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# Private International Aspects of the Protection of Trademarks (WIPO Doc. No. WIPO/PIL/01/4)

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# PRIVATE INTERNATIONAL ASPECTS OF THE PROTECTION OF TRADEMARKS

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## Introduction

The nature of intellectual property law, now more than ever, reflects international considerations. Trademark law is no exception to this general statement. In the last few years, there have been several significant developments in the public international law of trademarks and unfair competition.<sup>1</sup> In 1994, in addition to the Agreement on Trade Related Aspects of Intellectual Property (the TRIPS Agreement),<sup>2</sup> which encompassed all forms of intellectual property protection and made the obligations contained therein subject to state-to-state dispute settlement before the World Trade Organization (the WTO),<sup>3</sup> the Trademark Law Treaty (the TLT) rationalized the procedural aspects of trademark registration, maintenance and assignment.<sup>4</sup> More recently still, the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (the SCT) of the World Intellectual Property Organization (the WIPO) developed proposals to be (and that were) endorsed by the WIPO member states on the protection of

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<sup>1</sup> The most significant progress in this field internationally has been with respect to the protection of registered trademarks. But this Paper addresses the protection of both registered and unregistered trademarks; the latter is particularly important in the United States. The protection of unregistered marks is, of course, only one of the numerous topics covered by national laws against unfair competition. International commitment to protect against unfair competition is longstanding, *see* Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as last revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305, art. 10*bis*, but consensus on specifics has been noticeably lacking. *See* WORLD INTELLECTUAL PROPERTY ORGANISATION, PROTECTION AGAINST UNFAIR COMPETITION: ANALYSIS OF THE PRESENT WORLD SITUATION 9-17 (1994).

<sup>2</sup> *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round, vol. 31, 33 I.L.M. 81 (1994).

<sup>3</sup> *See* Marrakesh Agreement Establishing the World Trade Organization, Legal Instruments—Results of the Uruguay Round, Annex 2, Legal Instruments—Results of the Uruguay Round vol. 31, 33 I.L.M. 112 (1994); Understanding on Rules and Procedures Governing the Settlement of Disputes, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 112 (1994).

<sup>4</sup> *See* Trademark Law Treaty, Oct. 27, 1994, 34 Indus. Prop. L. & Treaties 3-010, 001 (Jan. 1995).

well-known marks.<sup>5</sup> Finally, throughout the past decade there has been significant regional harmonization of trademark law, particularly within the European Union (the EU).<sup>6</sup> In contrast, the private international aspects of the protection of trademarks have received somewhat less attention. But these private international aspects may turn out to be equally as important as public law developments. In this Paper, I outline some of the private international law issues that trademark law must confront, and consider a range of approaches that might be considered in addressing those issues.

The content of private international law remains in large part a function of national rules on three topics: jurisdiction, choice of law, and recognition of judgments. But in the case of intellectual property law, these rules are formulated and applied against a backdrop of public international obligations. Before turning to existing and proposed national rules of private international law, therefore, Part I of the Paper considers the extent to which existing public international law – as contained in international trademark agreements and conventions – dictates or constrains the content of these rules. The Paper will then follow the structural agenda common to private international lawyers. That is to say, in Part II, I will consider the adjudicative jurisdiction of national courts over trademark disputes. In Part III, I will turn to the question of “applicable law” or “choice of law.” Finally, in Part IV, I will address the recognition and enforcement of judgments in trademark cases.

It should be noted, however, that this tripartite analytical structure, while consistent with historical study of private international law, does not neatly correspond to the analysis that courts (or scholars) apply to disputes regarding the international exploitation and use of trademarks. In particular, as explained more fully below, the questions of jurisdiction and applicable law are frequently and inevitably intertwined.<sup>7</sup> And the concepts deployed to determine the applicable national trademark law might appropriately be borrowed from solutions being developed in assessing jurisdiction to adjudicate multistate trademark cases.<sup>8</sup> Moreover, some of the solutions that I consider under the nominal heading of “choice of law” are more concerned with substantive trademark law than would be traditional analyses of applicable law.<sup>9</sup> Finally, if a proposed Hague Convention on Jurisdiction and the Recognition of Judgments is adopted

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<sup>5</sup> See Joint Resolution Concerning Provisions on the Protection of Well-Known Marks, General Report of the Assemblies of the Member States of WIPO, 34th Annual Series of Meetings ¶¶ 171-83, WIPO Doc. A/34/16 (Sept. 29, 1999).

<sup>6</sup> See Council Directive 89/104 on the harmonisation of trade mark law, [1989] O.J. L40/1 [hereinafter, the EU Trademark Directive]; see generally Annette Kur, *Harmonization of Trademark Laws in Europe*, 28 I.I.C. 1(1997). One might regard the EU developments as having private law aspects. This is especially true of the Trademark Regulation, which creates a system under which individuals may directly acquire and enforce rights, rather than the Directive, which creates public law obligations for states to implement.]. See Council Regulation 40/94 of 20 December 1993 on the Community Trademark, 1994 O.J. (L 11) 1 [hereinafter, the EU Trademark Regulation] (establishing the Community Trademark). The interaction of the Trademark Directive and the Trademark Regulation as the reforming instruments of trademark law within the EU merely highlights the porous nature of the line between public and private law developments.

<sup>7</sup> See *infra* text accompanying notes 96-102.

<sup>8</sup> See *infra* text accompanying notes 82-94.

<sup>9</sup> See *infra* text accompanying notes 213-257.

in the near future, jurisdictional rules may come in part to define the parameters of courts' international obligations to recognize foreign trademark judgments.<sup>10</sup>

The range of trademark disputes implicating these three topics of private international law is limitless. Several paradigmatic disputes can, however, be identified. These merit a brief preliminary explication here because each type of case may raise different challenges for private international law. First, because trademark rights are (like all intellectual property rights) territorial in nature,<sup>11</sup> different producers may own rights in the same mark for the same class of goods in different countries. Producer X may use a mark in state A that is separately used (and owned and registered) by Producer Y in state B.<sup>12</sup> This may occur because each initially markets its product in only one country or because, although Producer X wishes to market its goods in both countries, it finds upon seeking to register the mark in state B that the mark is already owned by Producer Y. International trademark disputes will arise where one producer seeks to expand into the territory of the other, or where the goods of one producer travel into the market of the other. That is, both parties may have legitimate, discrete national trademark rights that conflict only when one or both seek to operate in the international marketplace.

Second, a defendant in state B may use in that state a mark that is within the scope of a mark owner's exclusive control in state A but not in state B. If the goods bearing the defendant's mark enter state A or come to the attention of the consumers in state A, can the mark owner restrain the defendant's use? The dissonance between the scope of the mark owner's rights in state A and state B might in some cases be attributed to different national legal rules. For example, the defendant's use of the mark may incontrovertibly give rise to no likely confusion with the plaintiff's goods, but may be likely to dilute the distinctiveness of the mark. If state A accords mark owners protection against dilution, while state B allows the mark owner to restrain only uses that give rise to likely confusion, the defendant's use would fall within the scope of the mark owner's rights in state A but not state B.<sup>13</sup> Alternatively, the different scope of rights attaching to the mark

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<sup>10</sup> See *infra* text accompanying notes 289-98.

<sup>11</sup> The premise of territoriality pervades existing analysis of all intellectual property law. But trademark law may be the form of intellectual property right most susceptible to disintegration caused by the breakdown of territoriality because the scope of trademark rights is especially grounded in geography. See Graeme B. Dinwoodie, (National) *Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT'L ECON. L. 495, 507 (2000).

<sup>12</sup> In most countries, trademark rights are acquired by registration. In a few countries, most notably the United States, rights are acquired and priority determined by use of the mark. See Daniel C. Schulte, *The Madrid Trademark Agreement's Basis in Registration-Based Systems: Does the Protocol Overcome Past Biases? (Part I)*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 595 (1995) (describing the different rules of priority in national trademark systems). Thus, Producer Y may own the rights by virtue of having registered the mark first even if it had made no use of the mark.

<sup>13</sup> Although the trend in national trademark laws is clearly to grant protection against dilution, see, e.g., 15 U.S.C. § 1125(c), international law does not mandate such protection (even for well-known marks). See Paul Heald, *Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement*, 29 VAND. J. TRANS. L. 635, 642 (1996) (interpreting protection required for well-known marks under Article 16 of the TRIPS Agreement); see also Robert C. Denicola, *Some Thoughts on The Dynamics of Federal Trademark Legislation And The Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROB. 75, 84 n.40 (1996) (suggesting that "it is not at all clear" that Article 16(3) requires the enactment of a dilution

in state A and state B may result from factual differences pertaining in the different states. For example, different marketing practices in the different countries may make the use of the marks confusingly similar in one state but not the other. Competitive conditions or countervailing free expression policies in the different states may require that the mark be left unprotected and available for competitors and/or the public in one state but not the other.

Third, there may be a right to use a mark in one country but not in another because of different determinations of trademark validity rather than legal differences on the question of scope of rights. For example, the same term may be regarded as distinctive in one country but not in another as a result of different consumer understanding of the meaning of that term.<sup>14</sup>

Substantively, the issues presented by these cases may suggest that the problems are nothing more than the extension of typical local trademark problems to a geographically broader market. Globalization, it might be argued, has changed the territorial scope of a producer's interests but the trademark disputes remain the same in kind. The temptation thus is simply to apply traditional trademark concepts – for example, priority of rights (whether defined by registration or use), or likelihood of confusion – to the new setting of an increasingly international marketplace. For international trademark policymakers operating under this assumption, globalization would thus present three principal tasks: first, the harmonization of substantive rules of national trademark law in order to reduce the costs and uncertainties of producers operating in the international marketplace;<sup>15</sup> second, for similar reasons, the development of mechanisms designed to facilitate the registration of marks on an international basis;<sup>16</sup> and, third, the decision whether to recognize separate trademark rights linked to broader geographic markets (as the EU has with the Community Trademark)<sup>17</sup> or to affirm the sanctity of existing national borders in the grant and recognition of trademark rights (as

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statute). *But cf.* H.R. Rep. No. 374, 104<sup>th</sup> Cong. 1st Sess. 4 (1995) (suggesting that “the recently-concluded [TRIPS Agreement] . . . includes a provision designed to provide dilution protection to famous marks”).

<sup>14</sup> See, e.g., *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996).

<sup>15</sup> The TRIPS Agreement, the work of the WIPO SCT in developing resolutions presented to the WIPO Assemblies, and the harmonization work of the EU can be grouped under this heading. See *supra* notes 2, 5-6.

<sup>16</sup> The principal mechanisms through which this goal has been pursued are the Madrid Agreement and the (separate, but related) Madrid Protocol. See Madrid Agreement Concerning the International Registration of Marks, adopted Apr. 14, 1891, 175 C.T.S. 57; Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, adopted June 28, 1989 (establishing a centralized international filing system to facilitate acquisition of national trademark rights in several countries); see generally, Jeffrey M. Samuels and Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 GEO. WASH. J. INT'L L. & ECON. 433 (1994). The Trademark Law Treaty, see *supra* note 4, has also contributed to this project by effecting the convergence of the procedural mechanisms by which national trademark registrations are acquired, maintained and transferred.

<sup>17</sup> The holder of a Community Trademark Registration owns unitary rights in the mark throughout the territory of the EU. See generally EUROPEAN COMMUNITY TRADEMARK: COMMENTARY TO THE EUROPEAN COMMUNITY REGULATION (Mario Franzosi ed. 1997); RUTH ANNAND & HELEN NORMAN, BLACKSTONE'S GUIDE TO THE COMMUNITY TRADEMARK (1998); GRAEME B. DINWOODIE, WILLIAM HENNESSEY AND SHIRA PERLMUTTER, INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY, Ch. 8.B.2 (Matthew Bender 2001) (forthcoming).

remains more typical, and which is consistent with the basic premise of extant international trademark conventions).<sup>18</sup>

The internet may affect this strategic calculation by creating additional types of disputes that throw up more intractable problems of private international law.<sup>19</sup> The conservative solution of applying traditional national notions of priority or infringement is premised upon the notion that international disputes can, in the final equation, simply be reduced (localized) to particular domestic markets. That is, international commercial activity can be fictionally reconfigured by trademark lawyers to conform to the nationalistic (nineteenth century) premises of international trademark law. The internet undermines this premise because it is in large part non-national; certain internet use may (but need not)<sup>20</sup> be viewed as simultaneous use in almost every country of the world.

Cyberspace might be regarded as akin to any new territory that one, and only one, of several existing mark owners may add to their existing territories. But the scenario presented by cyberspace is different in at least one important way: the ownership of the exclusive right to use the mark in this new territory – cyberspace – may impinge upon the ability of the respective mark owners to exercise fully the rights that they already own in existing territories. If Producer X owns the mark ORANGE for computers in Country A and Producer Y owns that same mark in Country B, acquisition of the rights in Country C determines only which of the two producers can now market their goods in that new country. But if the new territory for which exclusive rights are granted is not Country C, but cyberspace, the exclusive right to use the mark online will affect the ability of the respective producers to use the marks that each owns in Country A or Country B.

Should online use be adjudged by the separate dictates of national laws, as is use in offline international commerce? If so, which national law should have primary (or exclusive) claim to regulate that use? If such use can be localized in any country where internet access is available, how should the competing prescriptive claims of different countries be weighed? What deference or recognition is owed the decision of courts in one country deciding a case over which several national courts or laws might have a valid claim?

These tougher questions are perhaps raised most acutely by the use of trademarks as part of domain names (which, as part of the infrastructure of the internet, appear to have very little grounding in national regulation or national culture).<sup>21</sup> Again, a variety of model disputes may be contemplated. Which of the different owners of legitimate national trademark rights in the word APPLE for grocery stores is entitled to ownership

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<sup>18</sup> See *Persons Co. v. Christman*, 900 F.2d 1565, n.18 (Fed. Cir. 1990) (rejecting the argument that, in light of the “world economy,” priority of rights should be determined by first use anywhere, even use outside the United States).

<sup>19</sup> See Torsten Bettinger and Dorothee Thum, *Territorial Trademark Rights in the Global Village – International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet (Part One)*, 31 I.I.C. 162, 163 (2000) (“Hitherto, the most frequent cause of legal disputes on the internet has been the infringement of trademark rights”).

<sup>20</sup> See *infra* text accompanying notes 227-57.

<sup>21</sup> See Dinwoodie, *supra* note 11, at 497-500.

of the domain name registration apple.com (of which there can, under the current configuration of the internet, only be one registration)?<sup>22</sup> Even if the mark APPLE for grocery stores is owned by the same mark owner in every country, should the domain name registration be owned by that mark owner or should the domain name registration be owned by the owner of the mark APPLE for computers, which can (and does) co-exist comfortably in the offline world with the mark APPLE for grocery stores? And what remedies might either of these mark owners have against a third person, with no trademark rights in the mark APPLE, who secures the domain name registration apple.com as a result of the first-come-first-served philosophy underlying domain name registration processes?<sup>23</sup> Do (and should) these remedies vary depending upon whether such third parties register the domain name in bad faith (loosely defined as cybersquatting) or for some legitimate purpose?

These questions appear to differ more significantly from those found in the traditional international trademark dispute because of the ubiquity of internet use. This detaches the problems described above from the existing model of trademark rights that are limited by geographic markets (the principle of territoriality) or product markets (the principle of specialty). But one response to these new questions might be to draw a line between international issues that arise offline and those that involve conduct or uses of marks on the internet (or perhaps those involving domain names). Even if the characteristics of the internet justify a slightly different, or more tailored approach, to accommodate those particularities, it could be argued that this does not mandate a wholesale revision of international trademark law. Indeed, the recent (and extremely important) work of the WIPO SCT embodies this philosophy.<sup>24</sup> Restricting novel approaches to the online (or narrower, domain name) context would ensure that the internet “tail” does not wag the offline “dog.”

Any effort to distinguish between international trademark problems generally and internet-induced problems specifically should however recognize the extent to which, for many industries, internet marketing has become integral to international (and even national) commerce.<sup>25</sup> The extent to which online marketing has become an integral part of branding strategy is such that companies may, by virtue of prohibitions against use of a mark on the internet, effectively be obliged to reconfigure offline marketing to avoid use of that mark in non-internet sales and marketing.<sup>26</sup> Thus, any rules that impose restrictive standards on producer trademark uses online may effectively be exported to the offline

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<sup>22</sup> See *id.* at 499.

<sup>23</sup> See generally *id.*

<sup>24</sup> See *infra* text accompanying notes 227-57.

<sup>25</sup> Absent the ability to market (and, perhaps, for certain entertainment industries, deliver) products or services online, producers may be placed at a significant disadvantage. Indeed, competitive necessities may extend further, depending upon evolving consumer practices, to a need to use one’s trademark as a domain name. See Dinwoodie, *supra* note 11, at 505-06 (discussing the need to own domain name registrations corresponding to existing trademarks).

<sup>26</sup> See Torsten Bettinger and Dorothee Thum, *Territorial Trademark Rights in the Global Village – International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet (Part Two)*, 31 I.I.C. 285, 291 (2000) (noting the possible knock-on effects of restrictive online rules on the offline world given that “the use of different trademarks for online and offline marketing of the same product is hardly practicable”).

world, and the standards of the internet may become the standards of global commerce generally. This is, of course, particularly problematic if competing expansive national assertions of legislative jurisdiction effectively preclude the use of large numbers of trademarks (the “mutual blocking” problem discussed below),<sup>27</sup> transferring scarcity of marks online to the offline world, where concern about the depletion of available new marks has been expressed in recent years.

## I. The Role of the International Trademark Conventions

The international trademark conventions contain little that is determinative on the private international questions of jurisdiction, applicable law, or recognition of judgments. The Paris Convention and the TRIPS Agreement (which incorporates and builds upon the Paris Convention)<sup>28</sup> each embodies three principal concepts: (i) signatory states must provide minimum standards of substantive trademark protection;<sup>29</sup> (ii) states must offer protection on the basis of national treatment (i.e., accord the same protection to citizens of foreign signatory states as they do to their own citizens);<sup>30</sup> and (iii) national trademark rights in one signatory country are independent of rights in other countries.<sup>31</sup>

The minimum standards in the Paris Convention and the TRIPS Agreement do not directly address or affect any questions of private international law. National treatment and the principle of independence of rights, which affirm in different ways and with different strength the principle of territoriality,<sup>32</sup> arguably do bear upon the question of choice of law. But their significance in this regard should not be overstated. These principles do not mandate any particular choice of law rule. The national treatment principle in particular is often treated as instituting a choice of law rule (in both copyright and trademark law).<sup>33</sup> But, as the Court of Appeals for the Second Circuit has noted, in the copyright context:

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<sup>27</sup> See *infra* text accompanying notes 137-41; see also Bettinger and Thum, *supra* note 26, at 290 (discussing “mutual blocking”). If the blocking is a result of a conscious effort to prevent expansion from one geographic territory to another, national trademark laws may provide relief for the first producer. See *Persons Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); see also Bettinger and Thum, *supra* note 26, at 288 n.67 (discussing cases under the German Unfair Competition Act).

<sup>28</sup> See TRIPS Agreement, *supra* note 2, art. 2(1) (requiring compliance with the provisions of the Paris Convention).

<sup>29</sup> See Paris Convention, *supra* note 1, arts. 6*bis*-10*ter*; TRIPS Agreement, *supra* note 2, arts. 15-21.

<sup>30</sup> See Paris Convention, *supra* note 1, arts. 2, 6(2); TRIPS Agreement, *supra* note 2, art. 3.

<sup>31</sup> See Paris Convention, *supra* note 1, art. 6(3).

<sup>32</sup> Cf. Walter J. Derenberg, *Territorial Scope and Situs of Trademarks and Goodwill*, 47 VA. L. REV. 733, 734 (1961) (noting the relationship between Paris Convention principles and the concept of territoriality).

<sup>33</sup> See, e.g., *Subafilms v. MGM-Pathe Comms.*, 24 F.3d 1088 1097 (9<sup>th</sup> Cir. 1994) (en banc) (acknowledging the accepted view that although copyright treaties do not discuss choice of law, “the national treatment principle implicates a rule of territoriality,” and noting that “the applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national or in which the work was first published” (citation omitted)); *Creative Tech., Ltd. v. Aztech Sys. PTE, Ltd.*, 61 F.3d 696, 701 (9<sup>th</sup> Cir. 1995) (commenting that “national treatment and territoriality are choice of law principles”); Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT’L L. 505, 543 & 547 (1997) (suggesting that the national treatment principle implies a territorial approach to choice of law in trademark cases).



[T]he principle of national treatment is really not a conflicts rule at all; it does not direct application of the law of any country. It simply requires that the country in which protection is claimed must treat foreign and domestic authors alike. Whether U.S. copyright law directs U.S. courts to look to foreign or domestic law as to certain issues is irrelevant to national treatment, so long as the scope of protection would be extended equally to foreign and domestic authors.<sup>34</sup>

Moreover, choice of law methodologies may reflect that territoriality is an underlying premise of the international conventions in a variety of ways. Traditionally, U.S. courts affirmed a territorialist philosophy by resolving choice of law issues in tort cases by application of the *lex loci delicti*. In recent years, however, most states in the United States have rejected the inflexible application of the *lex loci delicti* in favor of a policy-based approach to choice of law. But even within such a scheme, the territorialist claims of the place of conduct and place of injury are afforded great significance.<sup>35</sup> The question of choice of law is taken up in more detail below in Part III.

## II. Choice of Forum: Adjudicative Jurisdiction

In the United States, to hear a case, a court must possess personal jurisdiction over the defendant and jurisdiction over the subject matter of the claim. Although these concepts may be expressed differently in other countries, the notion that there are restrictions (grounded both in fairness to the parties and in the legitimate scope of forum sovereignty) on the courts that may adjudicate a particular dispute is common to all developed legal systems.<sup>36</sup>

### A. Jurisdiction over Non-resident Defendants

Jurisdictional analyses are essentially efforts to find a tie between the forum and the defendant or the event in dispute between the parties. In the U.S. vernacular, personal jurisdiction over the defendant may be specific or general. Where a defendant is subject to the general jurisdiction of the court, the court may adjudicate a cause of action even if that action did not arise out of or is not related to the defendant's contacts with the forum. Specific jurisdiction allows the court to adjudicate only cases that arise out of or are related to the contacts with the forum. Thus, a court that has general jurisdiction over the defendant in a trademark action may adjudicate an infringement claim even if the contacts that the defendant has with the forum are wholly unrelated to the alleged trademark infringement. In contrast, if the court is relying upon specific jurisdiction over

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<sup>34</sup> *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 89 n.8 (2d Cir. 1998).

<sup>35</sup> *See* RESTATEMENT (SECOND) OF CONFLICTS, § 145 (1971).

