320. Antitrust, and most other economic regulatory matters, come under the more stringent requirement of section 18(b). RESTATEMENT (SECOND) FOREIGN RELATIONS, *supra* note 7, § 18 comment f.

134. For a discussion of the application of foreign law, see *infra* notes 141-144 and accompanying text.

trademark cases. However, applying this approach in trademark cases would be contrary to the territorial nature of trademark rights.

The remaining jurisdictional principles are of limited importance in trademark cases. Although the nationality principle—justifying jurisdictional basis upon the defendant's nationality—has been mentioned in trademark cases, jurisdiction in such cases was warranted under the territorial principle. The nationality principle, like the others, may suggest factors which may bolster a claim for jurisdiction; for example: the protective principle can be invoked when national security is threatened; the passive personality principle can be used when there is an American defendant; and the universality principle may bolster a claim when the defendant allegedly commits crimes repugnant to all nations.

IV. THE ACT OF STATE DOCTRINE

The Act of State Doctrine is likely to be raised as a jurisdictional defense in extraterritorial trademark cases. Once a court has determined that a statute may be applied extraterritorially to reach the conduct in question, there are three defenses the court might recognize to block its exercise of jurisdiction. First, the doctrine of sovereign immunity may be raised in certain circumstances by a foreign nation when it is being sued in an American court.[135] Second, the doctrine of sovereign complusion may be raised by any defendant whose alleged wrongful activities were compelled by a foreign sovereign.[136] These doctrines have little importance in trademark cases. However, under the final jurisdictional defense, the Act of State Doctrine, American courts will not question the validity of a foreign nation's law or its acts performed with that foreign nation's territory.[137]

135. 28 U.S.C. §§ 1602-11 (1984). However, the doctrine of sovereign immunity can only be raised by a nation when it is being sued for a sovereign act, not a commercial act. *Id.* at § 1605(a)(2). Normally, commercial counterfeiting would be a commercial act. Hence, in Menendez v. Faber, Coe & Gregg, Inc., 345 F. Supp. 527 (S.D.N.Y. 1972), a trademark suit against a Cuban government owned cigar manufacturer, the doctrine of sovereign immunity was not raised as a bar to the action. Discussed *supra* notes 55-58 and accompanying text.

136. The sovereign complusion defense was unsuccessfully raised in Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287 (3d Cir. 1979). There, plaintiff alleged that defendant secured foreign patents by fraud, which, if perpetrated in the United States, would have produced antitrust liability. The court held, "by issuance of the patents per se, the foreign governments did not force the defendant to exclude the plaintiff from the foreign markets and the defense of compulsion is not available." *Id.* at 1294.

137. Kleinman, *The Act of State Doctrine—From Abstention to Activism*, 6 J. COMP. BUS. & CAP. MKT. L. 115 (1984). In the earlier expressions of this judicial abstention doctrine, courts emphasized the sovereign independence of states, stating that the courts of one country

Within the trademark arena, such a law or act by a foreign nation would be the recognition of the defendant's right to use a trademark within that foreign nation's borders. The Act of State Doctrine is likely to be an issue in cases where the infringement is consummated abroad. In deciding whether or not to invoke the Act of State Doctrine, a court will consider three factors: whether the defendant's foreign trademark rights are superior to the plaintiff's foreign rights; whether the lawsuit is based upon an alleged trademark infringement; and whether the plaintiff is requesting relief respecting the defendant's conduct outside the United States. These three factors will now be discussed.

A. The Defendant's Foreign Trademark Rights Must Be Superior to the Plaintiff's

The Act of State Doctrine is applicable only where defendant's foreign trademark rights are superior to plaintiff's, whether the action is based on domestic or foreign law. A "superior" right to use a

---

will not judge the acts of a foreign government done within that government's territory. Underhill v. Hernandez, 168 U.S. 250, 252 (1897). The modern trend is to emphasize the separation of powers among the various branches of government and leave foreign policy matters to the executive. Banco Nacionale de Cuba v. Sabbatino, 376 U.S. 398, 431-33 (1964).