<sup>36</sup> *Cf.* AMERICAN BAR ASSOCIATION GLOBAL CYBERSPACE JURISDICTION PROJECT, ACHIEVING LEGAL AND BUSINESS ORDER IN CYBERSPACE: A REPORT ON GLOBAL JURISDICTION ISSUES CREATED BY THE INTERNET, *reprinted at* 55 BUS. LAW. 1801, 1834 (2000) (suggesting that the results of jurisdictional analysis in civil and common law systems are very similar even if the form in which the rules are stated is different) [hereinafter, ABA JURISDICTION PROJECT].

such a defendant, the conduct that is alleged to amount to trademark infringement must itself be forum-related.<sup>37</sup>

Courts in the United States possess general jurisdiction over persons who engage in “systematic and continuous contact with the forum.”<sup>38</sup> Such jurisdiction, because it subjects defendants to the adjudicative authority of a court with respect to any cause of action, requires stronger contacts than those sufficient merely to found specific jurisdiction. It is under the rubric of general jurisdiction that U.S. states exercise personal jurisdiction over their own domiciliaries.<sup>39</sup> General jurisdiction may also be founded on the service of the defendant with process while voluntarily present in the forum. The validity of this latter form of jurisdiction, sometimes referred to as “tag jurisdiction,” has been upheld by the U.S. Supreme Court.<sup>40</sup>

Jurisdiction in the courts of EU states in actions against European citizens is governed by the Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters.<sup>41</sup> When it was concluded, the Brussels Convention limited certain types of jurisdiction that prevailed theretofore in European countries. French law, for example, historically permitted the assertion of jurisdiction in any case brought by a French plaintiff.<sup>42</sup> The Brussels Convention prohibits jurisdiction based upon such a consideration in cases covered by the Convention (that is, cases brought against domiciliaries of Convention states).<sup>43</sup> The Convention also forbids jurisdiction based upon tag jurisdiction,<sup>44</sup> although it does permit courts to assert jurisdiction over their own defendant domiciliaries based upon that contact alone.<sup>45</sup>

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<sup>37</sup> As discussed below in the context of the *Shevill* case, this distinction may be significant if courts wish to consider the possibility of consolidating several related national claims of infringement as one means of reducing the costs of national rights in an international era. *See infra* note 51. The practice in the United States may deviate from the theory. *See* Rochelle Cooper Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, \_\_ U. ILL. L. REV. \_\_ (2001) (forthcoming) (copy on file with the author) (manuscript at 7) (noting the practice of U.S. courts to hear all claims between the parties in order to ensure efficiencies in litigation).

<sup>38</sup> *Helicopteros Nacionales de Colombia v. Hall*, 466 U.S. 408 (1984).

<sup>39</sup> The attitudes of different countries, and states within the United States, to the different treatment of residents, nationals, and domiciliaries is explored more fully in the ABA Jurisdiction Project report. *See* ABA JURISDICTION PROJECT, *supra* note 36, at 1856-57.

<sup>40</sup> *See Burnham v. Superior Court*, 495 U.S. 604 (1990).

<sup>41</sup> *See* Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Sept. 27, 1968, 1978 O.J. (L 304) 77, 78-83, 8 I.L.M. 229 (1969), *amended by* 1990 O.J. (C 189) 2, 3-9, 29 I.L.M. 1417 (1990). The parallel Lugano Convention extends the same principles to EFTA states. *See* Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Sept. 16, 1988, 1988 O.J. (L 319) 1. The Brussels and Lugano Conventions are in the process of being (revised and) incorporated into EU law. *See* Proposal for a Council Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, COM(1999) 348 final 3-4 (July 14, 1999); Amended Proposal for a Council Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, COM(2000) 689 final (October 26, 2000).

<sup>42</sup> *See* Code Civil, art 14 (Fr.).

<sup>43</sup> *See* Brussels Convention, *supra* note 41, art. 3.

<sup>44</sup> *See id.*

<sup>45</sup> *See id.*, art. 2.

The rules of specific jurisdiction in the United States and the EU reveal less obvious textual disagreement. In the United States, although the test for specific jurisdiction over tort claims such as trademark infringement varies from state to state,<sup>46</sup> under typical state long-arm statutes, jurisdiction over a trademark claim against a non-resident defendant normally exists in the courts of the state where the harm occurs.<sup>47</sup> The Brussels Convention similarly permits the assertion of jurisdiction over tort claims in the place where the harm occurred.<sup>48</sup>

Trademark rights are aimed at protecting against two primary harms: the confusion of consumers and diminution of the goodwill of the producer.<sup>49</sup> Where do these harms “occur” when trademarks are being used in the international marketplace? Several possibilities come to mind. First, a place of conduct rule could be adopted: the harm could be treated as occurring where the defendant “used” the mark without authority. In most systems, the assertion of jurisdiction by courts of the state where the allegedly tortious conduct occurred would be regarded as unobjectionable.

This first basis of jurisdiction would, if regarded as the exclusive place of harm, subject non-resident defendants to the jurisdiction of the courts only where they conduct business and use the mark. This restrictive basis of jurisdiction would facilitate the establishment of rogue states (intellectual property havens) offering succor to infringers of intellectual property. To be sure, the “place of conduct” could be expansively interpreted to include “places” where the defendant is not physically present. Courts have, for example, interpreted the unauthorized online posting of a copyrighted work as involving the distribution of copies of the work in all places from which the work can be accessed by the public.<sup>50</sup>

Such semantic straining is, however, unnecessary. A second basis for jurisdiction could focus on where consumers – the unwitting victims of the unauthorized trademark use – are based (and thus where injury arguably occurred). The European Court of Justice has interpreted the Brussels Convention expansively as permitting the assertion of jurisdiction both where the conduct giving rise to the tort occurred or where the harm

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<sup>46</sup> Although trademark law is primarily federal in the United States, federal courts apply the jurisdictional rules of the states in which they are sitting. *See* Fed. R. Civ. P., Rule 4. A recently enacted amendment to Rule 4 of the Federal Rules of Civil Procedure allows a federal court hearing a federal case, such as a claim under the Lanham Act for trademark infringement, to assert jurisdiction based upon the aggregate of contacts within the United States if the defendant “is not subject to the jurisdiction of the courts of general jurisdiction of any state.” *See id.*, Rule 4(k)(2).

<sup>47</sup> There might be limited circumstances where federal constitutional standards would not permit the assertion of jurisdiction in the place where the harm occurred. *See, e.g.,* *Worldwide Volkswagen v. Woodson*, 444 U.S. 286 (1980); *Asahi Metal Indus. v. Superior Court*, 480 U.S. 102 (1987); *see also* Patrick J. Borchers, *A Few Little Issues For The Hague Judgment Negotiations*, 24 *BROOK. J. INT’L L.* 157, 161-62 (1998). These gaps in jurisdiction flow in part from the constitutional focus on contacts between the forum and the defendant rather than the forum and the events at issue.

<sup>48</sup> *See* Brussels Convention, *supra* note 41, art. 5(3).

<sup>49</sup> *See* *Qualitex Co. v. Jacobsen Prods.*, 514 U.S. 159, 163-164 (1995); *Parfums Christian Dior v. Evora*, 1997 E.T.M.R. 323, 336-38 (E.C.J. 1997).

<sup>50</sup> *See, e.g.,* *National Football League v. TVRadioNow Corp.*, 53 U.S.P.Q.2d 1831, 1834-35 (W.D. Pa. 2000).

impacted.<sup>51</sup> Under Article 5, the Brussels Convention thus permits a court to assert jurisdiction over a tort cause of action based upon extraterritorial conduct that causes effects within the forum state.<sup>52</sup> U.S. courts may also exercise jurisdiction where a foreign defendant intentionally aimed his conduct at the forum state.<sup>53</sup> For example, in a domestic interstate trademark case claiming dilution via cybersquatting, the Ninth Circuit Court of Appeals held that jurisdiction was proper in a California (federal) court based upon efforts by an Illinois defendant to register the trademark of a California-based company as a domain name and sell it back to that company. Such conduct, concluded the court, was intentionally directed at the State of California.<sup>54</sup>

Rather than focusing on consumers in identifying the place where the “harm impacted,” one could as a third option look at where the plaintiff’s goodwill was harmed. If goodwill were conceived of in simply financial terms, this harm would always potentially occur at the home of the plaintiff (or where the plaintiff registered its mark). Although this view has strong support in case law,<sup>55</sup> relying upon place of incorporation

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<sup>51</sup> See *Shevill v. Presse Alliance, S.A.*, 1995 E.C.R. 289 (E.C.J. 1995). The *Shevill* court permitted courts vested with specific jurisdiction to grant damages only in respect of torts (in that case, libelous publication) occurring within the forum state. In contrast, if the court were seized of general jurisdiction (for example, if it were the place of the defendant’s domicile, the court would not be so confined. This illustrates the advantages of general jurisdiction, although for the intellectual property plaintiff seeking broad relief it might mean suing in the courts of the defendant. For an insightful critique of this decision, see Jane C. Ginsburg, *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks* 18-19, WIPO Doc. GCPIC/2 (Nov. 30, 1998), available at [http://www.wipo.int/eng/meetings/1998/gcpic/pdf/gpic\\_2.pdf](http://www.wipo.int/eng/meetings/1998/gcpic/pdf/gpic_2.pdf).

<sup>52</sup> The WIPO International Bureau has suggested that the place of act or place of injury would, in trademark cases, be the same, namely, the *loci protectionis*. See Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, Provisions of the Preliminary Draft Convention on Jurisdiction and Foreign Judgements in Civil and Commercial Matters, WIPO Doc. No. SCT/4/3 (Dec. 20, 1999) at 3 (suggesting that this result flows from the territoriality of trademarks). But, as discussed more fully below in the context of choice of law, this need not be the case. Where the defendant uses the mark on a web site in one country that confuses consumers in another, the place of the act and place of injury are discrete. The act may not be tortious in the country where the conduct occurred, and thus the act may be actionable only under the laws of the latter; but the countries are distinct, and jurisdiction might appropriately be founded in either.

<sup>53</sup> See, e.g., N.Y. C.P.L.R. § 302(a)(3) (providing New York courts with long arm jurisdiction over tortious acts outside New York that cause injury in New York); see also *Robert-Gordon, LLC v. Superior Radiant Prods., Ltd.*, 85 F. Supp.2d 202, 213-15 (S.D.N.Y. 2000) (explaining why New York courts assert jurisdiction under Section 302(a)(3) over non-residents alleged to have engaged in trademark infringement via the use of plaintiff’s trademarks on a foreign web site).

<sup>54</sup> See *Panavision Int’l L.P. v. Toepfen*, 141 F.3d 1316 (9<sup>th</sup> Cir. 1998) (finding jurisdiction under the California long-arm statute). For recent similar example, see *Nutrisystem.com, Inc. v. Easthaven Ltd.*, 2000 WL 1781924, \_\_ F. Supp.2d \_\_ (E.D.Pa. Nov. 16, 2000) (resting jurisdiction on phone calls and emails to the plaintiff in the forum state offering to sell the domain name in dispute).

<sup>55</sup> See, e.g., *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp.2d 824, 837 (N.D. Ill. 2000) (asserting jurisdiction over an Irish defendant in a trademark infringement claim brought by an Illinois plaintiff and noting that “the state of a company’s principal place of business is where the injury is most likely to occur”). The *Euromarket Designs* court explained that the significance of the principal place of business reflected the fact that it was the place where the trademark owner’s suppliers, vendors and consumers would likely be based, as well as the place where the loss in revenues would be felt. See *id.* And taken together these considerations clearly suggest that the injury was felt in Illinois. But it is not clear that the claim is so strong when the *only* connection is place of incorporation (and hence where profits were lost).

*alone* might be too superficial a reading of the concept of goodwill (at least as presently understood).<sup>56</sup> The goodwill of the plaintiff *within such a state* will only be harmed if the unauthorized use has an effect in that state (either by confusing consumers or by tarnishing or blurring the distinctiveness of the mark). If the use is felt only in other states, the separate goodwill in those states may be affected, but that should not be treated as a harm occurring within the first state.<sup>57</sup> Moreover, allowing jurisdiction on this basis might effectively approximate jurisdiction on the exorbitant grounds of plaintiff nationality found in French law but precluded by the Brussels Convention in actions against Convention nationals. For purposes of personal jurisdiction, the focus of U.S. constitutional analysis is on the *defendant's* purposeful availment of the benefits of the forum state. The plaintiff's connection with the forum may be relevant as part of choice of law analysis,<sup>58</sup> but it should typically be given less weight in analysis of personal jurisdiction.

Although jurisdictional rules at present are (with the exception of regional agreements such as the Brussels or Lugano Conventions) the province of national laws, with minimal international direction, globalization and the internet has made international attention to jurisdictional issues essential.<sup>59</sup> Accordingly, the Hague Conference on Private International Law has in recent years been working on a Proposed Hague Convention that would regulate jurisdiction in civil cases.<sup>60</sup> The draft Hague Convention addresses both jurisdiction and recognition of judgments: this is intended to permit a compromise under which the European countries would liberalize their recognition policies and the U.S. would limit its more expansive notions of jurisdiction.<sup>61</sup> A diplomatic conference to adopt the convention had been scheduled for late 2000, but the United States indicated its unease with the current draft (which is closely modeled on the Brussels Convention) and adoption has been delayed.<sup>62</sup> A new Diplomatic Conference to

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<sup>56</sup> If the interest of the state of the plaintiff's incorporation is framed in terms other than the preservation of financial resources, its claim to assert jurisdiction as the place of injury might be stronger. For example, Rochelle Dreyfuss has noted that "[s]ince one of the core interests in trademark law is encouraging the maintenance of quality, the state where the trademark owner incorporated, or is centrally administered, or maintains its principal place of business, is a reasonable and foreseeable forum to which to hale alleged infringers." Dreyfuss, *supra* note 37, at 33.

<sup>57</sup> The strength of this argument will diminish as marks begin to develop universal goodwill based upon common consumer understandings and unitary global marketing by producers.

<sup>58</sup> See *Allstate Ins. Co. v. Hague*, 449 U.S. 302 (1981) (upholding the constitutionality of the application of forum law in part based upon plaintiff's post-accident residence in forum state).

<sup>59</sup> See ABA JURISDICTION PROJECT, *supra* note 36, at 1820 (noting the "limited ability that any one state or nation may have in bringing greater certainty to this area").

<sup>60</sup> See Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (adopted by Special Commission on Oct. 30, 1999), *available at* <http://www.hcch.net/e/conventions/draft36e.html>.

<sup>61</sup> For an analysis of the convention debate, see Kevin M. Clermont, *Jurisdictional Salvation and the Hague Treaty*, 85 CORNELL L. REV. 89 (1999).

<sup>62</sup> See Jeffrey D. Kovar, Assistant Legal Adviser for Private International Law, U.S. Department of State, Testimony Before the Subcommittee on Courts and Intellectual Property of the Committee on the Judiciary of the House of Representatives (June 29, 2000) (describing major obstacles preventing immediate conclusion of the Convention), *available at* <http://www.house.gov/judiciary/kova0629.htm> (last visited Aug. 14, 2000).

conclude the negotiations has been scheduled to begin in June 2001, with a final session in early 2002.<sup>63</sup>

The Hague Convention process does, however, provide an attractive vehicle for the consideration of many of these jurisdictional issues.<sup>64</sup> At present, the draft Convention would consolidate on a global basis most of the common grounds for jurisdiction currently prevalent in both the United States and the EU. Thus a defendant could be sued generally in the courts of the state where it is habitually resident.<sup>65</sup> And a plaintiff may bring an action in tort in the courts of the state where the act that caused the injury occurred or in which the injury arose unless, in the latter case, the defendant could not reasonably have foreseen that the act could result in an injury of the same nature in that state.<sup>66</sup> Jurisdiction based upon habitual residence is general; jurisdiction based upon the tortious act or injury would, in U.S. terminology, be specific jurisdiction.<sup>67</sup> The draft Convention prohibits tag jurisdiction,<sup>68</sup> jurisdiction based upon the nationality of the plaintiff alone,<sup>69</sup> or general jurisdiction based upon the defendant's systematic and continuous contacts with the forum (although these may contribute to specific jurisdiction where the dispute is directly related to those activities).<sup>70</sup>

The development of consensus on the permissible exercise of adjudicative jurisdiction would not only reduce (although not eliminate) litigation uncertainties for international trademark actors.<sup>71</sup> It would, perhaps more importantly, establish an institutional framework in which national courts might be more willing to consolidate disparate national claims in a single proceeding, as discussed below in Part II.C.<sup>72</sup> And, if recognition of judgments is linked to grounds of jurisdiction (as the current draft proposes) it would offer international trademark owners more certain guarantees of enforcement than can be provided in the current climate in which (especially as regards online use) competing assertions of national sovereignty abound. This latter dimension of the Hague Convention proposal is discussed in Part IV.

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<sup>63</sup> See United Patent and Trademark Office, Request for Comments on Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, 65 Fed. Reg. 61306 (Oct. 17, 2000).

<sup>64</sup> For a thorough analysis of all aspects of the Convention and the promise it holds for intellectual property law, see Dreyfuss, *supra* note 37.

<sup>65</sup> See Proposed Hague Convention, *supra* note 60, art. 3.

<sup>66</sup> See *id.*, art. 10.

<sup>67</sup> See *id.*, art. 10(4) (limiting jurisdiction in such cases to the causes of actions in respect of the injury that occurred in the state).

<sup>68</sup> See *id.*, art. 18 (prohibiting tag jurisdiction).

<sup>69</sup> See *id.* (prohibiting jurisdiction based upon the nationality of the defendant alone).

<sup>70</sup> See *id.* art. 18(2)(e).

<sup>71</sup> The European Court of Justice has jurisdiction to interpret the meaning of the Brussels Convention. No such court will have a similar role with the Hague Convention. Uniformity will instead be pursued by requiring national courts to interpret the Convention in light of its international character, the need for uniformity, and the case law of other contracting states. See *id.* art. 38.

<sup>72</sup> See generally Dreyfuss, *supra* note 37 (discussing values of consolidated intellectual property litigation).

## B. Jurisdiction Based Upon Stream of Commerce Theories or Web Site Access

In the United States, the assertion of jurisdiction must also comply with federal constitutional standards of due process. Some states explicitly provide that their long-arm statutory bases for jurisdiction are coterminous with constitutional authority, but the statutory grounds for jurisdiction may be less extensive than permitted by the Constitution. The Due Process clause of the Constitution requires that the defendant have “minimum contacts with the forum such that the exercise of jurisdiction would not offend traditional notions of fair play and substantial justice.”<sup>73</sup> These fundamental limits on jurisdiction apply whether the defendant is a U.S. citizen or a foreign citizen. In contrast, the limits that the Brussels Convention imposes on jurisdiction apply only where the defendant is a domiciliary of a Convention state.<sup>74</sup>

Two particularly difficult, related jurisdictional questions (arguably arising under this constitutional standard) are raised by modern international trademark practices. First, if a producer places its goods in the “stream of commerce” and those goods eventually reach a foreign state where they are alleged to infringe trademark rights, can the producer be subject to the jurisdiction of that state? Second, and putting this first question in a more specific context, can a person who uses an allegedly infringing trademark on a web site (or in a domain name) be subject to the jurisdiction of courts in a country where that web site is accessible by virtue of that “accessibility” alone?

On the more general question, the U.S. Supreme Court splintered badly when asked to consider whether mere placement of a product in the stream of commerce might meet the constitutional standard of due process. The Court split 4-4 on the question, and Justice Stevens found it unnecessary to decide the question in the case presented to the Court.<sup>75</sup> Lower courts thus remain divided on whether mere placement of a product in the stream of commerce with awareness that the product might enter the forum state constituted purposeful availment of the privilege of doing business in that state.<sup>76</sup> (The constitutional inquiry of minimum contacts in the United States will be treated as satisfied if the defendant “purposefully availed itself” of the privileges of conducting activities within the forum state.)

Answers to the second, more specific, question are also still being developed, both in the United States and elsewhere. One way to address the new jurisdictional issues

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<sup>73</sup> *International Shoe Co. v. Washington*, 326 U.S. 310 (1945); *see also Asahi Metal Indus. Co. v. Superior Court of California*, 480 U.S. 102 (1987).

<sup>74</sup> The proposed Hague Convention applies in all actions in the courts of a contracting state unless all the parties are habitually resident in that state. *See Proposed Hague Convention, supra* note 60, art. 2. The provision vesting exclusive jurisdiction over various matters pertaining to industrial property rights in the state conferring the rights, *see id.* art. 12(4), would apply even where all the parties are habitually resident in the forum state. *See id.* art. 2(1)(b).

<sup>75</sup> *See Asahi Metal Indus. Co. v. Superior Court of California*, 480 U.S. 102 (1987).

<sup>76</sup> For lower court responses to the *Asahi* Court’s opinions on the stream of commerce theory, compare *Rushton Gas Turbines, Inc. v. Donaldson Co.*, 9 F.3d 415, 420 (5th Cir. 1993), and *Dehmlow v. Austin Fireworks*, 963 F.2d 941, 947 (7th Cir. 1992), with *Tobin v. Astra Pharmaceutical Prods.*, 993 F.2d 528, 543 (6th Cir. 1993).

presented by the internet would be to analogize online activity to offline conduct for which we have developed jurisdictional rules.<sup>77</sup> And the “stream of commerce” theory still being debated in the United States may bear a superficial resemblance to the factual premises of internet marketing using an unauthorized trademark. The foreign user, so the argument goes, uses the mark on its web site knowing that that site will be accessed in and thus be viewed in a wide range of states. By using the mark online, the user places the mark in the stream of commerce such that it should be expected to be haled into courts in any place from which the site is accessible.

Several lower courts in the United States have considered the question of whether the mere accessibility of a web site in the forum will render the owner of the web site susceptible to jurisdiction in that state. Most of these cases have involved internal U.S. disputes, but the same principles would apply in the international setting.<sup>78</sup> These courts have thus far proved resistant to such arguments. As a general matter, despite an early case to the contrary,<sup>79</sup> the mere accessibility of a web site in the United States will be an insufficient basis for personal jurisdiction.<sup>80</sup> These cases include causes of action alleging trademark infringement.<sup>81</sup>

If the mere accessibility of a web site were sufficient to establish personal jurisdiction, all persons with web sites would be subject to jurisdiction in courts of every country.<sup>82</sup> Instead, courts in the United States have focused in large part upon the web site containing the allegedly infringing material is passive or interactive. Operating a

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<sup>77</sup> See, e.g., ABA JURISDICTION PROJECT, *supra* note 36, at 1811 (canvassing possible analogies); Draft Provisions Concerning Protection of Trademarks and Other Distinctive Signs on the Internet, Standing Committee on Trademarks, Industrial Signs and Geographical Indications, WIPO Doc. No. SCT/4/4 (Jan. 27, 2000) at 6 (suggesting analogies).

<sup>78</sup> The development of *in rem* jurisdiction over certain claims of cybersquatting – one of the most significant new trademark/internet claims – has reduced the pressure to test the limits of personal jurisdiction in online trademark disputes involving domain names. See 15 U.S.C. § 1125(d)(2). But such claims (which are premised on the *lack of in personam* jurisdiction) can afford guidance by implication on the likely attitude of courts to personal jurisdiction questions.

<sup>79</sup> See *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996) (finding personal jurisdiction over a defendant in trademark infringement action based upon the fact that the defendant had a web site that used the plaintiff’s trademark, and concluding that “once posted on the Internet, unlike television and radio advertising, the advertisement is available continuously to any Internet user [and the defendant] has therefore purposefully availed itself of the privilege of doing business in Connecticut”).

<sup>80</sup> See generally Veronica M. Sanchez, *Taking a Byte Out of Minimum Contacts: A Reasonable Exercise of Personal Jurisdiction in Cyberspace Trademark Disputes*, 46 U.C.L.A. L. REV. 1571 (1999).

<sup>81</sup> See, e.g., *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 259 (S.D.N.Y. 1996) (rejecting jurisdiction both under New York statutory grounds for jurisdiction and under constitutional standards of due process), *aff’d*, 126 F.3d 25(2d Cir. 1997); *People Solutions, Inc. v. People Solutions Inc.*, 2000 WL 1030619, \_\_\_ F. Supp.2d \_\_\_ (N.D. Tex. July 25, 2000).

<sup>82</sup> See *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 420 (9<sup>th</sup> Cir. 1997) (noting that the mere operation of a passive web site would be insufficient to found jurisdiction “otherwise every complaint arising out of alleged trademark infringement on the Internet would automatically result in personal jurisdiction wherever the plaintiff’s principal place of business is located”). Indeed, the jurisdictional picture painted by the *Cybersell* court if such a contact were of itself sufficient demonstrates how close such an approach would be to the exorbitant form of jurisdiction practiced by the French courts in favor of French citizens and now prohibited by the Brussels Convention. See *supra* text accompanying notes 42-43 (discussing French jurisdictional rules).



purely passive web site is insufficient in and of itself; the case law is still forming on how interactive a site must be to approach the other end of the spectrum where jurisdiction would be proper.<sup>83</sup>

Trademark (and copyright) claims based upon unauthorized use of a mark (or work) on a foreign web site have been upheld by U.S. courts. But none of these cases creates any significant deviation from the proposition above regarding personal jurisdiction. In *Playboy v. Chuckleberry*,<sup>84</sup> for example, the defendant was already subject to the personal jurisdiction of the U.S. court by virtue of an earlier court proceeding (the case proceeded as a motion for contempt of the prior injunctive order). And in *National Football League v. TVRadioNow*, the corporate officers of the defendant were resident in the district in the United States in which the proceedings were brought, there was substantial organizational and marketing activity by the corporate defendant in that district, and there was evidence (based upon the number of hits and the nature of the programming) that the defendant had targeted the United States.<sup>85</sup>

Courts in Europe have also considered this question. In France, for example, in *SG2 v. Brokat Informationssysteme GmbH*,<sup>86</sup> a French trademark holder sought an injunction against the allegedly infringing use of its registered French mark on a German web site. The German defendant owned the same mark for the same goods and services in Germany, and used the mark only on its German web site (brokat.de). Although the German defendant had never sold its goods in France (and indeed could not do so because of French cryptography regulations) and used the mark only on a German site, the Nanterre Court of Appeals assumed jurisdiction over the defendant under Article 5(3) of the Brussels Convention. Because the German web site was accessible from France,

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<sup>83</sup> See, e.g., *Mink v. AAA Development LLC*, 190 F.3d 333, 336 (5th Cir. 1999); *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp.2d 824, 837-38 (N.D. Ill. 2000); *Zippo Mfg. Co. v. Zippo Dot Com*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997). The *Zippo* court identified a spectrum of situations. “At one end of the spectrum are situations where a defendant clearly does business over the Internet [in which case personal jurisdiction is proper] . . . At the opposite end are situations where a defendant has simply posted information on an Internet web site which is accessible to users in foreign jurisdictions, [a passive web site, which does not of itself justify personal jurisdiction]. . . The middle ground is occupied by interactive web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.” *Id.* Some courts have found an interactive site insufficient in and of itself if in fact there was no accessing of the site from the forum. See, e.g., *People Solutions, Inc. v. People Solutions Inc.*, 2000 WL 1030619, \_\_\_ F. Supp.2d \_\_\_ (N.D. Tex. July 25, 2000) (interactive web site insufficient to found jurisdiction because although the web site had the potential to interact with Texas residents no such interaction had taken place); *Millennium Enters., Inc. v. Millennium Music L.P.*, 33 F. Supp. 2d 907 (D.Or. 1999); *Rothschild Berry Farm v. Serendipity Group LLC*, 84 F. Supp. 2d 904 (S.D. Ohio 1999). Indeed, some courts have apparently given great weight to the number of “hits” that a site experiences, see, e.g., *Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996), although the source of hits may be unreflective of the physical location of the user accessing the site.

<sup>84</sup> See *Playboy Enters., Inc. v. Chuckleberry Publ’g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996).

<sup>85</sup> See *National Football League v. TVRadioNow Corp.*, 53 U.S.P.Q.2d 1831, 1834-35 (W.D. Pa. 2000) (holding that where defendants originated the streaming of copyrighted programming over the internet from a web site in Canada, public performances occurred in the United States because users in the United States could access the web site and receive and view the defendants’ streaming of the copyrighted material).

<sup>86</sup> See *SG2 v. Brokat Informationssysteme GmbH*, Nanterre Court of Appeals, October 13, 1996, discussed in *Bettinger & Thum*, *supra* note 19, at 166-67.

an infringement had occurred in France within the meaning of Article 5(3). Although the Court's injunction against internet use had effects beyond France – indeed, it had effects in Germany where the defendant owned the trademark registration – the Court held that it would enter what effectively was, in the internet context, a geographically unlimited injunction because otherwise the rights of the French trademark owner in France would go unprotected.<sup>87</sup>

Scholars have criticized the assertion of jurisdiction in cases such as SG2 and have suggested that jurisdiction must be based upon something more than mere accessibility.<sup>88</sup> German scholars have suggested that the use must be “purposely directed” at the forum for jurisdiction to be proper.<sup>89</sup> And the ABA Cyberspace Jurisdiction Project Report recommended that jurisdiction should exist only where the web site use “targets” the forum. An example of targeting can be seen in *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, where a federal court asserted personal jurisdiction over an Irish-based web site that was alleged to be infringing plaintiff's trademark where the web site sold products priced in U.S. dollars and requested shipping and billing information that included “state” and “zip code” fields.<sup>90</sup> Both the ABA Cyberspace Jurisdiction Project and the developing scholarship have advanced standards that are similar to the concept of “purposeful availment” found in U.S. constitutional standards.

As a matter of private international law, more than one court may be able to assert jurisdiction over the same dispute. But some limits must be established lest extraterritorial extrusions of national adjudicatory jurisdiction (and the prescriptive jurisdiction that is likely to follow) cause burdensome over-regulation of the internet.<sup>91</sup> The inquiry being pursued by courts and scholars in the United States and scholars in Germany – namely, what conduct in addition to the mere availability of a web site warrants the assertion of jurisdiction – thus appears an essential one if the internet is to flourish as a medium of global communication. Moreover, although the recent ABA Cyberspace Jurisdiction Project Report concluded that “to date, apparently no other country has focused on the degree of a site's interactivity in assessing jurisdiction”<sup>92</sup> it may be that some of the developments in European scholarship suggest a growing

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<sup>87</sup> The French courts have adopted an assertive approach to jurisdiction in internet-related cases in areas other than trademark law. Most notable in this regard is the recent high-profile case involving the sale of Nazi memorabilia, in violation of French but not U.S. law, on the U.S. web site operated by Yahoo! See *Association Union des Étudiants Juifs de France, la Ligue Contre le Racisme et l'Antisémitisme v. Yahoo! Inc. et Yahoo France, T.G.I. Paris, Ordonnance de référé du 22 mai 2000*, [http://www.legalis.net/jnet/decisions/responsabilite/ord\\_tgi-paris\\_220500.htm](http://www.legalis.net/jnet/decisions/responsabilite/ord_tgi-paris_220500.htm); Interim Court Order of November 22, 2000, <http://www.cdt.org/speech/001120yahoofrance.pdf>. The French authorities are not alone in seeking to apply national laws to foreign web sites; several nations have indicated an intent to extend their domestic laws to foreign online activities that are accessible to persons in those nations.

<sup>88</sup> See ABA JURISDICTION PROJECT, *supra* note 36, at 1820, 1828; Dan Burk, *Federalism in Cyberspace*, 28 CONN. L. REV. 1095, 1111 n.70 (1996) (criticizing *Inset* as “absurd”); Bettinger and Thum, *supra* note 19, at 169-70.

<sup>89</sup> See Bettinger and Thum, *supra* note 19, at 170 n. 18 (listing scholars).

<sup>90</sup> See *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp.2d 824, 829 (N.D. Ill. 2000).

<sup>91</sup> See *Playboy Enters. v. Chucklberry Pub., Inc.*, 939 F. Supp. 1032, 1039-40 (S.D.N.Y. 1996) (noting the danger for the development of the internet of over-aggressive assertions of jurisdiction).

<sup>92</sup> ABA JURISDICTION PROJECT, *supra* note 36, at 1855.

consensus. That is, something more than mere accessibility in a state of a passive web site that is not aimed at that state should be insufficient to establish jurisdiction,<sup>93</sup> while the effort by an actor to target a particular jurisdiction will subject the actor to the personal jurisdiction of that state.<sup>94</sup>

### C. Jurisdiction Over Claims Under Foreign Trademark Laws

In addition to personal jurisdiction, courts must also have jurisdiction over the subject matter of a claim. In the context of trademark claims, this issue is often intertwined with other elements of private international analysis. In particular, subject matter jurisdiction is often subsumed within a court's analysis of applicable law. In theory, the question of jurisdiction is analytically distinct from the question of which law courts will apply. That a court may hear a case does not mean that it may (or should) apply its own law to resolve the controversy that it adjudicates. Courts may thus assume jurisdiction over a dispute even if the plaintiff's claims are to be determined under a foreign law.<sup>95</sup>

But the practice is quite different.<sup>96</sup> Indeed, U.S. federal courts hearing federal causes of action generally (not just trademark claims) frequently blend analysis of subject matter jurisdiction and prescriptive jurisdiction. In the United States, most trademark infringement claims are brought under the (federal) Lanham Act and are heard in federal court.<sup>97</sup> The federal courts' subject matter jurisdiction over most trademark claims rests

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<sup>93</sup> The ABA Jurisdiction Project suggests that jurisdiction, both personal and prescriptive, should exist in a state not only where the defendant is a habitual resident of that state but also where the defendant internet user targets that state or if the dispute arises out of a web site that, although not targeted at the state, is interactive and the defendant can be fairly considered knowingly to engage in business transactions there. *See id.*, at 1821.

<sup>94</sup> *Id.* at 1827-28.

<sup>95</sup> As a matter of the Full Faith and Credit Clause of the United States Constitution, a state that is properly seized of adjudicative jurisdiction is precluded from failing to hear a case simply because it involves application of the law of another state. *See Hughes v. Fetter*, 341 U.S. 609 (1951). But *Hughes* should not be read too absolutely. It has not been regarded as an obstacle to a court declining to exercise jurisdiction, for example, under the doctrine of forum non conveniens, where judicial ease of applying the applicable law may clearly be considered. Moreover, because *Hughes* is rooted in the Full Faith and Credit Clause, it would not as a constitutional matter prevent a U.S. court from declining to exercise jurisdiction on the grounds that the case would involve the application of the law of another country. The Full Faith and Credit Clause does not require states (or the United States) to give any degree of similar faith and credit to the laws of a foreign country. *Cf. Boosey & Hawkes Music Pub. Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998) (cautioning against declining jurisdiction on forum non conveniens grounds in a copyright case merely because adjudicating the case would involve the application of foreign laws).

<sup>96</sup> *See* JAMES J. FAWCETT AND PAUL TORREMAN, *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* 4 (1998). Intellectual property claims thus fit within what Andreas Lowenfeld called the "public law taboo." *See* Philip J. McConaughay, *Reviving the "Public Law Taboo" in International Conflict of Laws*, 35 *STAN. J. INT'L L.* 255 (1999) (identifying Professor Lowenfeld as the source of the phrase); ANDREAS F. LOWENFELD, *INTERNATIONAL LITIGATION AND THE QUEST FOR REASONABLENESS: ESSAYS IN PRIVATE INTERNATIONAL LAW* 3-5 (1996) (discussing reluctance of courts to apply foreign laws in certain areas perceived as implicating "public law").

<sup>97</sup> Whereas patent and copyright claims in the United States are reserved exclusively to the federal courts, and to federal law, state trademark protection exists concurrently with federal protection, and claims may be heard in state or federal courts. *See* 28 U.S.C. § 1338(a).

upon their adjudicating a claim under the Lanham Act, which in turn rests upon the Lanham Act (i.e., U.S. law) being chosen as the applicable law. If the court decides that a trademark infringement claim should not be decided under U.S. law, then the courts will dismiss the claim for lack of subject matter jurisdiction because the claim does not “arise under federal law.”

The existence of a federal question is not the only basis, however, upon which the federal courts may have jurisdiction over the subject matter of a claim. For example, a claim that does not arise under federal law may also be heard by federal courts if the parties are of diverse citizenship and the amount in controversy exceeds \$75,000.<sup>98</sup> Thus, although federal courts have historically treated federal copyright claims in much the same way as trademark claims, in recent years, U.S. federal courts have been willing to entertain claims under foreign copyright laws, relying on alternative bases of subject matter jurisdiction such as diversity of citizenship or pendent (supplemental) jurisdiction.<sup>99</sup> Indeed, the Second Circuit in a copyright case cautioned against declining jurisdiction merely because adjudicating the case would involve the application of foreign laws.<sup>100</sup> The theory underlying these cases is that copyright is a transitory cause of action that can be litigated in any courts that have personal jurisdiction over the defendant.<sup>101</sup>

The U.S. courts were not alone in exhibiting a reluctance to hear claims of foreign copyright infringement.<sup>102</sup> Recently, however, courts in Europe have also been willing to hear foreign copyright claims, based upon the liberal jurisdictional provisions of the Brussels Convention, and to revisit the historical notion that intellectual property infringement is a local cause of action.<sup>103</sup> Moreover, in several cases European (primarily, but not exclusively, Dutch) courts have used the “multiple defendants”

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<sup>98</sup> See 28 U.S.C. § 1332.

<sup>99</sup> See *Carell v. Shubert Org.*, 104 F. Supp. 2d 236, 257-59 (S.D.N.Y. 2000) (permitting claims based on foreign copyright laws to proceed notwithstanding the plaintiff’s failure to specify in her complaint the particular countries under whose laws the claims were made); *Armstrong v. Virgin Records, Ltd.*, 91 F. Supp. 2d 628, 637-38 (S.D.N.Y. 2000) (entertaining claims based on unspecified foreign copyright laws on the basis of diversity jurisdiction and pendent jurisdiction); *Frink America, Inc. v. Champion Road Mach., Ltd.*, 961 F. Supp. 398, 402-05 (N.D.N.Y. 1997) (declining to dismiss claim under Canadian copyright law); *London Film Prods. v. Intercont’l Communications*, 580 F. Supp. 47, 49-50 (S.D.N.Y. 1984) (agreeing to hear claims under several foreign copyright laws). *But see* *ITSI T.V. Prods., Inc. v. California Auth. of Racing Fairs*, 785 F. Supp. 854, 866 (E.D. Cal. 1992) (declining to enter the “bramble bush” of foreign copyright law), *rev’d on other grounds*, *ITSI T.V. Prods., Inc. v. Agric. Ass’n*, 3 F.3d 1289 (9th Cir. 1993).

<sup>100</sup> See *Boosey & Hawkes Music Pub. Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998).

<sup>101</sup> See *London Film*, 580 F. Supp. at 50.

<sup>102</sup> For example, the majority of U.K. courts (and courts from other British Commonwealth countries) had been reluctant to adjudicate claims of foreign intellectual property infringement. The reasons were numerous, and given effect in both jurisdictional and choice of law rules. As a jurisdictional matter, intellectual property actions were treated as local causes of action, to be litigated only where fictionally situated. As a matter of choice of law, foreign intellectual property claims failed the so-called “double actionability rule.” See G.W. Austin, *The Infringement of Foreign Intellectual Property Rights*, 113 LAW QUART. REV. 321 (1997).

<sup>103</sup> See *Pearce v. Ove Arup P’ship*, [1999] 1 All E.R. 769, 784-804 (C.A. 1999) (hearing claim for infringement of Dutch copyright).

provision in Article 6 of the Brussels Convention<sup>104</sup> to consolidate national claims and grant pan-European relief based upon a collection of domestic and foreign (national) patent and trademark rights.<sup>105</sup> And broader geographic relief for trademark infringement can also be achieved in Europe through the Community Trade Mark (CTM). The holder of a CTM may, in certain circumstances, obtain EU-wide relief in national courts (sitting as “CTM Courts”). CTM courts have exclusive jurisdiction in all actions for infringement, declaration of non-infringement, or counterclaim for revocation or declaration of invalidity of, the CTM.<sup>106</sup> If the jurisdiction of the CTM court<sup>107</sup> is based upon domicile or establishment of the defendant (or the plaintiff), the CTM owner may obtain injunctive relief across the EU.<sup>108</sup> If the jurisdiction of the court rests instead upon alleged infringement in the member state in which the CTM court sits, then jurisdiction exists only over those acts of infringement and thus relief may extend only to the borders of the member state involved.<sup>109</sup> When national courts are sitting as CTM courts, however, they will be applying the substantive law of the EU Regulation rather than the

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<sup>104</sup> Article 6(1) provides simply that “a person domiciled in a contracting state may be used where he is one of a number of defendants in the courts of the place where any one of them is domiciled.” Brussels Convention, *supra* note 41, art. 6(1). The European Court of Justice has, however, interpreted Article 6(1) to be subject to a requirement that the claims against the multiple defendants be related. *See Kalfelis v. Schroder*, Case 189/87, [1988] ECR 5565 (drawing the requirement of relatedness from the language of Article 21-22). The ability of this provision to act as a vehicle for plaintiffs seeking cross-border relief depends in large part upon the degree of connection or relatedness that courts demand under a reading of *Kalfelis*. *See Expandable Grafts P’ship v. Boston Scientific BV*, 1999 F.S.R. 352 (Ct. App. 1999) (Netherlands) (rejecting previously accepted argument that sufficient connection may be grounded on the infringement of national patents derived from a common European patent application). It is also affected by judicial attitudes to the interaction between the broad grants of jurisdiction in Articles 2, 5 and 6, and the exclusive jurisdiction provision in Article 16(4). *See infra* note 118 (citing case law on this question).

<sup>105</sup> Most of the leading cases involved patent rights (typically national patent rights stemming from a common European patent), although some cases involved trademark claims. *See, e.g., Yakult v. Danone*, 1998 E.T.M.R. 465, 472 & 479 (Hague Dist. Ct. 1998) (“The system under the Brussels Convention requires that the Court, even the “own” court referred to in Article 2, must apply foreign trade mark law in the appropriate cases” but declining to extend the injunction to France “although competent to do so” because of a lack of urgency); *see also* Sven A. Klos, *Cross-Border Injunctions in EU Trademark and Patent Litigation*, Paper Presented to the Sixth Annual Fordham Conference on International Intellectual Property Law and Policy (April 1998) (copy on file with author). The literature addressing these developments is voluminous. For a good background discussion of the pertinent provisions and case law, *see* Ian Karet, *Intellectual Property Litigation – Jurisdiction in Europe*, 3 I.P.Q. 317 (1998). To some extent, the Dutch courts have restricted the availability of pan-EU relief in more recent cases by interpreting the requirement of relatedness of claims more strictly. *See Expandable Grafts P’ship v. Boston Scientific BV*, 1999 F.S.R. 352 (Ct. App. 1999) (Netherlands). For commentary on this more recent case law and the so-called “spider in the web” doctrine developed by the Dutch courts, *see* Charles Gielen, *District Court Refines Case Law on ‘Spider in the Web’ Doctrine*, 14 World Intell. Prop. Rep. 186 (June 2000) (suggesting that little new case law has developed since *Expandable Grafts* but discussing case law on the extension of the doctrine to cases involving non-European defendants).

<sup>106</sup> *See* EU Trademark Regulation, *supra* note 6, arts. 91-92.

<sup>107</sup> Under Article 93, actions may be brought in the state where the defendant is domiciled or, if the defendant is not an EU domiciliary, in the state in which the defendant has an establishment. If the defendant lacks either such connection, then the action can be filed in the state where the plaintiff is domiciled or, if the plaintiff is not an EU domiciliary, in the state in which the plaintiff has an establishment. If the plaintiff also lacks either such connection, the action may be brought in Alicante, Spain (home of the Community Trademark Office). *See id.*, art. 93.

<sup>108</sup> *See id.* art. 94(1).

<sup>109</sup> *See id.* arts. 93(5), 94(2).

national, Trademark Directive-consistent trademark law of the state in which they sit, and they will be enforcing supranational EU-wide trademark rights.<sup>110</sup> Thus the relief in CTM proceedings is strictly still being sought in the courts (and under the law) of the country, or rather union of countries, conferring the rights.

A similar spate of cases applying foreign law cannot be found in the trademark (as opposed to copyright) context in the United States, however, where a conclusion that a foreign law should apply still largely results in the dismissal of the case.<sup>111</sup> What justification might there be for this difference, and does it support a continuing reluctance to adjudicate foreign trademark claims? In part, the paucity of cases applying foreign trademark law in the United States might reflect a lack of need. Whereas the U.S. courts have in the last six years become increasingly cautious about the extraterritorial application of U.S. copyright law, courts have expressed a greater willingness to apply U.S. trademark law extraterritorially.<sup>112</sup>

Another explanation for the different approach in trademark cases can be discerned from the reasons given by courts for exercising such jurisdiction in the copyright context. Trademark claims are a less attractive target for adjudication by a foreign court because many (but not all) trademark rights are registered. The hesitation to entangle courts in the review of foreign registered intellectual property rights is seen in a number of instruments of private international law that otherwise make liberal provision for assertion of jurisdiction in international litigation. For example, although the recently adopted EU E-Commerce Directive excluded intellectual property rights generally (including copyright) from the scope of its conflicts provisions,<sup>113</sup> the Brussels Convention, the proposed Hague Convention, and the proposed EU Regulation on

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<sup>110</sup> Certain matters are left to national law, such as rules of procedure, and remedies for infringement other than injunctions. *See id.*, arts. 97-99, 101.

<sup>111</sup> *See Vanity Fair Mills v. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956) (dismissing case where plaintiff declined to separate Canadian claims from U.S. claims). For a recent example, see *Alcar Group v. Corporate Performance Sys., Ltd.*, 109 F. Supp.2d 948, 952 (N.D. Ill. 2000) (dismissing Lanham Act claims notwithstanding the existence of alienage jurisdiction and noting that “if [the plaintiff] has a trademark case, it is under British, German or other EC law.”). There are limited instances where U.S. courts have not dismissed a claim based upon foreign trademark or unfair competition law. For example, in *Bravo Co. v. Chum*, 60 F. Supp.2d 52 (E.D.N.Y. 1999), the American plaintiff brought an action against its Canadian licensee as a result of use of the mark in Canada that was alleged to be in breach of the license agreement. The plaintiff’s complaint included claims for passing off under Canadian law. The court denied a motion to dismiss on *forum non conveniens* grounds notwithstanding that some of the claims arose under Canadian law. The defendant had invoked *Vanity Fair*, and its concern in particular about interference with foreign official acts. The court rejected those arguments, noting that the defendant had (despite its own application for the BRAVO mark in Canada) contractually acknowledged the plaintiff licensor as the owner of the mark in Canada and that the claims essentially involved interpretation of contractual rights. *See id.* at 60. The Court was also comforted by the fact that there was no allegation that Canadian law was different from U.S. law. *See id.* at 61 n.6.

<sup>112</sup> *See Bradley*, *supra* note 33, at 526; *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 248-49 (4<sup>th</sup> Cir. 1994) (comparing the extraterritorial scope of the trademark and copyright statutes).

<sup>113</sup> *See Council Directive 2000/31/EC on Certain Legal Aspects of Information Society Services, in Particular, Electronic Commerce, in the Internal Market*, 2000 O.J. (L 178), art. 3(3) & Annex (noting the fields not covered by the Directive).