One of the first trademark cases to apply the Act of State Doctrine stated: "we do not think it the province of United States . . . courts to determine the validity of trade-marks 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 foreign nations]." Vanity Fair Mills v. T. Eaton Co., 234 F.2d 633, 647 (2d Cir. 1956) discussed *infra* notes 143-44 and accompanying text. This language led Professor Nimmer to conclude that the Act of State Doctrine would be inapplicable in most copyright actions. Nimmer argued, "[i]n adjudicating an infringement action under a foreign copyright law there is, then, no need to pass upon the validity of acts of foreign governmental officials." 3 M. NIMMER, NIMMER ON COPYRIGHT § 17.03 (1984). The reason was that "unlike the United States copyright law, under virtually all foreign copyright laws there are no administrative formalities which must be" complied with to create or perfect a copyright. *Id.* Similarly, another commentator has argued that often copyright protection arises "not because of an act of a sovereign state, but solely on the basis of acts done by the author" (i.e. merely placing the proper notice on all authorized copies). Kirios, *supra* note 43, at 65. Thus, copyright protection does arise because of a sovereign state's act, such as the enactment of a copyright statute. Therefore, the Act of State Doctrine arguably applies whenever the existence or validity of a copyright under foreign law is questioned.

The court in *Mannington Mills*, in sweeping dicta, seemed to indicate, however, that the Act of State Doctrine would never be applicable in intellectual property cases:

> The grant of patents for floor coverings is not the type of sovereign activity that would be of substantial concern to the executive branch in its conduct of international affairs. . . . [T]he granting of patents per se, in substance ministerial activity, is not the kind of governmental action contemplated by the act of state doctrine or its correlative, foreign complusion.

Mannington Mills, 595 F.2d at 1294. However, *Mannington Mills* was an antitrust case. Therefore, the existence or validity of foreign patents was not called into question.

trademark can exist when a foreign nation has granted the defendant the exclusive legal right to use that trademark. If the foreign nation grants both the plaintiff and defendant concurrent rights, then neither has a superior right.

1. Actions based on domestic law

In *American Rice, Inc. v. Arkansas Rice Growers Cooperative Association*,[138] the court declined to apply the Act of State Doctrine. There, defendant, a gigantic agricultural concern, was growing and packaging rice in the United States for use in Saudi Arabia. Plaintiff sued defendant, alleging that the Saudi Arabian sales constituted trademark infringement. Under Saudi law, the defendant only had a right to use the trademark concurrently with plaintiff. No Saudi court or agency had determined that defendant could use its marks to the exclusion of the plaintiff. Thus, the Act of State Doctrine was inapplicable in *American Rice* since the Doctrine applies only when the foreign sovereign has determined the defendant's rights to be superior to the plaintiff's rights.[139] The rationale of the Act of State Doctrine is clearly illustrated by *American Rice*. A court will invoke the Doctrine and not exercise jurisdiction if the exercise of jurisdiction would offend a foreign nation. If Saudi Arabia had granted the defendant exclusive trademark rights, jurisdiction over the defendant would be inappropriate since the American court cannot contradict the Saudi government by saying that the plaintiff, and not the defendant, has the right to use the trademark in Saudi Arabia. Because the foreign sovereign in *American Rice* had not already determined the defendant's rights to be superior to the plaintiff's rights, there was no risk of contradicting foreign law.[140]

2. Actions based on foreign law

Similarly, the Act of State Doctrine is inapplicable in actions based on foreign law when defendant's foreign trademark rights are not superior to plaintiff's. In *London Film Productions, Ltd. v. Intercontinental Communications, Inc.*,[141] a British plaintiff sued an Amer-

138. 701 F.2d 408 (5th Cir. 1983).

139. *Id.* at 415-16. In fact, is was possible that defendant had no right to the trademark under Saudi law. *Id.*

140. *Id.*; *see also* Ramirez & Feraud Chili Co. v. Las Palmas Food Co., 146 F. Supp. 594 (S.D. Cal. 1956) (Act of State Doctrine not applicable where defendant's rights not superior to plaintiff's rights), *aff'd*, 245 F.2d 874 (9th Cir. 1957).

141. 580 F. Supp. 47 (S.D.N.Y. 1984).

ican defendant in an American court. The suit was for copyright infringement in a number of South and Central American countries who had adopted by treaty the plaintiff's British copyright. No violation of United States law was alleged. There was no dispute that plaintiff had stated a valid cause of action under foreign law. And defendant apparently did not argue that it had exclusive rights to use the trademark abroad. *London Film* did not involve a particular nation granting a trademark or copyright; rather, it involved a copyright adopted under an international convention. Therefore, the Act of State Doctrine was inapplicable since there was no possibility of contradicting a foreign nation's law.[142]