Jurisdiction all carve out only certain issues relating to registered industrial property rights from the scope of their operation.<sup>114</sup>

The Brussels Convention reserves issues regarding the validity of registered industrial property rights to the exclusive jurisdiction of the courts of the state that granted the rights.<sup>115</sup> The scope of the registered industrial property exclusion in the proposed Hague Convention is still being debated. At its narrowest, it may be limited to challenges to the validity of registered rights.<sup>116</sup> But some countries have suggested that the exclusive jurisdiction provision should be extended to infringement questions on the theory that the scope of rights (and hence determinations of infringement) are linked to validity; a restrictive approach to one might justify an expansive approach to the other, and vice-versa.<sup>117</sup>

If national courts adopt the approach to this issue that found favor with some European courts under the Brussels Convention,<sup>118</sup> the practical significance of the scope of the exclusive jurisdiction provision may not be huge.<sup>119</sup> Once a reservation is made for challenges to validity, the defendant should not find it difficult to remove an infringement claim to within the protective confines of the “validity” exclusion by interposing a defense based upon invalidity of rights.<sup>120</sup> The more fundamental debate,

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<sup>114</sup> See Amended Proposal for a Council Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, COM(2000)689 final (Oct. 26, 2000), art. 22(4).

<sup>115</sup> See Brussels Convention, *supra* note 41, art. 16(4).

<sup>116</sup> As with the Brussels Convention and developing judicial practice in the United States, the proposed Hague Convention would impose no exclusive jurisdiction rule on copyright cases.

<sup>117</sup> See Dreyfuss, *supra* note 37, at 23; see also Graeme B. Dinwoodie, *Federalized Functionalism: A New Approach to Design Protection in the European Union*, 25 AM. INTELL. PROP. L. ASS'N Q.J. 611, 625 n.123 (1996) (discussing linkage between scope of rights and threshold for protectability).

<sup>118</sup> See *Fort Dodge Animal Health v. Akzo Nobel*, 1998 F.S.R. 222 (Ct. App. 1997) (Eng.); *Coin Controls Ltd. v. Suzo International (UK) Ltd.*, [1997] 3 All ER 45 (Ch. D. 1997) (Eng) (interpreting Article 19 of the Brussels Convention to require foreign court to decline jurisdiction when issues of validity over which another national court had exclusive jurisdiction were implicated and noting that “in some patent infringement proceedings it is really only validity which is in dispute”); see also Ian Karet, *Suit, Anti-Suit: Cross-Border Skirmishing in Fort Dodge v. Azko*, 19 EUR. INTELL. PROP. REV. 76 (1998) (discussing *Fort Dodge* and *Coin Controls* and noting reference to the European Court of Justice). For a discussion of strategic litigation alternatives, see Vincenzo Jandoli, *The “Italian Torpedo”*, 31 I.I.C. 783, 788 (2000) (discussing pre-emptive actions for declarations of non-infringement).

<sup>119</sup> The introductory language of the exclusive jurisdiction provision in the draft Hague Convention may restrict such broad interpretations. It demarcates the scope of exclusive jurisdiction by referring to “proceedings which have as their object the registration, validity” etc. of registered rights. See Proposed Hague Convention, *supra* note 60, art. 12(4). In contrast, Article 16(4) of the Brussels Convention vested exclusive jurisdiction “in proceedings concerned with the registration or validity” of registered industrial property rights. See Brussels Convention, *supra* note 41, art. 16(4) (emphasis added); see also *Coin Controls*, [1997] 3 All E.R. at 45 (noting that Jenard report indicated an intent to exclude from Article 16(4) “incidental” issues of validity but concluding that because the challenge to patent validity in infringement proceedings was “a major feature of the litigation” it could not be “incidental and is therefore a matter with which the action is principally concerned”). The broad reading given to Article 16(4), see *supra* note 118, might thus be avoided in the Hague context by the narrower language in the preceding list of issues (such as validity or infringement) with respect to which exclusive jurisdiction exists.

<sup>120</sup> The Jenard report that is one of two reports treated as the official history of and interpretive guide to the Brussels Convention explicitly suggested that Article 16(4) of that Convention was intended to distinguish between actions for infringement and actions challenging validity. See Jenard Report, 1979 O.J. C59, 1,

therefore, is whether we need to reassess the traditional reluctance to adjudicate claims implicating the validity of foreign registered industrial property rights.

The registration variable is said to be significant for several reasons, including respect for foreign administrative officials and concerns of institutional competence. First, it is argued that registered rights, such as trademark rights, are more likely directly to implicate decisions of the administrative organs of a state.<sup>121</sup> Courts are generally reluctant to pass on the correctness of the governmental acts of a foreign state.<sup>122</sup> But it is not clear that the application of foreign trademark law would be any more offensive to a foreign state than the wholesale extraterritorial application of U.S. law, which U.S. courts are clearly willing to contemplate in the trademark context (albeit only after consideration of likely conflict with foreign trademark rights).<sup>123</sup>

According exclusive jurisdiction to the conferring state on matters implicating validity or nullity of registered rights also reflects the concern of some countries regarding the ability of foreign judges to make judgments regarding the validity of registered rights, which are normally granted only after detailed administrative examination by specially trained national officials.<sup>124</sup> But the objection regarding the capacity of the judiciary to make determinations of validity applies with greater force to patent rights than trademark rights. To be sure, trademark rights in certain countries are conditioned on examination. But in many countries examination is cursory, and the trend is clearly toward less rigorous examination of trademark registration applications.<sup>125</sup> Finally, the basic concepts of trademark law are common to most countries (even if there remain differences in the application of those rules).

If states remain concerned that foreign judges would be assessing the validity of national registered rights, the *res judicata* effect of such a foreign judgment on validity

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36. But the interjection of a defense that implicated validity was sufficient to convince some U.K. courts that the exclusive jurisdiction provision had been triggered, requiring deference to the courts with that jurisdiction. *See Fort Dodge Animal Health v. Akzo Nobel*, 1998 F.S.R. 222 (Ct. App. 1997) (Eng.) (“when there is a bona fide challenge to the validity of a United Kingdom patent, any proceedings for infringement must in English eyes be ‘concerned with’ the validity of the patent”). It may be that the different language in the draft Hague Convention, *see supra* note 112, may reduce the strength of the link between Article 12(4) and an infringement action in which validity is raised. But this is a thin reed upon which to rest. *See Dreyfuss, supra* note 37, at 24 n.101 (discussing current draft of Article 12(4) and suggesting revision if consolidation of national litigation is endorsed as a goal). Indeed, even if national courts limit Article 12(4) strictly to validity proceedings, it may (depending upon the interpretation of *lis pendens* and *forum non conveniens* rules) simply force the defendant to bring an action, where available, challenging validity in the court vested with exclusive jurisdiction. This multiplicity of proceedings is hardly a recipe for efficient multinational litigation.

<sup>121</sup> *See London Film Prods. v. Intercont’l Communications*, 580 F. Supp. 47, 49 (S.D.N.Y. 1984) MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT, § 17.03 (1999).

<sup>122</sup> *See Bradley, supra* note 33, at 581 (discussing values underlying the act of state doctrine).

<sup>123</sup> *See infra* text accompanying notes 176-87 (discussing extraterritoriality case law).

<sup>124</sup> *See Dreyfuss, supra* note 37, at 22-23.

<sup>125</sup> The Community Trade Mark Office (the OHIM), for example, examines only for absolute grounds for denial of registration. *See EU Trademark Regulation, supra* note 6, arts. 7, 38. Relative grounds are left to *inter partes* proceedings, although a specialized opposition division has been established within the Office to adjudicate the oppositions filed. *See id.*, arts. 8, 42-43.



could be restricted to the parties to the foreign litigation.<sup>126</sup> Alternatively, an additional exception could be created to the rules on recognition and enforcement of judgments that would permit member states with what might be called “primary jurisdiction,” that is, those with “exclusive jurisdiction” under the current draft, to revisit de novo the question of validity.<sup>127</sup>

Other reasons support revising the exclusive jurisdiction provision of the proposed Hague Convention. In some countries (most notably, the United States), trademark rights may exist without registration of the mark, but rather are based upon the use of the mark in commerce as a source-identifier.<sup>128</sup> And in other countries, unfair competition laws effectively institute a parallel system of unregistered trademark protection (even if such protection might not be denominated as such in all countries).<sup>129</sup> If registration is conceived as a dividing line of significance in determining whether to assume jurisdiction over foreign infringement claims,<sup>130</sup> the treatment of such composite bodies of intellectual property protection under private international law may become unduly fragmented.

Moreover, if the exclusive jurisdiction provision is adopted without revision, efforts to litigate questions involving trademark rights granted by several states in a single proceeding might be frustrated. Forcing intellectual property owners to pursue their rights in serial national proceedings is a serious threat to effective enforcement of rights.<sup>131</sup> Consolidation of claims in a single proceeding would facilitate full enforcement of national rights in an international era, and would conserve the judicial resources that would otherwise be involved in serial national litigation.<sup>132</sup> To be sure, the

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<sup>126</sup> In a forthcoming article, Professor Rochelle Dreyfuss highlights several difficulties of such a proposal, and helpfully offers some variants that might address those problems. See Dreyfuss, *supra* note 37, at 25-26. Professor Dreyfuss also suggests that the concern could be addressed by instituting a reference procedure to the courts of exclusive jurisdiction on issues of validity. See *id.* at 24-25; *cf.* *Coin Controls Ltd. v. Suzo International (UK) Ltd.*, [1997] 3 All ER 45 (Ch. D. 1997) (Eng) (discussing possibility of different national courts determining validity and infringement).

<sup>127</sup> This would be functionally similar to one of the variants of the *inter partes* restriction that has been suggested by Rochelle Dreyfuss. See Dreyfuss, *supra* note 37, at 25-26 (suggesting that a losing right holder be able to vacate an *inter partes* determination of invalidity if the court of exclusive jurisdiction holds it valid in subsequent litigation).

<sup>128</sup> See 15 U.S.C. § 1125(a) (protecting unregistered marks).

<sup>129</sup> Trademarks are not unique in this respect. For example, design rights may be registered or unregistered. Indeed, the design protection scheme conceived by the European Commission (and already partly implemented) would grant unregistered and (stronger) registered rights to the same universe of designs, deliberately treating the unregistered form of protection as a transition to the acquisition of registered rights. See Dinwoodie, *supra* note 117.

<sup>130</sup> The focus on registration might encourage a plaintiff to bring a claim in the United States under Section 43(a) rather than under Section 32, which is the basis for actions alleging infringement of registered rights. There is little substantive difference between the elements of the two causes of action, and the litigation advantages of registration in the United States are now relatively few.

<sup>131</sup> See *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp.2d 824, 843 (N.D. Ill. 2000) (noting that the U.S. plaintiff was pursuing an Irish-based web site alleged to have infringed its trademarks in separate proceedings in Ireland, the United Kingdom and the United States).

<sup>132</sup> Indeed, the successful litigants in one national proceeding may be unable to take advantage of issue or claim preclusion doctrines. See *Computer Assocs. Int'l v. Altai, Inc.*, 126 F.3d 365, 371-72 (2d Cir. 1997) (rejecting a motion for an antisuit injunction preventing the plaintiff from pursuing claims in France for

streamlining of international intellectual property litigation will depend upon more than the ability to consolidate several national claims in a single proceeding,<sup>133</sup> the judicious use by national courts of *forum non conveniens* and *lis pendens* powers will, for example, also be important.<sup>134</sup> But a broadly read exclusive jurisdiction provision would of itself hinder any streamlining of international industrial property litigation.

Finally, because the ability of a national court applying a single national law to grant effectively global injunctions against certain internet use is raising concerns generally,<sup>135</sup> the prospect of consolidated international litigation (whether under a series of national laws or under a single international rule) may be perceived as less antagonistic to foreign interests and more likely to draw international support. That is, the consolidation of claims that would be facilitated by revision of the exclusive jurisdiction provision would provide national courts operating within an international environment with greater flexibility to accommodate the divergent interests of a number of interested states. Policymakers should thus consider how to empower courts to hear claims that implicate trademark laws other than those enacted by its own legislature.<sup>136</sup>

### III. Choice of Law

Once a court has jurisdiction over a trademark dispute involving contacts with several countries, the forum has to decide which law should apply to decide the dispute. More than one state may have a plausible claim to apply its law (i.e., to exercise prescriptive or legislative jurisdiction). The forum might consider applying a trademark law other than its own to determine the effect of the unauthorized or contested use of a mark in international commerce. And the law applicable to determine the validity/existence of trademark rights may be different from that used to determine questions of ownership or infringement. Before exploring in Parts C through J below the different strategies for determining the applicable law (or minimizing the difficulties

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infringement of its French copyright notwithstanding that the defendant had prevailed when similar claims had been brought under U.S. copyright law in a U.S. court).

<sup>133</sup> The extent to which consolidation will occur will in turn depend in large part upon the scope given to the multiple defendants' provision. See Proposed Hague Convention, *supra* note 41, art. 14. The breadth of the parallel (although slightly different) provision in the Brussels Convention (Article 6) has, in addition to the exclusive jurisdiction provision, been central to the availability of EU-wide relief under that Convention. See Klos, *supra* note 105. The likelihood of widespread consolidation might also depend upon the extent to which the substantive national laws to be applied have been harmonized. Cf. *Yakult v. Danone*, 1998 E.T.M.R. 465, 472-73 (Hague Dist. Ct. 1998).

<sup>134</sup> The proposed Hague Convention contains a *lis pendens* provision that would require suspension in certain circumstances and permit it in others. See Proposed Hague Convention, *supra* note 60, arts. 21-22.

<sup>135</sup> See Keith Perine, *Yahoo Asks U.S. Courts to Rule French Court of Bounds*, *The Standard*, Dec. 21, 2000, at <http://www.thestandard.com/article/display/0,1151,21026.00.html> (last visited January 3, 2001).

<sup>136</sup> Accord Pamela E. Kraver and Robert E. Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 115 (1995). The most persuasive defenses of territorialism in contemporary intellectual property law have been offered by two scholars willing to countenance the application of foreign laws. See Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 COLUM.-V.L.A. J.L. & ARTS 1 (1999); Bradley, *supra* note 33. They implicitly recognize that, absent such a willingness, the territorialist system that they support appears less practical in our global society.

associated with that choice), I address some preliminary points regarding the choice of law dilemma in modern trademark law.

#### A. Effect of the Ubiquity of the Internet on Strategic Policy Choices

Courts in several countries have adopted expansive interpretations of the reach of domestic trademark rights in the online context. For example, some courts have reasoned that the accessibility in their country of a foreign web site that contains trademarks involves use of those marks in their country.<sup>137</sup> If there were widespread adoption of the principle that prescriptive jurisdiction of a particular country can be premised upon the mere accessibility of a web site in that country, then a producer would require to clear its trademark use in every country of the world. With respect to future marks, this would significantly increase the cost of trademarks, and hence of goods to consumers. It would convert truly local uses into global uses, giving rise to innumerable conflicts, causing the depletion of available marks, and eviscerating the concept of local use through which trademark law has facilitated co-existence of marks in the past.

With respect to existing marks, this might cause producers currently operating offline with legitimately acquired trademark rights from expanding into the online environment lest they interfere with competing rights in other countries. As suggested above, one might view this merely as akin to the inability to expand globally into other geographic markets where competing mark ownership exists. But in this context, the inability to expand online effectively regulates domestic conduct (where the producer owns the trademark) as well as the foreign market (where some other party owns the mark). The foreign mark ownership thus effectively regulates the producer's use in the domestic market where the producer has rights, highlighting the extraterritorial effects that will flow from broad trademark rights, and broad assertions of adjudicative and prescriptive jurisdiction, in this context. All that the domestic producer acquires through ownership of the domestic rights is the corresponding capacity (assuming that the courts where the domestic producer owns rights are similarly intrusive) to prevent the foreign producer from using its legitimate foreign rights online for its own domestic purposes. Trademark rights are thus reduced to their most destructive form, namely, a mutual ability to undermine the sales efforts of competitors in other countries by blocking certain commercially significant uses. This "mutual blocking" capacity is neither efficient nor a positive contribution to the globalization of markets or the development of e-commerce.

It may be that this impasse might give rise to privately negotiated settlements among the parties to the dilemma, with the assignment of global rights being made to a

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<sup>137</sup> See *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996) (enjoining the use of a term on a web site in Italy where use of that term was permitted by Italian law, because the web site could be accessed from the United States where the use in question would be a trademark infringement); *SG2, supra* (granting the motion of a French trademark holder to enjoin the use of the same mark by its lawful German trademark holder on the web site of the German mark owner in Germany); *Concert-Concept*, Berlin Court of Appeals 1997 CR 685 (holding that the accessibility in Germany of a U.S. site with a domain name comprising a term in which another party owned the German trademark rights amounted to an infringement of that other party's German trademark rights). For a discussion of the German and French cases, see *Bettinger & Thum, supra* notes 19 & 26, at 166-67, 289.

single producer. Such private ordering has its own costs. It greatly enhances the costs of the respective producers; the parties have already incurred the costs of acquiring rights and must now make further payments to exercise fully the rights they acquired. Perhaps, one may view this negotiation as the means by which rights are acquired for a new “territory,” namely cyberspace, just as one has to acquire rights to new offline territories in which expansion occurs. That is, the private negotiation and buy-out costs might be regarded as the cyberequivalent of trademark acquisition costs (whether acquiring from the trademark authorities in that new territory, or buying out the existing trademark owners in that territory). But here, that cost will be immense. One cannot merely expand into a single territory. To be fully assured of no other blocking marks, rights must be acquired in every country that grants rights, or will in the future grant rights. Indeed, the competing mark owner with rights in a single jurisdiction can offer little of value because it cannot guarantee cyberexclusivity unless it owns the same mark in all other countries of the world.<sup>138</sup>

The problem is arguably exacerbated by “first to register” systems. “First to register” remains the prevailing rule of priority in the vast majority of national systems.<sup>139</sup> If a “first to use” priority rule were adopted globally, and use of a mark on the internet were treated as use sufficient to acquire rights in all places where that site were accessible, then this problem would be significantly reduced. Indeed, the costs of trademark acquisition would be reduced from those that pertain at present; use in commerce on the internet would potentially give rise to global trademark rights on the cheapest basis possible. (It would not give rise to rights in countries where the term would not be regarded as inherently distinctive, which may vary from country to country based upon linguistic and other comprehension. But even in countries where no *exclusive trademark rights* were acquired, the producer would be able to continue use along with others because the disability of non-distinctiveness would also undermine the claims of competitors to exclusive rights.<sup>140</sup>). Of course, this approach would run counter to the trend, found in both national and international laws, away from use-based rights. Moreover, supporters of use-based systems tout such systems as limits on excessively easy trademark grants rather than means of facilitating broader acquisition of rights. Indeed, recent WIPO SCT proposals on the question of use on the internet reflect concerns that use be given a more restricted rather than a more extensive meaning in the online environment. Finally, an approach that permitted producers to employ “use” as an international acquisition strategy also raises other substantive trademark problems. In particular, the grant of rights throughout the world on the basis of internet use alone would result in a speedier depletion of terms that could be used for trademark purposes,

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<sup>138</sup> This mirrors problems that the EU will have to face with regard to its Community Trademark when the EU is expanded. See Bojan Pretnar, *Is the Future Enlargement of the European Union an Immediate Issue for the Community Trademark System*, 19 EUR. INTELL. PROP. REV. 185 (1997).

<sup>139</sup> See Daniel C. Schulte, *The Madrid Trademark Agreement's Basis in Registration-Based Systems: Does the Protocol Overcome Past Biases? (Part I)*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 595 (1995).

<sup>140</sup> This force of this caveat may, however, be reduced by trademark reforms that effectively grant plenary rights in a mark to a producer across all product markets, because the mark may be distinctive for different goods and thus be off limits to our producer because of broad dilution rights accorded the first producer.

and may come close to effecting a single geographic market for trademark purposes. These may be costs that one thinks too high to bear.<sup>141</sup>

## B. The Most Novel Problems in Trademark Choice of Law

In the copyright context, there has been recent scholarly and judicial discussion of which law should determine the ownership of copyrighted works; national laws may differ as to the person regarded as the author or initial owner of the work (e.g., the employee, or to her employer under the work for hire doctrine).<sup>142</sup> The predominant and more troublesome choice of law question to which copyright scholars have turned attention, however, has been which law should determine whether the conduct in question was infringement or authorized by law. The exceptions and limitations to copyright found in national law vary in detail from state to state.<sup>143</sup> Of course, as suggested above, choice of law issues may arise from different laws regarding the scope of trademark rights or applicable defenses.<sup>144</sup> And the application of the same legal rules to different factual circumstances pertaining in different countries might also give rise to different results and hence choice of law issues.<sup>145</sup> But with trademark law, the most novel problem is likely to be competing claims of ownership rather than disparate national approaches to the scope of rights or meaning of infringement. This is not a conflict of legal *rules* regarding ownership of marks; rather it is a conflict in international markets between two persons with undisputed legitimate ownership of different national properties.<sup>146</sup> Competing ownership may partly be a result of different laws – perhaps, a priority rule based upon first to use versus one based upon registration – but it is more problematically a factual question of different persons satisfying the same test in different countries.

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<sup>141</sup> In recent years (through dilution laws, and some domain-name based case law and legislation), trademark owners have been granted plenary trademark rights across product markets; this approach would combine that expansion with plenary control across geographic markets.

<sup>142</sup> See, e.g., *Itar-tass Russ. News Agency v. Russ. Kurier, Inc.*, 153 F.3d 82, 89-92 (2d Cir. 1998) (applying Russian law to ownership question); *Tasini v. New York Times*, 206 F.3d 161 (2d Cir. 1999), cert. granted, 121 S.Ct. 425 (2000) (adjudicating rights under U.S. law to publish electronic version of freelance newspaper articles as contributions to a collective work); Jane C. Ginsburg, Alice Haemmerli and P. Bernt Hugenholtz, *Symposium on Electronic Rights in International Perspective*, 22 Col.-VLA J. Law & Arts 127 (Winter 1998) (discussing similar issues litigated to varying effect in different European countries); Jane C. Ginsburg, *Ownership of Electronic Rights and the Private International Law of Copyright*, 22 COLUM.-VLA J.L. & ARTS 165 (1998); Jane C. Ginsburg, *The Private International Law of Copyright in an Era of Technological Change*, 273 RECUEIL DES COURS 239 (1998) (discussing ownership).

<sup>143</sup> See Sam Ricketson, *The Boundaries of Copyright: Its Proper Limitations and Exceptions: International Conventions and Treaties*, 1999 INTELL. PROP. Q. 56, 93 (1999) (noting the flexibility given to national legislators by international treaty provisions on exceptions and limitations).

<sup>144</sup> See *supra* text accompanying note 13.

<sup>145</sup> See *supra* text accompanying notes 13-14; see, e.g., *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996).

<sup>146</sup> In theory, of course, a French copyright is different from and independent of an American copyright in the same work. One can, therefore, conceptualize the dispute engendered by different rules on work for hire as a dispute between the owners of the French copyright and the owners of an American copyright. But in substance, the dispute concerns the same copyrightable work. With trademark, the national trademark is a more clearly different piece of property in fact in the different countries, reflecting separate embodiments of separate goodwill. *But see supra* note 57 (discussing universal goodwill).