In *Vanity Fair Mills, Inc. v. T. Eaton Co.*, on the other hand, the validity of a trademark granted by a foreign nation was being questioned. There, the court applied the Act of State Doctrine.[143] In *Vanity Fair*, plaintiff claimed a right to recover under foreign law. Defendant had registered the allegedly infringing "Vanity Fair" mark in Canada, where the alleged infringement took place. Plaintiff, owner of the "Vanity Fair" trademark in the U.S., also unsuccessfully attempted to register its mark there. Only by negating defendant's exclusive right to use its trademark in Canada could plaintiff prevail. Plaintiff did not argue that an American court could compel Canada to change the registration. It argued, however, that the court could compel defendant to cancel its Canadian registration. In short, plaintiff explicitly attacked the validity of defendant's foreign registered trademark, contending that it infringed on plaintiff's domestic trademark. Plaintiff indirectly asked the court to reverse a Canadian governmental act—the granting of exclusive rights to the defendant. This the court would not do.[144] Thus, *Vanity Fair* and *London Film* stand for the proposition that an American court can apply foreign trademark law; however, the court cannot question the validity or existence of a foreign trademark by reversing a foreign nations' grant of exclusive rights to the defendant.

142. *Id.* at 49. The court also extensively cited Nimmer for the proposition that copyright cases do not implicate the Act of State Doctrine. The court stated that the foreign nation's "adherence to the Berne Convention in 1970 automatically conferred copyright protection on these films in Chile. Therefore, no 'act of state' is called into question here." *Id.* (including an extensive discussion of M. NIMMER, *supra* note 137). However, the holding is justified on the more narrow ground that defendant's copyright rights were not superior to plaintiff's rights.

143. 234 F.2d at 646-47. *See also* C-Cure Chemical Co. v. Secure Adhesives Corp., 571 F. Supp. 808, 821 (W.D.N.Y. 1983) (refusing to adjudicate claim when likely to question foreign law).

144. *Vanity Fair*, 234 F.2d at 646-47.

B. The Action Must Be Based Upon Infringement

The court in *Dahlgren Manufacturing Co. v. Harris Corp.*[145] made it clear that the Act of State Doctrine applies only in infringement actions, and it is not enough that the case touches upon trademark rights. *Dahlgren* involved a suit to enforce a licensing agreement relating to patents that ten foreign nations issued to Dahlgren. The court did not view the action as a patent action. Rather, it saw the action as a simple contract suit, alleging breach of the underlying agreement. The claim did not seek to "void any foreign patent obtained by Dahlgren but merely [sought] to refrain the Plaintiff from *using* those patents which [were] allegedly . . . being used in violation of a contract . . . ."[146] Because this was a contract and not an infringement action, the Act of State Doctrine was inapplicable.[147]

C. Applicability of the Act of State Doctrine May Depend Upon the Relief Requested

When American courts grant injunctions respecting conduct abroad, this is likely to produce serious comity problems. It is difficult to imagine how any international legal rule or comity principle could prevent an American court from enjoining unlawful acts performed within the United States; however, there is contrary authority.

We have seen that in cases where the infringement is consummated abroad, jurisdiction can only be exercised based upon the existence of unlawful acts within the United States.[148] It would seem, therefore, that limiting injunctive relief to unlawful conduct performed within the United States would avoid comity implications,

145. 399 F. Supp. 1253 (N.D. Tex. 1975). The question of the Act of State Doctrine's applicability in patent cases is essentially similar to trademark cases. "Without question, the considerations of comity with respect to another country's trademarks are substantially the same as those involved regarding foreign patents." *Id.* at 1257. One possible distinction in this regard between copyright law, on the one hand, and trademark and patent law, on the other, has been mentioned. *See supra* note 137. However, there is another possible distinction between copyright and trademark law with regard to comity concerns. The public interest of the foreign nation concerned is minimal in trademark cases when compared to copyright cases. The reason is that if the defendant is prohibited from using a particular trademark, she can still compete under another name. However, respecting copyrights, relief against a defendant "will effectively deprive the marketplace of something that local law has provided shall be available. The public interest in the widest possible dissemination of information is recognized as an important goal by nearly all nations." Kirios, *supra* note 43, at 61.

146. *Dahlgren*, 399 F. Supp. at 1256.

147. *Id.* at 1258. *See also Mannington Mills*, 595 F.2d at 1294 (Act of State Doctrine inapplicable in antitrust action dealing with patents).

148. *See supra* note 54 and accompanying text.

and the Act of State Doctrine.[149]

Nevertheless, one older case, *George W. Luft Co. v. Zande Cosmetic Co.*,[150] applied the Act of State Doctrine even though unlawful infringing acts were committed domestically. In *Luft*, the defendant was manufacturing products and affixing them with infringing labels in the United States. The court recognized that affixing the infringing labels was unlawful. However, the products were exported to foreign countries. In these countries the defendant's right to the trademark was superior to the plaintiff's. For the court to have ordered that defendant could not use the mark abroad, therefore, would have resulted in questioning foreign law. Consequently, the court went on to say that it would not enjoin the unlawful activities in the United States concerning the foreign markets. The court held: "[w]e do not see upon what 'principles of equity' a court can enjoin the initiation of acts in the United States which constitute no wrong to the plaintiff in the country where they are to be consummated."[151] However, a court

149. It would seem to be inherent in the doctrine of sovereignty that American courts should be able to prohibit the violation of American laws within our territory. *See supra* note 47 and accompanying text. The court in Scotch Whiskey Ass'n v. Barton Distilling Co., 489 F.2d 809 (7th Cir. 1973) relied heavily upon the fact that it was not granting extraterritorial relief in exercising jurisdiction. See discussion of *Scotch Whiskey supra* notes 66-71 and accompanying text. In Packard Instrument Co. v. Beckman Instruments, Inc., 346 F. Supp. 408 (N.D. Ill. 1972), the defendant raised the validity of the plaintiff's foreign patents as a affirmative defense. The court held that the foreign infringement action was barred by the Act of State Doctrine. *Id.* at 409-10. Nevertheless, it held it could enjoin the manufacture of the infringing machines in the United States (which were then shipped abroad), since such manufacture violated our laws. *Id.* at 411.

150. 142 F.2d 536 (2d Cir. 1944).

151. *Id.* at 540; *see also C-Cure*, 571 F. Supp. at 821 (citing *Luft*, 142 F.2d at 540). It has been argued that *Luft*'s reasoning has been reaffirmed by Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972), which did not cite *Luft*. Kirios, *supra* note 43, at 60-61 (citing *Luft*, 142 F.2d at 540-41 and *Deepsouth*, 406 U.S. 518 (1972)). In *Deepsouth*, the defendant was manufacturing component parts of a machine in the United States. These parts were purposefully shipped abroad unassembled to avoid liability for patent infringement in the United States. *Deepsouth*, 406 U.S. at 523-24 n.5. The Supreme Court refused to enjoin the manufacturing of the component parts of the machine even though, if assembled in the United States, the machine would infringe plaintiff's patent. The reason was that as a matter of statutory construction, the patent laws were interpreted to have no extraterritorial effect. *Id.* at 531. In other words, the patent laws apply only to patent violations occuring within the U.S. But jurisdiction under the Lanham Act may be based upon domestic steps in a trademark infringement scheme that are lawful when viewed in isolation, even though the infringement is consummated abroad. Steele v. Bulova Watch Co., 344 U.S. 280, 287 (1952) discussed *supra* notes 54, 119-26 and accompanying text. The reason was that, as the *Steele* Court held, otherwise lawful domestic steps in a trademark infringement scheme lose that character when they become part of an unlawful scheme. *Id.* In short, there is a difference between a court's jurisdiction in a patent case and a trademark case. The former is strictly territorial. Therefore,

should be able to enjoin domestic activity which the legislature, through the Lanham Act, clearly deems to violate our law.

D. Summary of the Act of State Doctrine

Under the Act of State Doctrine, courts will not adjudicate a claim when to do so would result in questioning a foreign nation's administrative or judicial acts performed within its own territory regarding trademarks or a foreign nation's trademark law. The Doctrine is likely to come into play when the infringement scheme is consummated abroad. Three factors need be considered when analyzing Act of State cases. First, the Doctrine applies whenever the exercise of jurisdiction would result in questioning a foreign nation's acts or laws. Such questioning occurs when the defendant's foreign trademark rights are superior to the plaintiff's rights, or where a party is raising the existence or validity of a foreign trademark. Second, actions touching on trademark rights, but not based on infringement per se, do not implicate the Act of State Doctrine. Finally, the doctrine is arguably not implicated when the relief requested is limited to unlawful domestic infringing acts.

V. CONCLUSION

The limitations on extraterritorial jurisdiction in trademark cases stem from the nature of our international legal order, made up of sovereign equal nations. The first limitation in trademark cases is that trademark protection in one nation does not extend beyond its territory. Hence, under the territorial principle, jurisdiction can be exercised only when at least part of the infringement occurs in the forum. Second, under the Act of State Doctrine, one nation, in deference to another, may refuse to adjudicate a matter that would call into question the foreign country's sovereign acts or laws. However, the international order is not static and can be changed to accommodate supra-national treatments of trademarks, which would result in broader jurisdiction. Specifically, international treaties could create intellectual property rights that would be effective across international boundaries. This would completely alter the present jurisdictional limits in intellectual property cases.

Hank M. Goldberg

Deepsouth, a patent case, does not limit a court's ability to grant injunctive relief respecting otherwise lawful domestic acts in trademark infringement schemes consummated abroad.