### C. Technological Solutions

One strategy, which may also mesh with recent developments in copyright law and practice, is to use technology to resolve the problems caused by technology. Is technologically imposed territorialization appropriate? If it is, what can the law do to provide appropriate support for those efforts?<sup>147</sup> A technological solution might, for example, require persons selling goods on the internet to ensure that their web sites could not be accessed from countries where their use of the mark in question would be an infringement of the rights of another party.<sup>148</sup>

In the United States, the *Playboy v. Chuckleberry* court sought to impose a territorially defined injunction by ordering the defendant to adopt the technological measures necessary to prevent U.S. access to the web site containing the infringing trademark.<sup>149</sup> Similarly, in the recent Yahoo auction access litigation in France, the grant of relief was dependent upon a report by court-appointed experts on the feasibility of filtering out French users from those persons accessing the U.S. site that infringed French law.<sup>150</sup> The ABA Global Jurisdiction project also endorses the use of technological measures to prevent territorial spillover by insulating defendants that make good faith efforts to prevent access to a web site by users from a particular state from assertions of jurisdiction by that state.<sup>151</sup>

The technological approach is, however, difficult practically,<sup>152</sup> would greatly increase costs and might undermine the benefits that the internet has created.<sup>153</sup> Although the use of technological measures might be considered *as part* of a remedy in appropriate

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<sup>147</sup> The parallel here is the set of rules, adopted internationally in the WIPO Copyright Treaty and exemplified by Section 1201 of the U.S. Copyright code, where legal back-up is provided to the use of technological access-restrict and copy-protect measures adopted by copyright owners to protect their works. See 17 U.S.C. § 1201; WIPO Copyright Treaty, Dec. 20, 1996, art. 11, 36 I.L.M. 65, 71

<sup>148</sup> Cf. Denise Caruso, *Digital Commerce: Control over Content*, N.Y. TIMES, Mar. 13, 2000, at C4 (reporting that the response of iCraveTV.com to complaints concerning its activities, permissible in Canada but prohibited in the United States, was to pursue technological measures that would bar U.S. users from accessing the Canadian website, thus creating “country-area networks”).

<sup>149</sup> See *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996).

<sup>150</sup> For details of the different orders entered by the French court in the *Yahoo!* Litigation, see <http://www.juriscom.net/txt/jurisfr/cti/yauctions.htm> (last visited Jan. 9, 2001).

<sup>151</sup> ABA JURISDICTION PROJECT, *supra* note 36, at 1821. See also Bradley, *supra* note 33, at 573 n.32 (noting possible role of technology); Jack L. Goldsmith, *The Internet and the Abiding Significance of Territorial Sovereignty*, 5 IND. J. GLOBAL LEGAL STUD. 475, 484-85 (1998) (noting the role of technology in re-establishing borders).

<sup>152</sup> See Bettinger and Thum, *supra* note 19, at 164 (discussing technical possibilities). The difficulties of placing too much weight upon technological measures in fashioning remedies is illustrated by the recent Yahoo case. Although the panel of experts appointed by the French court concluded that Yahoo could implement measures designed to restrict access to its web site in ways consistent with the concern of the French court that French citizens have no access to the site, two of the three experts expressed reservations within several days of the Court's order requiring Yahoo to prevent access on pain of potentially punitive fines.

<sup>153</sup> For additional problems and costs generated by the technological approach, see Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 479 n.25 (2000) (discussing the costs of technological reterritorialization in the context of copyright law).

circumstances, the benefits of the low cost barriers to entry on the internet, the capacity of the internet to bridge national divides, and the limited effectiveness of technological measures, means that technological re-territorialization of the internet should not be the primary means of addressing these private international issues. The potential benefits of the internet warrant a search for other or complementary solutions.

D. Conventional Wisdom: *Lex Loci Protectionis*

National courts decide applicable law largely unconstrained by international intellectual property conventions, partly because those conventions are mostly not self-executing, but also because the Conventions say little about choice of law.<sup>154</sup> The Berne Convention contains provisions that guide, though hardly determine, choice of law analysis with respect to certain copyright issues.<sup>155</sup> But neither the Paris Convention nor the TRIPS Agreement provides any detailed guidance in matters of trademark law. As noted above, those agreements are premised upon principles of national treatment and independence of national rights. Neither principle requires any particular choice of law rule; national treatment requires only that nationals of a foreign signatory state receive equivalent protection as that granted domestic mark owners; independence of rights requires only that a trademark granted in a Paris member state is not affected by the status of any registration for the same mark for the same goods that may exist in other member states.

But both these basic principles affirm the notion of territoriality, and this has been read as grounding a choice of law rule of *lex loci protectionis*.<sup>156</sup> Unlike copyright, where the text of the Berne Convention adverts (in some manner) to such a rule, the rule in trademark law is said to flow from the territoriality of trademark rights.<sup>157</sup> This is endorsed by scholars and courts as the conventional rule in intellectual property generally (at least in questions of infringement) and is the prevailing rule in trademark law. The question of whether trademark rights exist, and whether infringement has occurred, is largely determined by the law of the country in respect of which protection is claimed.

But if the principle of territoriality has guided the development of conflicts principles in trademark law it has also stunted them. Courts have never sought to reconcile different trademark laws or competing trademark rights, or to articulate the basis upon which to prefer the prescriptive claim of one state over another. Instead, they simply recognize forum-determined rights and apply forum law or, alternatively, dismiss the case if it does not implicate such rights or laws. In an era of international commerce,

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<sup>154</sup> See *supra* Part I.

<sup>155</sup> See, e.g., Berne Convention for The Protection of Literary and Artistic Works, July 24, 1971, 1161 U.N.T.S. 3, art. 5(2); EUGEN ULMER, INTELLECTUAL PROPERTY RIGHTS AND THE CONFLICT OF LAWS 2 (1976) (observing that the intellectual property treaties provide only “incomplete” choice of law rules).

<sup>156</sup> See FAWCETT AND TORREMANS, *supra* note 96, at 477-478.

<sup>157</sup> See Bettinger and Thum, *supra* note 26, at 286 (explaining the basis for the rule). Courts in the copyright context have also rooted the conflicts rule of *lex loci protectionis* in the principle of territoriality as well as the express language of the Berne Convention. For a discussion of the copyright rule, see Dinwoodie, *supra* note 153, at 529-34; see also Austin, *supra* note 136, at 24-25; Ginsburg, *The Private International Law of Copyright in an Era of Technological Change*, *supra* note 142.

where consumer understanding, product markets, and producer marketing, disdain territorialism, the value of such a rule as the lodestar for international trademark law becomes questionable. The internet renders it impractical. Moreover, the principle of the independence of rights enshrined in the Paris Convention is itself subject to exceptions that modify the territoriality premise. The protection for well-known marks found in Article 6*bis* of the Paris Convention, affirmed and extended by Article 16 of the TRIPS Agreement, and developed further by the recent resolution approved by the WIPO Assembly,<sup>158</sup> is the most notable example.<sup>159</sup>

Some scholars have decried any effort to develop a conflicts rule proper that departs from the *lex loci protectionis*.<sup>160</sup> But recent copyright literature is replete with efforts to consider just such a question. Why should trademark be far behind?

#### E. New Conceptual Choice of Law Rules

The acceptance of the *lex loci protectionis* as the choice of law rule for infringement of intellectual property rights means that the place of alleged infringement determines any claim.<sup>161</sup> But this is less helpful in the internet context because “if an activity occurs in cyberspace, it is impossible to ascribe it to any specific physical space.”<sup>162</sup> Nor does it explicitly address the most significant choice of law problem in trademark law, namely the problem of competing ownership claims. Finally, fictionally localizing an activity that is inherently non-local also detaches the applicable law from social reality, which undermines its legitimacy.<sup>163</sup>

But fictional localization through legal rules, though difficult, might be preferable to technological localization discussed above because it would preserve the social gains generated by the borderlessness of the internet.<sup>164</sup> Thus, we should consider how courts might localize online use of trademarks such that a traditional approach to choice of law problems could be used. And the conceptual difficulty of “placing” the harm can be lessened if one focuses not on where a single act of conduct (e.g., “use”) occurs<sup>165</sup> but instead on where the trademark-relevant effects of that conduct are felt. Indeed, this transition from place of conduct to place of effects reflects an evolution in private

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<sup>158</sup> See *supra* note 5.

<sup>159</sup> The case law and literature on well-known marks occasionally blends with that addressing the question of bad faith adoption for the purpose of preventing geographic expansion. See *Persons Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); see also *Bettinger and Thum*, *supra* note 26, at 288 n.67 (discussing cases decided to the same effect under the German Unfair Competition Act).

<sup>160</sup> See *Bettinger and Thum*, *supra* note 26, at 286 (“There is no reason to depart from this principle of the country of protection as a conflict-of-law rule conventionally applied to trademark rights by developing new points-of-attachment rules”).

<sup>161</sup> See *ULMER*, *supra* note 155, at 10.

<sup>162</sup> ABA JURISDICTION PROJECT, *supra* note 36, at 1826.

<sup>163</sup> See *Dinwoodie*, *supra* note 153, at 545.

<sup>164</sup> See *supra* text accompanying note 154.

<sup>165</sup> Cf. *Kraver & Purcell*, *supra* note 136, at 131-132 (suggesting that under any choice of law theory Mexican law should be applied in the *Bulova* case because the mark was affixed and the goods were distributed and sold there).



international law thinking that occurred decades ago.<sup>166</sup> Thus refocused, our analysis might, as suggested above in the context of jurisdiction,<sup>167</sup> ask where consumers were confused,<sup>168</sup> or where was the goodwill of the trademark owner threatened? But the answer to these questions may be “everywhere,” which is hardly more helpful.

Another alternative to asking the relatively metaphysical question of where an online trademark infringement “occurs” would be to adopt a choice-of-law rule pragmatically designating a fixed locus for the tort. Such localization can be performed with a variety of values in mind: the localizing rule might be designed to further trademark values, to further “conflicts values” such as reducing forum-shopping, or to facilitate e-commerce. But the leading pragmatic options suggest that this task may also have practical problems. If the place where the defendant is based, or the place of unauthorized upload of the mark, or the place of server hosting the web site upon which the unauthorized use was made, is selected, the law of that place is exported extraterritorially to other countries. (To some extent, of course, this is a danger with any choice of law rule that applies a single law to multistate events.). This might not only conflict with the policy choices of those other states, whose consumers or markets may be affected by the unauthorized use, but might also increase the risk of encouraging trademark havens (countries where trademark enforcement is lax). Conversely, it may constrain legitimate uses in those countries for no justifiable reasons: the allegedly infringing mark might not confuse consumers there (perhaps because of different patterns of use or different consumer practices).

On the other hand, a choice of law rule that designates the place where consumers accessed the web site allows consumers to dictate the trademark rules that are to govern the mark user’s conduct in its own country. The extraterritorial effects are simply reversed. This criticism loses some of its force, however, if the unauthorized foreign user of a mark has targeted and intentionally engaged with the person who accessed the web site where the mark is used. The concept of targeting or purposeful availment found in U.S. jurisdictional analysis might thus be usefully deployed here as a choice of law principle.<sup>169</sup>

If conceptual localization of the online use is the approach to be adopted, use in one country targeted exclusively or primarily at another country should vest prescriptive jurisdiction in the targeted state. To use a non-trademark example, in the last few months

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<sup>166</sup> See William S. Dodge, *Extraterritoriality and Conflict-of-Laws Theory: An Argument for Judicial Unilateralism*, 39 HARV. INT’L L.J. 101 (1998); RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES §§ 402-03 (1987) (providing for the exercise of jurisdiction based on effects within a territory so long as the effect is substantial and the exercise is reasonable, subject to certain limitations).

<sup>167</sup> See *supra* text accompanying notes 50-58 (discussing same choices in the context of considering adjudicative jurisdiction).

<sup>168</sup> See *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 639 (2d Cir. 1956) (noting that “passing off occurs . . . where the deceived customer buys the defendant’s product in the belief that he is buying the plaintiff’s”).

<sup>169</sup> The circumstances that would indicate targeting of a state is similar to the evidence that would warrant a conclusion of commercial effects in a state under the WIPO SCT proposal discussed below. See *infra* text accompanying notes 236-44.

an Austrian web site was established to facilitate the selling of votes in the U.S. Presidential election. The site violated U.S. law. Although the site and its operators were not present in the United States, the site was targeted exclusively at, and most directly affected the interests of, the United States. Even were the site pursued in non-U.S. courts, the claim of U.S. law to be applied is strong.<sup>170</sup>

#### F. Unilateral Interpretation of Extraterritorial Scope

In the United States, choice of law analysis in trademark cases has largely taken the form of different tests of extraterritorial scope. That is, courts faced with an allegation that a set of facts partly involving foreign commerce gives rise to a trademark infringement claim concentrate on the unilateral question whether the U.S. Lanham Act should apply extraterritorially. If the answer is in the affirmative, then the U.S. trademark statute (and that alone) is applied, and the courts are seized of federal question jurisdiction over the dispute. If the answer were in the negative, the court dismisses the case for lack of subject matter jurisdiction: the case does not arise under the federal laws of the United States.<sup>171</sup>

U.S. courts do not always pursue such a “scope-oriented” unilateralist approach to choice of law in international cases. In torts cases generally, many courts (state and federal) have been willing to consider and mediate the competing prescriptive claims of interested states. For example, in international cases involving maritime claims, the U.S. Supreme Court has in the past determined the applicable law using methods that resemble modern policy-based choice of law analysis.<sup>172</sup> In recent times, however, the Court has resolved choices between federal law (such as antitrust law) and the law of a foreign country by engaging in a bare assessment of whether Congress intended the federal law in question to apply extraterritorially. For example, in *Hartford Fire v. California*,<sup>173</sup> the majority of the Supreme Court restricted its analysis to whether the U.S. Congress meant U.S. antitrust law to apply to conduct in the United Kingdom that was intended to have effects in the United States. Finding such congressional intent, the majority applied U.S. antitrust law and rejected the approach of Justice Scalia, who argued that the application of U.S. antitrust law should be considered in light of the flexible principles of private international law found in the Restatement of Foreign Relations.<sup>174</sup>

This raises a fundamental private international law question: in an international trademark dispute, should the question of applicable law be determined by courts attempting to weigh the claims of competing states using precepts of private international law, or should a forum court simply determine whether a given set of facts involves extraterritorial application of the law and whether its legislature intended to apply its law

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<sup>170</sup> For a discussion of the Presidential vote-buying case, see *Massachusetts Judge Halts Citizens Selling Votes*, Nov. 6, 2000, at <http://www0.mercurycenter.com/svtech/news/breaking/internet/docs/6014201.htm> (last visited Nov. 7, 2000).

<sup>171</sup> See *supra* text accompanying notes 96-101.

<sup>172</sup> See *Lauritzen v. Larsen*, 345 U.S. 571 (1953).

<sup>173</sup> See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993).

<sup>174</sup> It is not clear, however, that the Supreme Court intended its *Hartford Fire* opinion to apply to trademark cases. See *Sterling Drug Inc. v. Bayer*, 14 F.3d 733, 746 (2d Cir. 1994).

extraterritorially (possibly aided by canons of statutory construction such as a presumption against extraterritoriality)?<sup>175</sup> At present, the U.S. courts predominantly follow the latter approach. As a result of this unilateralist philosophy, choice of law jurisprudence in trademark cases remains underdeveloped.

Since the enactment of the modern trademark statute, the Lanham Act, in 1946, the U.S. Supreme Court has addressed the extraterritorial application of trademark law on only one occasion. In *Steele v. Bulova Watch Co.*,<sup>176</sup> the defendant (Steele, who was an American citizen) owned the mark BULOVA for watches in Mexico; the plaintiff owned the mark in the United States. The defendant assembled inexpensive watches in Mexico, marked them with the BULOVA name and sold the watches in Mexico. When some of the watches crossed the border into the United States, the plaintiff sued under the Lanham Act to enjoin the defendant's conduct. The U.S. Supreme Court agreed to apply the Lanham Act to the defendant's conduct. In its opinion, the Court stressed three facts supporting its conclusion: (i) the defendant was an American citizen, and Congress had broad power to legislate with respect to the conduct of American citizens; (ii) effects of the defendant's conduct were felt in the United States, where some of the infringing watches were sold, and where Bulova Watch received complaints from unsatisfied customers; and (iii) by the time the case reached the Supreme Court, the Mexican registration owned by Steele had been canceled.

Although the Court did not indicate which, if any, of these considerations – defendant's citizenship, effects on U.S. commerce, and lack of conflict with foreign trademark rights – were essential to the extraterritorial application of the Lanham Act to the defendant's use of the Bulova mark in Mexico, later (lower) courts have further developed these factors and their significance. But since *Bulova*, different “tests of extraterritoriality” have been used by different U.S. courts<sup>177</sup> to determine whether the Lanham Act should apply to a set of facts with foreign or international elements.<sup>178</sup> The two most prominent tests are those used by the Second Circuit, on the one hand, and by the Ninth Circuit, on the other hand.<sup>179</sup>

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<sup>175</sup> This latter approach can itself be situated within the private international tradition. See FRIEDRICH K. JUENGER, CHOICE OF LAW AND MULTISTATE JUSTICE 6-46, 140-41 (1993) (discussing the history of unilateralist and multilateralist approaches to choice of law and noting the common use of methodologies that mix both philosophies).

<sup>176</sup> 344 U.S. 280 (1952).

<sup>177</sup> For discussion of these tests, see Bradley, *supra* note 33; Roger E. Schechter, *The Case For Extraterritorial Reach of the Lanham Act*, 37 VA. J. INT'L L. 619 (1997); Kraver and Purcell, *supra* note 136; Robert Butts, *Trademark Law: Interpreting the Congressional Intent of the Extraterritorial Application of the Lanham Act*, 8 FLA. J. INT'L L. 447 (1993); Robert Alpert, *The Export of Trademarked Goods from the United States: The Extraterritorial Reach of the Lanham Act*, 81 TRADEMARK REP. 125 (1991).

<sup>178</sup> Choice of law questions that arise with respect to intellectual property rights granted by state (rather than federal) law are typically resolved by more traditional methodologies. See *Cairns v. Franklin Mint Co.*, 24 F. Supp.2d 1013 (C.D. Cal. 1998) (publicity rights); *BP Chemicals Ltd. v. Formosa Chemical & Fibre Corp.*, 2000 WL 1460760 (3d Cir. Oct. 3, 2000) (trade secret protection).

<sup>179</sup> As noted above, U.S. law imposes constitutional limits on adjudicative jurisdiction that apply both to domestic and foreign defendants. The federal constitution also imposes some limits on the ability of a forum, even when seized of adjudicative jurisdiction, to apply its own law to a dispute. But the constitutional restraints imposed by due process considerations upon the application of a state's law – that

In the Second Circuit, the courts still determine whether the Lanham Act should be applied extraterritorially by application of the *Bulova* factors.<sup>180</sup> In *Vanity Fair Mills v. Eaton*,<sup>181</sup> where the Second Circuit first distilled the three factors from the *Bulova* decision, the court suggested that the Lanham Act would not be applied extraterritorially if two of the three factors were absent. (Indeed, the *Vanity Fair* court hinted that the presence of all three factors might be necessary to justify extraterritorial application).<sup>182</sup> Thus, in that case, the Court refused to apply the Lanham Act where the American owner of a U.S. trademark registration sought to restrain the use of the mark in Canada by a Canadian defendant that owned the Canadian registration for the same mark. Although the defendant's use had a substantial effect on U.S. commerce, the defendant was not a U.S. citizen and was the legitimate owner of the mark under Canadian law.

The Second Circuit has generally adhered to the *Bulova* factors as the framework in which to determine whether to apply the Lanham Act extraterritorially to international trademark disputes. In so doing, it has (until very recently) been reluctant to apply the Lanham Act absent at least two of the *Bulova* factors and has required a "substantial effect" on U.S. commerce before finding the "effects" factor satisfied.<sup>183</sup> Indeed, even in some of its recent more liberal decisions, discussed more fully below, the court has insisted that district courts analyze the question in the framework of the *Bulova* factors.<sup>184</sup>

The Ninth Circuit has adopted a slightly more liberal attitude to the extraterritorial application of the Lanham Act, and has instead applied the test for extraterritorial application of federal laws that it first developed in the antitrust context.<sup>185</sup> Under that test, "there are three criteria that must be considered: (1) there must be some effect on American foreign commerce; (2) the effect must be sufficiently great to present a cognizable injury to plaintiffs under the federal statute; (3) the interest of and links to American foreign commerce must be sufficiently strong in relation to those of other

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is, of the assertion of prescriptive jurisdiction – have generally been quite lax in the internal U.S. context. See *Allstate Ins. Co. v. Hague*, 449 U.S. 302 (1981). Although the court's analysis in *Hague* was performed under the Due Process Clause and the Full Faith and Credit Clause of the United States Constitution, only the former of which applies in the international context, the test under each clause is the same. See *id.*; see also *Phillips Petroleum Co. v. Shutts*, 472 U.S. 797 (1985). Thus, a state court's decision to apply its own law to a claim against a foreign defendant can violate that foreign defendant's rights under the Due Process Clause. See *Home Ins. v. Dick*, 281 U.S. 397 (1930). The same limits would be imposed upon federal courts that seek to apply U.S. law. Moreover, to the extent that private international law, or the law of nations, may impose limits on prescriptive jurisdiction, it is presumed that the U.S. Congress has not transgressed those limits, see *Murray v. Schooner Charming Betsy*, 6 U.S. 64 (1804), but this presumption may be rebutted. Cf. *Hartford Fire Ins. v. California*, 509 U.S. 764 (1993).

<sup>180</sup> For a good summary of recent Second Circuit case law, see Erika Marie Brown, *Extraterritorial Application of Trademark Law Under the Lanham Act: Recent Decisions from the Second Circuit*, 11 N.Y. INT'L L. REV. 55 (1998).

<sup>181</sup> *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

<sup>182</sup> See *id.* at 643.

<sup>183</sup> See, e.g., *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994).

<sup>184</sup> See *Sterling Drug Inc. v. Bayer*, 14 F.3d 733 (2d Cir. 1994).

<sup>185</sup> See *Timberlane Lumber Co. v. Bank of America National Trust & Savings Ass'n.*, 549 F.2d 597 (9th Cir. 1976). In contrast, the Ninth Circuit has arguably been slightly more cautious than the Second Circuit in the extraterritorial application of the copyright statute.

nations.”<sup>186</sup> The third factor is analyzed using seven sub-factors, which include the nationality of the parties and the degree of conflict with foreign law (i.e., two factors that are similar to, but broader than, the other *Bulova* factors).<sup>187</sup>

Although the Ninth Circuit test resembles the Second Circuit test, especially when these two additional considerations under the third factor are figured in, the other sub-factors relevant to whether “the interest of and links to American foreign commerce must be sufficiently strong in relation to those of other nations” instruct courts expressly to *weigh* the nature and significance of respective foreign and U.S. interests. Its focus is, in this regard, therefore more in line with the analytical focus of modern policy-based approaches to choice of law in the United States. Like the Second Circuit *Bulova* factors analysis, however, the Ninth Circuit test does not instruct how the different factors are to be weighed.<sup>188</sup> The Ninth Circuit test would, however, appear more receptive (if largely because of its flexibility) to the extraterritorial application of U.S. law.

The standards for extraterritorial application of the Lanham Act have been read liberally, particularly outside the Second Circuit.<sup>189</sup> For example, the statute has been

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<sup>186</sup> *Ocean Garden Inc. v. Marktrade Co., Inc.*, 953 F.2d 500, 503 (9<sup>th</sup> Cir. 1991) (quoting *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1395 (9<sup>th</sup> Cir. 1985)); *see also* *Reebok Int’l, Ltd. v. Manatech Enters., Inc.*, 970 F.2d 552, 554 (9<sup>th</sup> Cir. 1992).

<sup>187</sup> *See* *Ocean Garden*, 953 F.2d at 503. The *Bulova* factors require focus on the *defendant’s* citizenship, and assess conflicts with foreign *trademark rights*. *See infra* notes 192 (noting focus of Ninth Circuit on plaintiff’s nationality) and 201 (noting Second Circuit articulation of third *Bulova* factor as conflicts with foreign “trademark rights”). The full list of factors considered in the Ninth Circuit in assessing this third question is: (1) degree of conflict with foreign law; (2) nationality of the parties; (3) extent to which enforcement is expected to achieve compliance; (4) relative significance of effects on U.S. as compared to elsewhere; (5) whether the explicit purpose is to harm U.S. commerce; (6) the foreseeability of such effect; and (7) the relative importance of violations within the U.S. as opposed to the conduct abroad.

<sup>188</sup> Indeed, the principal criticism of balancing test approaches to the question of extraterritoriality is that it tends to give the courts (and future litigants) little guidance. *See* Bradley, *supra* note 33, at 555-56. Professor Bradley thus advocates what he calls a “categorical” approach, under which courts would strictly apply a presumption against extraterritoriality (thus forcing Congress clearly to articulate the circumstances in which it wished to apply U.S. law). Professor Bradley concedes that this approach risks being both underinclusive and overinclusive with respect to avoiding conflicts with foreign nations, but sees this as a worthwhile (and inevitable) costs of rules over case-by-case balancing factors. *See id.* at 556. But the number of trademark cases in which there is now an arguable extraterritorial effect is so great, especially online, that this may effectively be a judicial retreat from the playing field. Professor Bradley, at a different part of his analysis, appears receptive to the argument that some statutes may by the nature of what they regulate, have extraterritorial effects and application. *See id.* at 567 (discussing suggestion by Larry Kramer). International trademark practices, and especially the internet, may now support the inclusion of trademark within these exceptional circumstances, *compare id.* at 568 (discussing the inherently international nature of admiralty law, and the broad economic purpose of antitrust law), although Professor Bradley rejected such an argument in 1997. *See id.* at 569. In the end, a willingness to apply something other than purely U.S. law, *see supra* text accompanying notes 128-36, may make the extraterritoriality question less significant as such.

<sup>189</sup> Courts outside the Second Circuit have generally articulated the extent of the required effect on U.S. commerce in more easily satisfied terms. Thus, for example, although the Second Circuit has stressed the need for a “substantial” effect on U.S. commerce, *see, e.g.,* *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994), the Fifth Circuit has required the lesser showing of “some effect.” *See* *American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 701 F.2d 408, 414 n.8 (5<sup>th</sup> Cir. 1983); *see also* *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250-51 (4<sup>th</sup> Cir. 1994) (“significant effect”).

applied in cases where there was no sale of goods bearing the unauthorized mark, no likely consumer confusion, and no diversion of sales, within the United States.<sup>190</sup> In some cases in the Ninth Circuit, the principal consideration appears to have been the nationality of the parties (and, strangely, the American nationality of the plaintiff in particular).<sup>191</sup> The Eleventh Circuit has accepted the movement of goods through free trade zones in the United States as sufficient effect on commerce to implicate U.S. interests.<sup>192</sup> Courts in that Circuit have also asserted jurisdiction over foreign effects based upon supporting or preparatory conduct in the United States.<sup>193</sup>

In recent years, some lower (district) courts in the Second Circuit have been more receptive to the extraterritorial application of the Lanham Act, especially where American defendants are involved. For example, in *Aerogroup Int'l Inc. v. Marlboro Footworks, Ltd.*,<sup>194</sup> a district court applied the Lanham Act to sales of infringing products in Canada by an American defendant (who had admittedly not applied for trademark rights in Canada) even though the evidence regarding effect on U.S. commerce was “equivocal”. But the Court of Appeals for the Second Circuit has been resistant to a broad-based relaxation of the *Bulova* factors. In *Atlantic Richfield Co. v. Arco Globus Int'l Co.*,<sup>195</sup> the Court refused to apply the U.S. statute to foreign conduct despite the American citizenship of the defendant and there being no conflict with foreign trademark rights because of the lack of any effect on U.S. commerce. The court found no evidence that the goods would enter the United States,<sup>196</sup> or that there was likely consumer confusion in the United States, or that the plaintiff’s reputation in the United States would suffer, and stressed that the Second Circuit has “never applied the Lanham Act to extraterritorial conduct absent a substantial effect on United States commerce.”<sup>197</sup>

The Second Circuit has, however, been willing to relax the standards for extraterritorial application in circumstances where the plaintiff was seeking something less than an absolute injunction. For example, in *Sterling Drug v. Bayer*, the Second

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<sup>190</sup> See, e.g., *Ocean Garden Inc. v. Marktrade Co., Inc.*, 953 F.2d 500 (9<sup>th</sup> Cir. 1991); *American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 701 F.2d 408 (5<sup>th</sup> Cir. 1983).

<sup>191</sup> See, e.g., *Ocean Garden*, 953 F.2d at 504 (continually raising the plaintiff’s Californian citizenship in assessing the relevant factors under the Ninth Circuit test).

<sup>192</sup> See *Babbit Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1179 (11<sup>th</sup> Cir. 1994).

<sup>193</sup> See *Levi Strauss & Co. v. Sunrise Int’l Trading, Inc.*, 51 F.3d 982 (11<sup>th</sup> Cir. 1995). The Second Circuit would probably not accept such conduct alone, without some effect in the United States, as substantial effect on U.S. commerce. See *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824 (2d Cir. 1994). But see *Piccoli A/S v. Calvin Klein Jeanswear Co.*, 19 F. Supp.2d 157, 171 (S.D.N.Y. 1998) (suggesting that language in the Second Circuit decision in *Atlantic Richfield* leaves open the possibility that the Lanham Act may be applied where the defendant makes use of the physical stream of U.S. commerce in a way that is essential to alleged infringement even where no goods are sold in the United States and no American consumers are misled).

<sup>194</sup> 955 F. Supp. 220 (S.D.N.Y. 1997), *aff’d*, 152 F.3d 948 (Fed. Cir. 1998).

<sup>195</sup> 150 F.3d 189 (2d Cir. 1998).

<sup>196</sup> Cf. *Fun-Damental Too v. Gemmy Corp.*, 111 F.3d 993 (2d Cir. 1997) (applying U.S. law to foreign conduct by a U.S. defendant where the goods upon which unauthorized use was made were designated for shipment to the United States).

<sup>197</sup> *Atlantic Richfield*, 150 F.3d at 192 n.4. See also *Totalplan Corp.*, 14 F.3d at 830 (refusing to apply the Lanham Act where there was no evidence that the shipment of goods abroad from the United States affected U.S. commerce by re-entering the country and causing confusion).

Circuit, consistent with *Vanity Fair*, vacated the district court's grant of an injunction with extraterritorial consequences because the lower court failed to consider the *Bulova* factors.<sup>198</sup> But the Court provided guidance to the district court (which that court was to consider on remand) that indicates a relaxation of the *Bulova* factors as understood in *Vanity Fair*. The defendant, Bayer AG, was a German company that owned rights to the BAYER mark in most countries of the world, but not in the United States. The U.S. rights were owned by the plaintiff, Sterling, a U.S. company. Strictly, any effort to apply the Lanham Act to uses occurring outside the United States would fail the *Bulova* test: the defendant was German, and any such injunction would interfere with the defendant's legitimate foreign trademark rights. But the Second Circuit suggested that where the plaintiff was seeking "the more modest goal of limiting foreign uses that reach the United States" rather than a blanket injunction against any use by the defendant, the unrefined application of the *Bulova/Vanity Fair* factors was unnecessarily demanding and would undermine the purposes of U.S. trademark law, namely to protect U.S. consumers against confusion.<sup>199</sup>

Similarly, in *Playboy v. Chuckleberry*, the court applied U.S. law (as embodied in an earlier order adjudging infringement) to the use by the Italian defendant of the plaintiff's mark on a web site in Italy that was permitted by Italian law (because the plaintiff's mark was unprotectable in Italy).<sup>200</sup> The district court recognized that it could

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<sup>198</sup> See *Sterling Drug, Inc. v. Bayer*, 14 F.3d 733 (2d Cir. 1994).

<sup>199</sup> This focus on effectuating the purposes of the substantive trademark law has been used on other occasions to justify more liberal assertions of prescriptive jurisdiction. See, e.g., *Libbey Glass, Inc. v. Oneida Ltd.*, 61 F. Supp.2d 720, 723 (N.D. Ohio 1999) ("stringent application of the *Vanity Fair* test is inappropriate where . . . a defendant could unjustly 'evade the thrust of the laws of the United States in a privileged sanctuary beyond our borders'") (citation omitted).

<sup>200</sup> See *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996). A routine application of the *Bulova* factors to the facts in *Playboy* would have been only slightly more favorable to the extraterritorial application of the Lanham Act than the facts facing the Second Circuit in *Sterling Drug*. Although the defendant in *Playboy* was Italian, the accessibility of the web site in the United States could be argued to have some, but perhaps not substantial, effect on U.S. commerce. See *supra* text accompanying notes 88-94 (criticizing efforts to base *adjudicative* jurisdiction on mere accessibility of a web site in the forum). Finally, although the defendant had no exclusive trademark rights of its own under foreign laws, the plaintiff had made efforts to enforce trademark rights in Italy and had failed. See *Playboy Enters.*, 939 F. Supp. at 1034 (noting that the Italian courts denied PLAYBOY trademark protection because the mark was descriptive and hence weak). One could interpret that decision as a determination by the Italian authorities to allow the free use of the PLAYBOY mark, with which an extraterritorial assertion of U.S. law would conflict. This merely highlights the lack of flexibility inherent in the *Bulova* factors, which focus only on the existence of "trademark rights" not on the non-exclusive right of the defendant to use the mark. See *Vanity Fair*, 234 F.2d at 642 (articulating third *Bulova* factor as whether there was a "conflict with trademark rights established under foreign law"); cf. *LibbeyGlass, Inc.*, 61 F. Supp.2d at 723 ("because [the Turkish defendant] has not shown a registration under Turkish law, there is no evidence to support the proposition that Turkey has an interest in this litigation that conflicts with the application of the Lanham Act"). Compare *Ocean Garden*, 953 F.2d at 503-04 (listing "conflict with foreign law" as the relevant consideration under the Ninth Circuit test, but suggesting that absent "pending proceedings" abroad there would be no affront to a foreign nation's sovereignty). It is not clear why the review of an administrative act granting a registration would cause offense to a foreign nation, but an official (judicial) act denying a registration (which might involve *more detailed* analysis of the issue of validity) is to be ignored. Cf. *American Rice*, 701 F.2d at 415-16 ("Absent a determination by the [foreign] court that [the defendant] has a legal right to use the marks, and that those marks do not infringe [the plaintiffs] mark, we are unable to conclude that it would be an affront to [the foreign country's] sovereignty or law [to apply

not prohibit the defendant from operating its web site in Italy merely because the site was accessible from the United States, where the use of the mark was prohibited. But the court was willing to enter a more limited injunction requiring the defendant to stop access to U.S. users who, by accessing the site from the United States, would effectively be causing the use of the mark to filter into the United States.

The approach in *Sterling Drug*, where the Second Circuit felt compelled to relax its long-standing test, merely highlights the need for more flexible analytical tools. The *Vanity Fair* factors are too blunt in a more global society to accommodate the nuance of international uses.<sup>201</sup> Almost every international trademark dispute may touch upon the interests of more than one state. *Sterling Drug* suggests that, as discussed more fully below, the resolution of the complexities of international trademark litigation may require both a willingness to consider foreign laws and also an acceptance that national trademark owners might have to settle for something less than exclusive rights when they move into the international market.<sup>202</sup> Indeed, implicit in the Second Circuit's opinion is recognition of the relationship between the nature of relief granted and undue interference with the decisions of foreign states. Less extensive relief than a blanket injunction enabled the federal U.S. courts to act without offending German sensibilities.

*Les Ballets Trockadero de Monte Carlo v. Trevino*<sup>203</sup> highlights another dimension of contemporary trademark law that might generate more liberal extraterritorial application of the Lanham Act even in courts in the Second Circuit. In particular, it demonstrates how substantive trademark reforms – protection against dilution – may permit more expansive assertions of prescriptive jurisdiction. There, the court enjoined the use of a mark in connection with the performance of entertainment services in Japan where the defendant was a U.S. citizen and its pending Japanese trademark applications were being contested. To support this result under the *Vanity Fair* factors, the court took evidence on Japanese trademark law and concluded that the grant of rights was unlikely. As discussed above, this may need to be the judicial *modus operandi* of the future, but it departs significantly from the reflexive deference to possible

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U.S. law to the defendant's foreign conduct]”). To be sure, one might argue that the interest of a foreign mark holder, with exclusive rights, is greater than the interest of a foreign user with non-exclusive rights that exist by virtue of the absence of foreign trademark rights. But, if interests are defined in public rather than private terms, determining those marks that are not granted trademark protection may regulate a country or region's economic climate as much as the grant of trademark rights. Moreover, the range of competing administrative and judicial institutions (both national and regional) that might effect that regulation is increasingly large. The *Bulova* factors, as traditionally applied, are too wooden a device to accommodate a proper analysis of these complex issues.

<sup>201</sup> See *Sterling Drug Inc.*, 14 F.3d at 747 (“Where . . . both parties have legitimate interests, consideration of those interests must receive especially sensitive accommodation in the international context”); cf. *Simon v. Philip Morris Inc.*, 2000 WL 1790420 at \* 20 (E.D.N.Y. Dec. 7, 2000) (noting that traditional approaches to choice of law may require modification for the complex questions with which national courts are now presented). As suggested above, see *supra* note 184, the *Bulova* factors as understood in *Vanity Fair* are also insufficiently flexible to reflect the different institutions and laws that might now have an interest in the availability of trademark rights in the international marketplace.

<sup>202</sup> See *supra* text accompanying notes 128-36 (foreign laws); *infra* text accompanying note 223 (less than exclusive rights).

<sup>203</sup> 945 F. Supp. 563 (S.D.N.Y. 1996).



conflicts with foreign law that one finds in cases such as *Vanity Fair*. Moreover, the court found a substantial effect on U.S. commerce in part because of the now-actionable dilution of the distinctiveness of the plaintiff's mark (and the damage to the prospective licensing opportunities for the American plaintiff in Japan). Thus conceived, most American plaintiffs engaging in international commerce can find ample effects on U.S. commerce, suggesting that some courts in the Second Circuit may be moving closer to other courts on the assessment of U.S. effects sufficient to justify application of the Lanham Act.

#### G. The effect of Public International Trademark Law on Choice of Law Problems

To the extent that there is broad-based harmonization of national laws, an ongoing project of much public international law, there should be fewer choice of law problems. Theoretically, the decision whether to apply French or U.S. law is of little import if those two laws apply the same rules; this is a false conflict. But here the “competing trademark ownership” choice of law problem is significant. In that context, as in others involving the application of legal rules to different national factual settings, the application of the same formal rule (for example, of priority) may still produce different results and thus generate a conflicts problem.

Similarly, however, the conclusions that we reach on the feasibility of resolving trademark choice of law disputes may guide the priorities set for public international trademark policymaking. If choice of law problems appear intractable, certain public international avenues for reform might appear necessary (or easier) alternatives.<sup>204</sup> In particular, the inability of private international law to resolve the conflict of existing competing trademark rights might require a re-examination of the scope and nature of substantive trademark rights.<sup>205</sup>

In particular, one might seek to ameliorate the choice of law difficulties presented by online use by concluding public international agreements on certain substantive trademark standards. Under such agreements, the scope of trademark rights under national laws could be confined to exclude from their scope certain foreign online uses of the mark notwithstanding that such uses have (by virtue merely of the global nature of the internet) an effect in the domestic national market. That is to say, the solution to the problem of inevitable global effects may be to revise substantive national trademark laws such that certain of those global effects are deemed to be of no legal (trademark) significance other than in a particular country. By restricting the scope of the substantive national trademark rights, the clash of competing rights is thus reduced.

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<sup>204</sup> Cf. ABA JURISDICTION PROJECT, *supra* note 36, at 1832 (“Historically, . . . changes in substantive law . . . have driven changes in jurisdictional rules rather than the reverse”). Despite this, there are costs associated with reliance on public international intellectual property law as a sole means of addressing the demands of globalization. See Dinwoodie, *supra* note 153 (discussing roles of public and private international mechanisms in developing copyright law).

<sup>205</sup> See Bettinger and Thum, *supra* note 26, at 287 (arguing that, at least in the online context, “[s]ince it is not the conflict of legal systems but rather the conflict of subjective property rights that must be solved, classic conflict of law rules do not seem suitable for solving the conflict”).

Conceptually, this approach mirrors traditional choice of law rules in that it seeks to localize a multinational set of facts within a single national setting. This process of localization is indeed the primary function of traditional conflictual applicable law rules. But this approach would achieve the localization by retracting the scope of national trademark rights rather than adopting a choice of law rule that would limit the reach of national trademark laws. It would localize through trademark principles and not choice of law principles.<sup>206</sup>

Thus, in seeking to resolve the choice of law problems of international trademark law, I consider below how public international trademark lawmaking might ease some difficulties, especially in the context of online use and competing ownership. I also consider the role of anational arbitration of substantive trademark law issues in addressing these problems.

#### H. Mechanisms for Unifying Ownership

The competing ownership dilemma, especially as presented by online use, might be addressed in several different ways. Absent prompt development of private international law solutions, public lawmaking must orient itself more directly to the question of unifying, or reconciling competing national, ownership. Several recent international developments have contributed to this project, each in small but collectively important ways. All international mechanisms that facilitate the broadest possible multinational ownership of trademarks in a single person in the quickest possible way ameliorate the problem (at least prospectively). To be sure, there may be other costs involved in this strategy. In particular, it would precipitate the global depletion of marks by allocation of rights to a single person who may use them only fleetingly in certain markets. But taking the strategy as a legitimate one for current purposes, what devices further this goal?

On the registration side, the Madrid Protocol and the Madrid Agreement become essential.<sup>207</sup> Similarly, in a smaller way, the approximation of national registration and maintenance procedures effected by the Trademark Law Treaty should assist the acquisition of multilateral rights.<sup>208</sup> (The Paris Convention priority period obviously also contributes to this process).<sup>209</sup> Certain other provisions of international trademark law, not directly aimed at simplifying registration mechanisms, also help. For example, the provisions in treaties and recent WIPO Assembly Resolutions regarding the protection of well-known marks even in countries where such marks have not been used or registered enables the convergence of rights in a single person.<sup>210</sup>

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<sup>206</sup> See Bettinger and Thum, *supra* note 26, at 287 (“[T]rademark conflict-of-law rules are not the appropriate starting point for the solution to the problem. To solve the ‘conflict of rights’ on the Internet, new rules of substantive law have to be developed for those genuinely international cases where national substantive rights conflict in a global medium”).

<sup>207</sup> See *supra* note 16.

<sup>208</sup> See *supra* note 4.

<sup>209</sup> See Paris Convention, *supra* note 1, art. 4.

<sup>210</sup> See *id.*, art. 6bis; TRIPS Agreement, *supra* note 2, art. 16; *supra* note 5 (WIPO Resolution)..

As discussed above, another means of achieving unification of ownership, would be to enable acquisition of rights everywhere by use on the internet.<sup>211</sup> In some ways, this would extend the benefits of the Paris Convention on well known marks to all marks. It would in effect replace the principle of territoriality with the principle of universality (or would deem the geographic scope of internet use to be global). As noted above, such a reform would, however, require a wholesale reversal of trends in twentieth century international and national law and would command little support.

These strategies, especially the last, highlight the fact that any realistic solution will still require individual national courts to make determinations of sufficient use, distinctiveness, and competing considerations that are remarkably fact-specific. Trademarks are inevitably linked to cultural understandings, particularly of language. They reflect assumptions of consumer behavior, understanding, and confusion. These understanding and assumptions remain, despite the internet and globalization, remarkably geographically and nationally influenced.<sup>212</sup>

## I. The role of substantive trademark law reforms

In this Section, I discuss two proposals that seek to use reform of substantive trademark law as a means of resolving some of the conflicts dilemmas presented by international and online trademark use. Each proposal that I discuss would involve the adoption as a matter of public international law (whether in treaty form or as a resolution of the WIPO Assembly) of a common substantive rule to be applied by national courts in disputes involving online trademark usage. Courts could, of course, of their own initiative develop similar substantive rules to be applied to international or online use. Indeed, I have argued that courts should consider developing special substantive rules as a means of resolving the conflicts dilemmas presented by international copyright litigation.<sup>213</sup> In either instance, however, there will have to be ongoing efforts to interpret such rules, whether instituted judicially or legislatively. Given the source of the problem, courts should interpret such substantive rules in ways that promote international solutions and accommodate competing national interests. This internationalist interpretation might be easier for courts to effect with explicit instruction from national legislatures, and with concomitant undertakings by other nations.<sup>214</sup>

### 1. Non-Exclusive Trademark Rights

Two German scholars, Torsten Bettinger and Dorothee Thum, have suggested resolving online choice of law problems by moderating the exclusive nature of trademark rights. That is, if our difficulties stem from the clash between the exclusive nature of trademark rights and the number of legitimate users, one solution is to eliminate

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<sup>211</sup> See *supra* text accompanying note 139-41 (discussing this option).

<sup>212</sup> Cf. *supra* note 57 (discussing “universal goodwill”).

<sup>213</sup> See Dinwoodie, *supra* note 153.

<sup>214</sup> Cf. Proposed Hague Convention, *supra* note 60, art. 38.

exclusivity such that all claimants may use the mark online.<sup>215</sup> This goal is perhaps best achieved at the remedial stage, but this approach could be considered more broadly as a balancing or compromising of different national interests.<sup>216</sup> In some ways, courts ordering relief that seeks to achieve technological territorialization are applying a version of this proposal. But the relief that enables co-existence of users could also consist, for example, of mandatory injunctive relief requiring confusion-dispensing packaging of the web site.<sup>217</sup>

Bettinger and Thum, characterize their proposal as a philosophy of “co-existence” rather than exclusivity.<sup>218</sup> They would, however, permit such online co-existence of competing marks only if the foreign user is not making “unfair use” of the mark.<sup>219</sup> They offer several sets of circumstances where the interests of the domestic markholder are likely to predominate, where the foreign use would be regarded as unfair, and where consequently an injunction should be granted notwithstanding the general rule of co-existence online. For example, abusive registration for purpose of cybersquatting or preventing expansion would not be fair use. And use of a country code suffix of the domestic country would suggest an intent to intrude unfairly upon the domestic market. Intentional confusion would be unfair, as would “systematic imitation” of the mark. Bettinger and Thum would also give extra protection, and tend to grant prohibitory injunctive relief, where the mark is well-known or famous within the meaning of Article 6*bis* of the Paris Convention and Article 16 of the TRIPS Agreement. Such marks are granted a broader scope of protection by international agreements,<sup>220</sup> and thus should be more resistant to contractions of scope. Also, such marks are already likely to be given (by virtue of those treaties) protection in many different countries notwithstanding the

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<sup>215</sup> This would be more problematic with respect to domain name issues, at least insofar as the domain name system continues to be structured as it is at present. See Dinwoodie, *supra* note 11, at 497 (noting the internet’s need for unique addresses represented by domain names).

<sup>216</sup> See Bettinger and Thum, *supra* note 26, at 293 (describing a “balancing of interests” approach to the problem). Bettinger and Thum contemplate a system of balancing of interests that is not limited to fashioning non-prohibitory relief, and recognize that a balance of the relevant interests might result in the conclusion that either a full injunction is warranted or that no relief is warranted (depending upon the direction of the imbalance of interests). See *id.*, at 294 (discussing the *Tannenzeichen* decision of the Mannheim District Court).

<sup>217</sup> See *Sterling Drug, Inc. v. Bayer*, 14 F.3d 733 (2d Cir. 1994) (contemplating remedial measures short of an absolute injunction against use); see also Bettinger & Thum, *supra* note 26, at 294 (discussing German case law where such measures had been used to mediate between competing local right holders that sought to make the use of a mark on a broader regional level).

<sup>218</sup> As Bettinger and Thum note, we tolerate co-existence in a variety of exceptional circumstances, many of which require mediation between primary local uses that inevitably extrude to a broader geographic area. See Bettinger and Thum, *supra* note 26, at 298 (discussing co-existence provisions in German law).

<sup>219</sup> See *id.*, at 297 (arguing that “the domestic holder of a trademark right would be obliged to tolerate the perceptibility on the Internet of an identical or misleadingly similar sign unless particular circumstances established that the use of the sign amount to unfair use by the foreign user of the mark.”). This may be quite similar in practice to the approach of restricting the scope of trademark rights through a redefinition of third party use because the considerations that would likely work as indicia of “unfair use” would resemble the considerations that would under other approaches discussed in this Paper indicate sufficient domestic contact or targeting to implicate domestic rights. See *supra* text accompanying notes 89-90 (targeting); *infra* text accompanying notes 236-44 (commercial effect).

<sup>220</sup> It is an open question whether this includes protection against dilution. See *supra* note 13 (discussing interpretation of Article 16 of TRIPS).

premise of territoriality and thus efficiency suggests that the mark owner with this collection of rights should be given preference.

In determining whether a situation warrants co-existence, Bettinger and Thum suggest that a court should consider not only the extent to which the domestic mark owner's interests are impacted, but also the consequences of a ruling that the foreign user refrain from internet use of the mark (e.g., having to abandon the mark or refrain from internet advertising). In particular, they suggest that "the interests of the domestic rightholder are less strongly affected by the perceptibility of the foreign trademark on the internet than by the sale of the product in [the domestic market]."<sup>221</sup> At first glance, this assessment restricts the trademark owner's interests (perhaps rightly, but against the trend of contemporary trademark law) to protection against diversion of sales, which is essentially a restriction to protection against point of sale source-confusion.<sup>222</sup>

It may be that trademark owners should be willing to accept this restriction because without it their own ability to use the mark online might be imperiled by reciprocal aggressive assertions of extraterritorial jurisdiction by the courts of foreign mark holders. More limited rights might therefore be mutually beneficial to trademark holders (at least in the case of two legitimate competing trademark owners). And it may also be that because Bettinger and Thum would grant broader protection to well-known marks via their "unfair use" analysis their proposal may preserve dilution protection.<sup>223</sup> But, more importantly, it is clear that resolution of the conflicts issues presented by international and online trademark use may require a re-assessment of the scope of trademark rights.

The determination whether to recognize the exclusivity of the domestic mark owner's rights and grant an injunction against foreign use that intrudes on local goodwill will require a balancing of the interests of the local mark owner and the foreign user. If courts are instructed to balance the competing interests of the domestic and foreign mark users – to decide whether to seek a compromise remedy or to favor one user over the other – the courts are clearly likely to assume a greater role in mediating rival prescriptive claims. Such balancing inevitably will be fact-intensive.<sup>224</sup> But this is not to say that legislatures or international organizations have no role in facilitating this

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<sup>221</sup> Bettinger and Thum, *supra* note 26, at 299. Moreover, Bettinger and Thum suggest that while this model of co-existence would apply to foreign advertising and non-sales use of the marks on the internet, it should not apply to offline sales into the domestic market, nor to online sales. The former is obvious; the latter, they suggest, flows from the capacity (albeit imperfect) of producers to identify users/purchasers by nationality and location. *See id.*, at 303.

<sup>222</sup> They justify this concession to the foreign user not only by defining rights in terms of source-confusion, but also by reconstructing the cyber-consumer: they argue that "anyone who uses a global interactive medium can be expected to apply greater attention with respect to the possibility of co-existing trademarks, particularly since information concerning the origins of the goods . . . are [sic] frequently contained in the general presentation of the company . . . regularly provided on the web site." *Id.* at 300. To be sure, some such reconstruction is probably required; but we must recognize that such an approach might limit application of substantive trademark doctrines such as, for example, the doctrine of initial interest confusion.

<sup>223</sup> *See supra* text accompanying note 221.

<sup>224</sup> *See* Bettinger & Thum, *supra* note 26, at 295.

approach, if it is deemed the preferable one. Absent such guidance, courts may be reluctant to mediate claims in ways that involve the application of a law other than their own.<sup>225</sup> National courts have an understandable tendency to prefer the national domestic right holder and vindicate the rights of that person over the foreign user.<sup>226</sup>

## 2. Restrained Definitions of Use

The problems that the internet has caused private international trademark law have recently been addressed by the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications.<sup>227</sup> In particular, over the past two years the Committee has sought to harmonize national approaches to the question of “use” of marks on the internet, and has therefore developed a draft set of provisions on the concept of “use.”<sup>228</sup> In use-based systems, such as the United States, the concept is obviously central to the acquisition of rights. But even in registration-based systems, the maintenance and enforcement of rights may require use of the mark by the producer, and infringement depends upon use of the mark by the defendant. Use is central to trademark law, whether in a use-based or registration-based system.<sup>229</sup>

Although the SCT project consciously avoids the question of applicable law,<sup>230</sup> international adoption of its proposals would substantially mitigate some of the choice of law problems discussed above. The proposal consists of two primary components. The first component of the proposal reduces the number of likely conflicts and thus problems of choice of law in the online environment; the second component provides a flexible rule of substantive trademark law that mediates the conflicts that occur notwithstanding the first part of the proposal.

Under the first component, use of the sign on the internet would only be treated as use in any particular state for the various purposes identified above if the use of the sign

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<sup>225</sup> See *supra* text accompanying notes 95-102.

<sup>226</sup> See *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996); *Bettinger and Thum*, *supra* note 26, at 295 (discussing reaction of German courts in domain name disputes); *cf. Dinwoodie*, *supra* note 153, at 569 n.342 (discussing means of implementing less forum-centered approach to international copyright cases); *Ginsburg*, *supra* note 51, at 39 (noting the tendency of U.S. courts to apply the *lex fori* in international copyright cases).

<sup>227</sup> See Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, Protection of Industrial Property Rights in Relation to the Use of Signs on the Internet, WIPO Doc. No. SCT/5/2 (June 21, 2000) [hereinafter SCT Memorandum]; Summary by the Chair, Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, WIPO Doc. No. SCT/5/5 (Sept. 15, 2000) [hereinafter Sept. 2000 SCT Summary].

<sup>228</sup> Eighty countries agreed in principle to the draft provisions in September 2000, and the final text of the proposal will be discussed at the March 2001 SCT meeting, with a view to adoption by WIPO member states in September 2001. See Report of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, WIPO Doc. No. SCT/4/6 (Sept. 19, 2000) at 3 [hereinafter SCT Report].

<sup>229</sup> See SCT Memorandum, *supra* note 227, at 4.

<sup>230</sup> See *id.* at 4 (leaving the question of applicable law to individual states). The proposal also eschews any effort to harmonize the *effect* of use in a member state, which will remain a matter of unharmonized national law. See *id.* at 8 (noting that the legal effects of use would remain to be determined by member states in accordance with the law determined to be applicable).

has a “commercial effect” in that state.<sup>231</sup> The proposal further details the factors relevant to a determination whether a sign has a commercial effect in a state. The factors are non-exhaustive and include whether the user is doing or planning to do business in a particular state (although use of the sign can have a commercial effect in a country without the user doing business there). The language and currency used on the web site where the mark is used, as well as any explicit disclaimer of the ability to delivery goods in a particular state, would be relevant. Actual restraints on the ability of the producer to deliver goods (for example, regulatory hurdles) would also provide guidance, as would whether the web site had actually been visited by persons from a particular state. The interactivity of the web site might also be an important factor.<sup>232</sup>

Although the WIPO SCT proposal is framed as harmonization of substantive trademark law, the variables that would be relevant to any analysis of “commercial effect” closely approximate the proposals being advanced by many writers (and being developed by the U.S. courts) as evidence of “targeting” or “purposeful availment” sufficient to found adjudicative jurisdiction in the online context.<sup>233</sup> The factors are also similar to those mentioned by Bettinger and Thum as relevant to the “fairness” of foreign use, upon which their proposal of co-existence is premised.<sup>234</sup> In short, through different doctrinal vehicles, there is support for the proposition that internet use of a mark of another might be regarded as use sufficient to infringe trademark rights only in countries with which the use has a connection other than merely being accessible via online activity.<sup>235</sup>

Such connections,<sup>236</sup> which would reveal an intent<sup>237</sup> to interfere with specific national rights, might include the language of the website,<sup>238</sup> the nationality and location

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<sup>231</sup> See Draft SCT Provisions, Sept. 2000 SCT Summary, *supra* note 227, Annex [hereinafter Draft SCT Provisions] § 2 (“Use of a sign on the Internet shall constitute use of the sign in a Member States for the purposes of determining [whether such use establishes, maintains, or infringes industrial property rights or constitutes an act of unfair competition] only if the use has a commercial effect in that Member State as described in Section 3.”). The SCT Proposal would not require states to adopt a use-based system. See SCT Memorandum, *supra* note 227, at 16.

<sup>232</sup> The full listing of factors is found in Section 3 of the SCT proposal. See *id.* § 3.

<sup>233</sup> See *supra* text accompanying note 93-94.

<sup>234</sup> See *supra* text accompanying notes 219-22.

<sup>235</sup> See Draft SCT Provisions, *supra* note 231, § 7; Bettinger and Thum, *supra* note 26, at 291-92 (listing authors supporting this approach and exploring its application).

<sup>236</sup> Some of these particular factors (e.g., language, culturally-directed products) may represent a bygone culture. Variables that might at one time point to sales in a single country may now be less relevant: for example, do British consumers really care that the book is written in American English? Standardization of online language, cultural assimilation, technical standardization, and the nature of online shopping (where the consumer is an active determinant of what appears on the screen), all undermine the ability of these factors to exclude a large number of internet uses from the morass of competing trademark rights. Only rarely (most likely with local services) will these variables affirmatively suggest that internet use is nationally confined. Moreover, the meaning of these factors to consumers and producers may be susceptible to change as society changes. Targeting cannot become embedded as the only activity that implicates national interests. The nature of online commerce may evolve such that passive producers and actively-searching consumers become the norm. It is important, therefore, that we attempt no exhaustive articulation of relevant considerations and which way they cut.

<sup>237</sup> Generally speaking, intent has not been an element of modern trademark causes of action. But intent, in the form of purposeful availment of the benefits of a jurisdiction, is a consideration that courts in the United

of persons accessing the web site,<sup>239</sup> the nature of the products being sold,<sup>240</sup> activity offline,<sup>241</sup> the use of a web site with a domain name address including a particular country code top level domain (such as .uk),<sup>242</sup> or other variables revealing conscious targeting of the national market in question.<sup>243</sup> Under the SCT Proposal, the existence of industrial property rights would also be relevant, both in favoring the activity of persons owning rights abroad and in diminishing the claims of persons such as cybersquatters who have no such rights and whose conduct was motivated by the rights inhering in others.<sup>244</sup>

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States have taken into account in determining whether a foreign defendant should be subject to the jurisdiction of the U.S. courts. *See, e.g., Asahi Metal Indus. Co. v. Superior Court of California*, 480 U.S. 102 (1987). Personal jurisdiction case law might therefore be of some interest in this context.

<sup>238</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(1)(d)(iv); Bettinger & Thum, *supra* note 26, at 292 (identifying the language of a web site as relevant “other domestic connecting factor”); *cf.* *GB Mktg. USA Inc. v. Gerolsteiner Brunnen GmbH & Co.*, 782 F. Supp. 763 (W.D.N.Y. 1991) (exercising subject matter jurisdiction over foreign activity that contributed to copyright infringement in the United States where the language used on product labels clearly revealed the defendant’s intent to target the U.S. market). Depending upon the evolution of internet activity, language may tend to exclude rather than include national interests, as a large percentage of web sites are in English. *See* UNITED NATIONS, HUMAN DEVELOPMENT REPORT 1999, at 6 (Oxford Univ. Press. 1999) (reporting that 80% of web sites are written in English, although less than 10% of the world’s population speaks English); *see also* SCT Memorandum, *supra* note 227, at 14 (“language can be a decisive factor if the language used on the web site is not widely spoken outside the Member State in question. However, the more widely a language is used outside the Member State, the less conclusive is the evidence provided by its use”). But the adoption of English as the contemporary *lingua franca* may change this. *See supra* note 236.

<sup>239</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(1)(d)(v); *cf.* *National Football League v. TVRadioNow Corp.*, 53 U.S.P.Q.2d 1831, 1834-35 (W.D. Pa. 2000) (noting, in finding U.S. publication in a copyright infringement litigation, that 45% of the hits on a Canadian website were from the United States). One would, of course, have to exclude hits generated by the plaintiff. *See Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996).

<sup>240</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(1)(c)(i). For example, electrical goods operating under only one currency used in particular countries might suggest a more limited intended market. *See also* *Jian Tools for Sales Inc v. Roderick Manhattan Grp. Ltd.*, [1995] FSR 924 (Ch. D. 1995) (Eng.) (software for business planning permitted use only of U.S. dollars and structured around U.S. legal and economic model). Local services would appear unlikely to target remote jurisdictions; if the goods were capable of online digital delivery, global intent is more easily drawn; goods that are said to be delivered only in a particular country would appear targeted only to that country. *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 259 (S.D.N.Y. 1996), *aff’d*, 126 F.3d 25 (2d Cir. 1997) is an example of these factors applying in the jurisdictional context. The fact that the defendant in that case was using the plaintiff’s mark online in a geographically remote location for services that were inherently local (advertising a jazz club that could only be attended by persons in the defendant’s local area) justified the court’s conclusion that the defendant was not present in the plaintiff’s area of business even though the defendant’s web site could be accessed from that area.

<sup>241</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(1)(b)(i). Bettinger and Thum suggest that particular weight might be given to offline references to the web site. *See* Bettinger and Thum, *supra* note 26, at 292.

<sup>242</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(1)(d)(iii). Bettinger and Thum suggest that use of a country code in the domain name of the web site in question should give rise to a presumption of an intent to target the particular country whose country code is used. *See* Bettinger and Thum, *supra* note 26, at 292. This may have the effect of driving producers to market goods on sites with addresses in the generic top level domains in order to confine the jurisdictions in which they would be amenable to suit.

<sup>243</sup> *See* Draft SCT Provisions, *supra* note 231, § 3(2).

<sup>244</sup> *See id.*, § 3(1)(e).



The SCT approach bears some resemblance to approaches that have in the past been advocated by U.S. conflicts scholars to avoid (rather than to resolve) true conflicts.<sup>245</sup> For example, in response to criticism of his initial approach to what he called true conflicts – which was simply to apply the law of the forum – Brainerd Currie suggested that courts instead re-examine the competing laws and interpret the scope of their own substantive law “with restraint and moderation.”<sup>246</sup> He argued that, upon such analysis, courts might find that any conflict might be apparent only and not real. Currie detected examples of such an approach in several decisions of the California courts.<sup>247</sup> Essentially, the SCT is suggesting that each forum should assess the potential application of its own law with “restraint and moderation” to avoid a conflict in the first place.

The second component of the SCT proposal limits the liability of the owner of trademark rights in one country who uses its mark online in a way that *has* a commercial effect in another state. In particular, such a mark owner will not be liable to the mark owner in that other state prior to receiving a “notification of infringement” provided that its rights were not acquired in bad faith and that contact details are provided on the web site where the sign is displayed.<sup>248</sup> Even upon receiving a notification, the user could avoid liability by expeditiously taking steps to “avoid commercial effect in the country where notice was served without unreasonably burdening the user’s commercial activity” and to avoid confusion<sup>249</sup> with the mark owner in that country.<sup>250</sup> If those steps include the use of a disclaimer in accordance with the terms of Section 9 of the Draft provisions, the user is conclusively presumed to have satisfied the standard.<sup>251</sup> Such disclaimers should, *inter alia*, make clear that the user of the sign does not intend to deliver goods to

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<sup>245</sup> Substantive law making of this sort may be assigned to a variety of institutional bodies. I have argued elsewhere that courts should consider developing special substantive rules as a means of resolving the conflicts dilemmas presented by international copyright litigation. *See* Dinwoodie, *supra* note 153. The WIPO proposals would seek to achieve public international agreement on such substantive principles and have the consensus rule enacted in discrete national laws. This approach thus resists the widespread ongoing judicial development of further compromise rules (as I sought to achieve in my copyright proposal), by instead seeking (via its first component) to withdraw certain states from particular factual disputes rather than incorporating all their interests in the “mix” in litigation.

<sup>246</sup> *See generally* BRAINERD CURRIE, *SELECTED ESSAYS ON THE CONFLICT OF LAWS* 759-64 (1963).

<sup>247</sup> *See, e.g.*, *People v. One 1953 Ford Victoria*, 48 Cal.2d 595 (1957).

<sup>248</sup> *See* Draft SCT Provisions, *supra* note 231, § 8(1).

<sup>249</sup> As seen with the Bettinger and Thum proposal, *see supra* text accompanying notes 220-22, avoiding choice of law problems through substantive harmonization obviously has consequences for trademark law of which sight cannot be lost. For example, by premising this safe harbor only on avoidance of confusion, the provision would at first glance appear effectively to exclude certain non-confusion based dilution protection for marks online, thus creating one of the few “substantive maxima” in international intellectual property law. *See* Draft Provisions, *supra* note 231, § 10(2)(ii). Section 10 moderates this by providing that analysis of bad faith (which would ensure the non-application of the exception) shall include consideration of whether the use of the sign would dilute the right holder’s mark.

<sup>250</sup> *See id.* § 8(2). In order to give meaning to the second part of the safe harbor provision, avoidance of commercial effect cannot be intended to be an absolute prerequisite (otherwise there would be no liability, because the first part of the proposals would preclude a finding of use by the defendant). Thus, a defendant may be immune from liability notwithstanding commercial effect in a country.

<sup>251</sup> *See id.* § 9.

the particular member state where a conflicting right exists and that he has no relationship with the owner of the conflicting right.<sup>252</sup>

This “notice and avoid conflict” procedure in the current draft replaced a provision in the previous draft of the provisions, which had contained a general exception from liability for right holders who in good faith used their signs on the internet.<sup>253</sup> By effectively retaining the exception prior to any notification, the SCT Proposal would enable mark owners to proceed with internet use of their marks without conducting a worldwide search for conflicting rights.

The SCT proposals would also instruct national courts granting a remedy against internet use to consider the effect that any injunction would have in other states.<sup>254</sup> Any remedy must be proportionate to the commercial effect of the use in the member state in question. And “if possible, under the applicable law, . . . [the court] shall take into account . . . the number of Member States in which the conflicting rights is [sic] also protected, the number of Member States in which the infringing sign is protected by an industrial property right, and the relative extent of use on the internet.”<sup>255</sup> In particular, the remedies should not force a user who has rights in a mark in one country to wholly abandon use of the mark on the internet if it has acted in good faith. Such global injunctions are expressly prohibited by Section 14.<sup>256</sup> The draft provisions contain examples of alternative remedial options (such as gateway web pages), which have grown out of practice and experience over the past few years.<sup>257</sup>

Global injunctions may, however, be appropriate in certain circumstances. Indeed, the historical anachronism that is causing current problems with international trademark law is undue adherence to territoriality, not globalization. Where bad faith occurs by blatant infringers, without any rights or privileges of use, global injunctions are to be applauded.

## J. Autonomous Bodies of Private International law

As discussed above,<sup>258</sup> domain names are inherently non-national, and their interaction with national trademark rights has thus presented courts and policymakers with extremely challenging issues of private international law. Indeed, the particular problems posed by the use of domain names that incorporate trademarks in whole or in

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<sup>252</sup> Although Section 9 is intended to provide certainty to *right holders* and is expressly linked to the exemption of Section 8, the Notes accompanying the earlier drafts suggest that the provisions do not address whether the safe harbor should be available even where the user does not own rights in the sign. See SCT Memorandum, *supra* note 227, at 30. Cf. *supra* note 200 (discussing the differential treatment of rights holders and persons with non-exclusive rights to use).

<sup>253</sup> See SCT Memorandum, *supra* note 227, at 26.

<sup>254</sup> See Draft SCT Provisions, *supra* note 231, §§ 11-13.

<sup>255</sup> See *id.* § 11.

<sup>256</sup> See *id.* § 13; SCT Memorandum, *supra* note 227, at 38.

<sup>257</sup> See SCT Memorandum, *supra* note 227, at 36 (discussing gateway web pages as solution).

<sup>258</sup> See *supra* text accompanying notes 21-23.

part have prompted the development of another approach to the conciliation of national trademark rights in an international era.

Domain names in the generic top level domains are allocated by registrars accredited by the Internet Corporation for Assigned Names and Numbers (ICANN). Each registrar accredited by ICANN to offer such names must agree to require domain name applicants to resolve (before an ICANN-approved dispute settlement provider) any dispute regarding the domain name that arises between the applicant and a trademark owner.<sup>259</sup> This agreement is thus a mandatory part of any application to register a domain name in the generic top level domain. This façade of consent is sufficient to ensure that panels have jurisdiction to hear such disputes.

Disputes that are brought before ICANN panels are decided according to the Uniform Domain Name Dispute Resolution Policy (the UDRP).<sup>260</sup> The UDRP, and additional rules elaborating upon the conduct of proceedings, were promulgated by ICANN in October 1999, and the first cases were heard by ICANN panels in December 1999. Then proceedings have been extremely popular with trademark owners. In the first year of the Policy's operation, over 2500 cases were filed involving over 3200 domain names.<sup>261</sup> Decisions are handed down within 45 days of the filing of the complaint. The process is inexpensive. And trademark owners are prevailing in approximately 75% of cases, which may be the strongest factor coloring the perception of the procedure.

The UDRP provides trademark owners with relief only in limited circumstances, however. In particular, a complainant must show:

- (i) that the domain name in question is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
- (ii) that the domain name registrant has no rights or legitimate interests in respect of the domain name; and
- (iii) the domain name has been registered and is being used in bad faith.<sup>262</sup>

These elements, collectively, demonstrate cybersquatting, which is the focus of an action under the UDRP. If a complaint is made out, and the decision is not challenged within ten days by the losing registrant before a national court, the panelist will order the cancellation of the domain name or the transfer of the domain name to the trademark owner.<sup>263</sup>

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<sup>259</sup> See ICANN Registrar Agreement, § J, available at <http://www.icann.org/registrars/ra-agreement-12may99.htm> (last visited Jan. 10, 2001).

<sup>260</sup> See Uniform Domain Name Dispute Resolution Policy, available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm> (visited Jan. 10, 2001).

<sup>261</sup> See <http://www.icann.org/udrp/proceedings-stat.htm> (last visited Jan. 10, 2001).

<sup>262</sup> See UDRP, *supra* note 260, Rule 4(a).

<sup>263</sup> See *id.*, Rule 3(c) (transfer or cancellation of name); Rule 4(k) (providing ten day stay of transfer).

An explication of the developing panel jurisprudence interpreting these terms, and the principal points of contention, is a topic in and of itself.<sup>264</sup> But some aspects of the UDRP warrant consideration as part of an assessment of the private international law of trademarks because the UDRP embodies another approach to the problems tackled in this paper, namely, the development by specially convened non-national dispute resolution panels of an autonomous body of substantive law governing particular international (in this case, domain name) disputes.

Unlike court decisions, international arbitration decisions are the subject of an existing broad-based multinational recognition and enforcement scheme. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards requires signatory states to recognize and enforce arbitration awards issued by arbitrators subject to limited enumerated defenses (which do not include legal errors on the part of the arbitrator).<sup>265</sup> Co-opting that multilateral system as a means of providing greater certainty to trademark owners and domain name registrants seeking to resolve disputes potentially subject to a variety of competing national laws and institutions is thus attractive. For all these reasons, arbitration would appear to offer some advantages over a potential multiplicity of national court litigation. Indeed, some policymakers and scholars have suggested that the UDRP model might be extended to certain other internet-based disputes, or to internet-based disputes generally.<sup>266</sup>

These benefits may, however, be less easily secured than it might first appear. First, the question of applicable law remains a contentious issue, in ways that are not unfamiliar. Although Rule 4 of the UDRP sets out the essential elements of the cause of action that trademark owners can pursue (and, hence, the jurisdiction of the panels), adjudication of disputes requires interpretation of the terms of that policy. Rule 15(a) of the Rules accompanying the UDRP provides that “ a panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the Policy,

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<sup>264</sup> Analysis of ICANN, the organization that adopted the rules, is also worthy of sustained study. *See generally* Jonathan Weinberg, *ICANN and The Problem of Legitimacy*, 50 DUKE L.J. 187 (2000); A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route Around the APA and the Constitution*, 50 DUKE L.J. 17 (2000). For a discussion of the broader systemic and institutional questions raised by the establishment of the UDRP by ICANN, see Graeme B. Dinwoodie and Laurence R. Helfer, *Hybrid Anational Adjudication: Intellectual Property Law at the Domain Name Frontier* (copy on file with author).

<sup>265</sup> *See* Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 38 (“New York Convention”). Permitted defenses to recognition include invalid arbitration agreements, lack of due process, excess of authority, irregular composition of the tribunal, or a violation of the public policy of the enforcing state. *See id.* art. V.

<sup>266</sup> *See Subcommittee Tackles Jurisdiction Issues on Internet*, 60 PAT. TRAD. COPR. J. (BNA) 214, 215 (July 14, 2000) (reporting testimony before House Judiciary Committee’s Subcommittee on Courts and Intellectual Property which “debated the usefulness of the [UDRP] . . . as a possible model for resolving complex jurisdictional issues”); ABA JURISDICTION PROJECT, *supra* note 36, at ¶ 1.4.7 (describing UDRP as a “promising example” for creating “new forms of dispute resolution” by private parties and governmental bodies for Internet disputes that cross national borders); Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, arts. 12-14, and recitals 40-46, O.J. L 178, 1, 6, 12-13 (providing that member states should encourage the development of notice and takedown procedures by means of “voluntary agreement between all parties concerned”).

these Rules and rules and principles of law that it deems applicable.”<sup>267</sup> Some panels have had resort to principles developed under national laws to interpret the terms of the Policy,<sup>268</sup> while others have sought to find meaning in the language and history of the UDRP (often as interpreted by other panels).<sup>269</sup> This introduces both horizontal and vertical choice of law questions into the analysis. Horizontally, if panels are to have regard to national law, to which national law should they look? The traditional problems of choice of law referenced above resurface. Vertically, if the international rules laid down in the Policy are to apply with an occasional interjection of national rules or principles, what are the principles according to which the balance of international and national rules is to be calibrated?<sup>270</sup> Again, this question parallels that which confronts courts in federal systems on a daily basis and is implicated in the contest between EU and national law that the European Court of Justice must confront on a regular basis.

Moreover, adjudication of disputes may require reference to rights that exist under national law. In order to have standing to bring a complaint, a trademark owner must demonstrate “that the domain name in question is identical or confusingly similar to a *trademark or service mark in which the complainant has rights.*”<sup>271</sup> This will not always be a mechanical process, and may involve determinations by panelists of the validity of rights under national laws.<sup>272</sup> Given the traditional reluctance to permit judicial review of foreign administrative acts of registration, affirmed by the current draft of the proposed Hague Convention, should panelists be willing to accept national registrations unquestioningly as evidence of trademark rights upon which a complaint under the

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<sup>267</sup> See Rules for Uniform Domain Name Dispute Resolution Policy, available at <http://www.icann.org/udrp/udrp-rules-24oct99.htm> (last visited January 10, 2001).

<sup>268</sup> See, e.g., *World Wrestling Federation Entertainment, Inc. v. Michael Bosman*, WIPO Case No. D99-0001 (Jan. 14, 2000) (citing U.S. case law to interpret the meaning of “use”); *Wal-Mart Stores, Inc. v. wallmartsuckscanada.com*, WIPO Case No. D2000-1104 at 9 (Nov. 23, 2000) (noting in case involving the challenge by a U.S. company, holding trademarks in Canada and the United States, to the registration of a domain name by a Canadian citizen with a Canadian-based registrar, that “U.S. ACPA and trademark infringement cases are natural sources of rules and principles of law to apply in resolving this dispute” because of their similarity to the UDRP standards).

<sup>269</sup> See, e.g., *Array Printers AB v. Lennart Nordell*, WIPO Case No. D2000-0092 (Apr. 10, 2000) (applying the principles developed by other panels); *3636275 Canada, dba eResolution v. eResolution.com*, WIPO Case No. D2000-0110 (April 10, 2000) (“Although entitled to consider principles of law deemed applicable, the Panel finds it unnecessary to do so in any depth. The jurisprudence which is being rapidly developed by a wide variety of Panelists worldwide under the ICANN Policy provides a fruitful source of precedent.”).

<sup>270</sup> I refer to these rules as “international” in nature but they differ in many respects from what we would traditionally regard as international law. More appropriate terms might be “anational”, see Dinwoodie and Helfer, *supra* note 264, at 2 n.7, or “non-national”. See Dinwoodie, *supra* note 11, at 513 n.59. Such a debate is, however, beyond the scope of the current paper.

<sup>271</sup> UDRP, *supra* note 260, Rule 4(a) (emphasis added).

<sup>272</sup> This would be essential if the complainant is relying upon the existence of unregistered rights. Cf. 15 U.S.C. § 1125(a). Whether a complainant will rely on unregistered rights will depend in large part upon the willingness of panels to accept national registrations as automatically sufficient to confer standing upon the complainant, without analysis of the substantive validity of those registrations. See *infra* text accompanying note 273-74. If panels do defer to national registrations, regardless of the nation that grants the registration, then complainants might shop for a registration upon which to base their claim. Cf. *Ty Inc. v. Joseph Parvin d/b/a Domains For Sale*, WIPO Case No. D2000-0688 (Nov. 9, 2000) (G. Gervaise Davis, III, panelist, dissenting in part) (discussing “foreign trademark shopping”).

UDRP may rest?<sup>273</sup> At least one ICANN panelist, dissenting from a decision to transfer a domain name from its registrant to the complaining mark owner, has raised some concern about reliance upon (foreign) national registrations as the basis for a complaint where the complainant has been unable to secure equivalent rights in its own country.<sup>274</sup>

How to approach each of these aspects of adjudicating disputes under the UDRP remains unclear. For present purposes, however, it is worth noting simply that these issues undermine one apparent benefit of the Policy, namely its ability to resolve the competition of national laws by instituting a set of autonomous international standards.<sup>275</sup> This may not be a bad thing. The “wobble room” that these ambiguities create may be a means of providing greater certainty in the international arena without wholly sacrificing the benefits of national experimentation and allowing room for expressions of appropriate national autonomy.<sup>276</sup> And the UDRP, despite these unresolved issues, may provide the vehicle for concrete exploration of how to mediate national and international interests, as well as competing national interests.

Second, it is not clear that the benefits of automatic recognition are available to ICANN panel decisions. In particular, the decisions of the ICANN panels may not constitute final decisions subject to recognition and enforcement under the New York Convention. Rule 4(k) of the UDRP explicitly contemplates that panel decisions might be subject to *de novo* review by national courts, which is quite inconsistent with the concept of final arbitral awards to which the New York Convention commands deference. Indeed, the status of the panel decisions for the purposes of the New York Convention prompts consideration of two other issues that will affect the value of the UDRP system. What is the relationship between panel decisions and national court decisions? And, what is the precedential effect of panel decisions in the context of later panel arbitrations?

As to the first matter, the relationship with national decisions has not yet been tested. But national courts and legislatures are not treating the UDRP and decisions rendered thereunder as determinative of conflicts between trademark owners and domain name registrants even in the limited context of cybersquatting. Many national courts have provided trademark owners independent relief against cybersquatting under national

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<sup>273</sup> See *Ty Inc. v. Joseph Parvin d/b/a Domains For Sale*, WIPO Case No. D2000-0688 at 4 (Nov. 9, 2000) (majority opinion of Panelists M. Scott Donahey and Jeffrey M. Samuels) (“As an international body, it is not for the Panel . . . to second guess the rulings of national trademark bodies, at least absent compelling evidence of changed circumstances”).

<sup>274</sup> See *id.* (G. Gervaise Davis, III, panelist, dissenting in part) (discussing “foreign trademark shopping”). The majority opinion in *Ty Baby* strongly disagreed that there was anything improper in attempting to register an English language mark in non-English speaking countries before seeking to register it in English speaking countries, and rejected the contention that the complainant in the case had engaged in such activity. See *id.* at 6 (majority opinion of Panelists M. Scott Donahey and Jeffrey M. Samuels).

<sup>275</sup> See 3636275 *Canada, dba eResolution v. eResolution.com*, WIPO Case No. D2000-0110 (April 10, 2000) (“Although entitled to consider principles of law deemed applicable, the Panel finds it unnecessary to do so in any depth. The jurisprudence which is being rapidly developed by a wide variety of Panelists worldwide under the ICANN Policy provides a fruitful source of precedent.”).

<sup>276</sup> Cf. Dinwoodie, *supra* note 153, at 570-71, 577 (explaining the benefits of local input to international standards).

laws.<sup>277</sup> And the Anti-Cybersquatting Consumer Protection Act,<sup>278</sup> enacted in the United States in late 1999, permits domain name registrants whose domain name has been canceled or transferred pursuant to the UDRP (or a similar policy) to file a civil action in U.S. federal court against the prevailing party to establish that the registration and use of the domain name was lawful (under the Lanham Act).<sup>279</sup> If the domain name registrant is successful, the court may “grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.”<sup>280</sup> Courts in the United States have indicated, moreover, that UDRP panel decisions will not in any way be binding upon them.<sup>281</sup>

The UDRP itself makes provision for parallel national proceedings, before, during and after panel arbitration.<sup>282</sup> Indeed, the losing domain name registrant may suspend the transfer of the domain name registration to the prevailing mark owner by filing an action in national court within ten days of the panel decision.<sup>283</sup> Thus, it is clear that domain name registrars would comply with the orders of national courts.<sup>284</sup> But this returns us once more to the dilemma of which national courts and which national laws should govern trademark disputes (here cybersquatting) in the context of online use.

The question of the precedential effect of UDRP decisions is a matter of concern that is already on the agenda of international policymakers.<sup>285</sup> If the UDRP is to realize one of its potential benefits, namely the evolution of autonomous international principles

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<sup>277</sup> See, e.g., *Panavision Int’l L.P., v. Toepfen*, 141 F.3d 1316, 1322 (9th Cir. 1998); *Landgericht Dusseldorf*, GRUR 34 O 191/96 (Apr. 4, 1997), 158 (Germany), *reported at* 1998 Eur. C.L.Y.B. 963, 963 (May 1998); *Yahoo! Inc. v. Akash Arora*, [1999] Fleet St. Rep. 931, 939 (Delhi H.C. 1999) (India); see also *CHINA IP EXPRESS*, No. 24 (June 22, 2000) (Rouse & Co. Int’l) (discussing successful actions in the Chinese courts by trademark owners against cybersquatters even prior to specific legislative enactments protecting trademark owners against such conduct).

<sup>278</sup> Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999).

<sup>279</sup> See 15 U.S.C. § 1114(2)(D)(v) (West Supp. 1999). The statute also provided a cause of action for owners of trademark – both registered and unregistered – against cybersquatters. See 15 U.S.C. § 1125(d) (West Supp. 1999). This part of the statute has, in contrast, been used heavily by trademark owners. See, e.g., *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*, 202 F.3d 489, 495 (2d Cir. 2000), *cert. denied*, 120 S. Ct. 2719 (2000).

<sup>280</sup> See 15 U.S.C. § 1114(2)(D)(v) (West Supp. 1999). Although at least one complaint has been filed in a U.S. district court seeking to challenge a panel ruling, see *Barcelona.com Inc. v. Excelentissimo Ayuntamiento de Barcelona* (filed Aug. 17, 2000), <http://www.domainbattles.com/lawsuit3.htm>, there have been no reported decisions involving this provision.

<sup>281</sup> See, e.g., *Weber-Stephen Prods. v. Armitage Hardware & Bldg. Supply*, 54 U.S.P.Q.2d (BNA) 1766, 1768 (N.D. Ill. 2000) (holding that administrative decisions under the UDRP are not intended to be binding on federal courts).

<sup>282</sup> See UDRP, *supra* note 260, Rule 4(k) (establishing that a proceeding under the UDRP does not preclude either party from pursuing an action in a court of competent jurisdiction); *BroadBridge Media, L.L.C. v. Hypercd.com*, 55 U.S.P.Q.2d (BNA) 1426, 1428-29 (S.D.N.Y. 2000) (holding that the pendency of an arbitration under the UDRP does not foreclose a concurrent court action under the Anticybersquatting Consumer Protection Act).

<sup>283</sup> See *supra* note 263. Although it is difficult to track the precise number of panel decisions that have been suspended (i.e., not implemented by registrars) because of a national court challenge within the ten day window, a small handful of panel decisions have been challenged in this fashion.

<sup>284</sup> See UDRP, *supra* note 269, Rule 3(b).

<sup>285</sup> See Sept. 2000 SCT Summary, *supra* note 227, at 2 (noting possible future agenda).

that ameliorate the problems of competing national laws, the means of determining the source of those principles, which Rule 15 currently sidesteps, must be developed in more concrete terms.<sup>286</sup> It may be that the appropriate “choice of law” rule cannot initially be stated by ICANN in terms more specific than currently found in Rule 15. And the development of common judicial approaches to the effect of panel decisions may be difficult in a system that accommodates civil law methodologies but is dominated by U.S. parties and U.S. panelists. But the methods by which panelists decide to apply approaches endorsed by other non-national ICANN panels over competing national rules must be transparent both to enable parties to understand fully their rights and to enable national and international institutions to appreciate any need to reform the UDRP.

Third, some of the success attributed to the UDRP is a result of its consciously limited scope. It addresses a range of conduct – cybersquatting – upon which there is broad international consensus, and upon which divergent national views had not previously formed. And panels may only grant relief of a type that does not require the involvement of national judicial or executive authorities. The relief available – the cancellation or transfer of the domain name registration – is within the power of the registrars, and thus the system contains a built-in enforcement mechanism. Any extension of the scope of panel jurisdiction, or of panels’ remedial powers, would arouse both competing national views on substantive issues of trademark (and other) law, and would require the commandeering of national authorities as the enforcement arm of ICANN. Thus, while the success of the UDRP in providing relief against cybersquatting suggests that there is a role for alternative (non-national) forms of dispute resolution in addressing the private international quandaries of internet related trademark problems, it is not clear that the model can easily be extended beyond the cybersquatting context.

This group of concerns about the UDRP as a model for addressing inherently non-national disputes suggests that traditional private international law inquiries of jurisdiction, choice of law, and recognition of judgments will remain important in protecting the rights of citizens and in mediating the claims and interests of different interested institutions. This is particularly so if the UDRP is expanded, either by the adoption of new ICANN policies or by panels making broad assertions of prescriptive jurisdiction.

But this does not mean that the UDRP, or a system modeled on the UDRP, does not have a role to play in the resolution of private international problems of trademark law (especially online).<sup>287</sup> The development of substantive rules governing international disputes might come from a variety of sources: national courts,<sup>288</sup> multinational treaties,

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<sup>286</sup> Cf. *Ty Inc. v. Joseph Parvin d/b/a Domains For Sale*, WIPO Case No. D2000-0688 at 4-5 (Nov. 9, 2000) (“As an international body, it is not for the Panel to elevate one country’s laws over those of another . . . We should look to prior panel decisions to offer guidance and, to the extent reasonable, we should attempt to harmonize our decisions with those of prior panels. The decision we reach should flow naturally from that process.”).

<sup>287</sup> I have, along with Larry Helfer, suggested various considerations that those policymakers seeking to build (and improve) upon the UDRP model might take into account. See Dinwoodie and Helfer, *supra* note 264, at 76-96.

<sup>288</sup> See Dinwoodie, *supra* note 153 (arguing for such an approach in international copyright cases).



and international arbitration panels such as those convened under the UDRP. The involvement of a variety of institutions may enhance the legitimacy, and improve the content, of those rules. Moreover, although I have raised numerous questions regarding difficult issues still to be squarely confronted by ICANN-convened panels, the UDRP has thus far provided fast and inexpensive relief to trademark owners in a large number of uncontroversial cases. And it should (if panels are willing to tackle such issues) provide an alternative and concrete means through which to address the more contentious issues of mediating national and international interests. Such mechanisms clearly have a role to play in navigating (or, at least reducing the number of) private international problems in trademark law.

#### IV. Recognition and Enforcement of Judgments

In the United States, the rules on recognition and enforcement of judgments are shaped by the Full Faith and Credit Clause of the United States Constitution and the Full Faith and Credit Act.<sup>289</sup> These rules do not apply to the recognition of the judgments of foreign nations. But U.S. courts are generally respectful of the judgments of foreign nations, both out of concern for judicial comity and because many states have adopted (with some variations) model legislation on the recognition of foreign money judgments.<sup>290</sup> Under this legislation, the judgments of foreign nations should largely be recognized absent lack of jurisdiction in the rendering court (typically determined by U.S. standards)<sup>291</sup> and provided that enforcement would not violate U.S. public policy.<sup>292</sup> Although an old U.S. Supreme Court case sanctioned the non-enforcement of a French judgment against an American defendant on the grounds of lack of reciprocal recognition by French courts of U.S. judgments,<sup>293</sup> many states do not demand reciprocity as a condition for enforcement.

Other than lack of jurisdiction in the rendering court, the principal circumstance in which the enforcement of a foreign trademark judgment might be susceptible to non-enforcement in the United States might be where the foreign judgment implicates questions of free speech. Several U.S. courts have refused to enforce British libel judgments on the grounds that the procedural aspects of British libel proceedings offend the public values of free speech embodied in the First Amendment to the United States Constitution.<sup>294</sup> (Similar public policy exceptions to recognition do not exist in the domestic U.S. context, where states and federal courts are required to give full faith and credit to the judgments of other states.) The grant of property rights in symbols and

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<sup>289</sup> See U.S. CONST., Art. IV, § 1; 28 U.S.C. § 1738.

<sup>290</sup> See Uniform Foreign Money Judgments Recognition Act, 13 U.L.A. 261 (1986). Over half of the states have adopted this legislation in some form.

<sup>291</sup> See *id.* § 5 (listing permissible bases of jurisdiction in rendering court). Even in the domestic context, under the Full Faith and Credit Clause, states may refuse to enforce a judgment rendered by a court that had no jurisdiction over the action. See RESTATEMENT (SECOND) OF CONFLICTS §§ 104-105 (1971).

<sup>292</sup> These are the principal, but not the only, grounds for denying recognition. See Uniform Foreign Money Judgments Recognition Act, § 4 (listing mandatory and discretionary grounds of non-recognition).

<sup>293</sup> See *Hilton v. Guyot*, 159 U.S. 113 (1895) (requiring reciprocity where the French judgment was in favor of a French plaintiff against an American defendant).

<sup>294</sup> See, e.g., *Bachchan v. India Abroad Publications Inc.*, 154 Misc.2d 228 (Sup. Ct. N.Y. 1992).

language clearly does implicate free speech issues. But as the United States Supreme Court has been largely unwilling to find broad rights under U.S. trademark law (or its equivalent) inconsistent with the First Amendment,<sup>295</sup> it is unlikely that non-recognition is a serious danger in the United States.

Under the Brussels Convention, courts in the Member States of the EU must automatically recognize and enforce judgments rendered by courts in other EU states properly seized of jurisdiction, subject to certain defined exceptions.<sup>296</sup> The most notable exception is the public policy exception also found in U.S. law and discussed above. The Brussels Convention is in the process of being formally adopted into EU law as a Regulation on Jurisdiction and Recognition of Judgments.<sup>297</sup>

The Proposed Hague Convention is similar (but not identical) to the Brussels Convention. It too has an exclusion from recognition where enforcement would violate public policy.<sup>298</sup> The scope of any such provision is, of course, unclear; such is the nature of discretionary judicial escape-hatches. Harmonization of trademark laws will limit the likelihood of such occurrences. And, in any event, a mere difference in (conflict of) laws should not be sufficient to justify a refusal to enforce or recognize a judgment; otherwise the Hague system would provide minimal advantages over the application of *lex fori* by serial national courts.<sup>299</sup> Indeed, the incompatibility with public policy sufficient to justify non-enforcement should arguably be greater than that sufficient to justify a court's refusal to apply a law chosen by application of its basic choice of law rule because the foreign law violated public policy. After a foreign court has expended judicial resources on adjudicating a case, the interests of the foreign state (and the parties) in recognition are heightened by virtue of the investment of time and resources that has occurred.

Textually, there are some differences between the Brussels Convention and the Proposed Hague Convention. Like the Brussels Convention, the Hague Convention would (subject to similar exceptions) provide for automatic recognition and enforcement of judgments of rendering courts whose jurisdiction was founded on a ground expressly permitted by the Convention.<sup>300</sup> And judgments entered by courts founding jurisdiction on a ground expressly prohibited, such as those in Article 18, would automatically not be

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<sup>295</sup> See, e.g., *San Francisco Arts & Athletic Association v. United States Olympic Committee*, 483 U.S. 522 (1987) (upholding statutory grant of broad property-like rights in the use of the term OLYMPIC to the U.S. Olympic Committee).

<sup>296</sup> See Brussels Convention, *supra* note 41, arts. 26-27. This requirement of automatic recognition applies equally to judgments against EU nationals, where the rendering court could be seized of jurisdiction only on the grounds set out in the Brussels Convention itself, and to judgments against non-EU nationals, where the rendering court may exercise jurisdiction on grounds prohibited by the Brussels Convention. U.S. interests have long complained that this permits an EU plaintiff to receive the benefits of automatic recognition throughout Europe against U.S. defendants even where the rendering court exercised jurisdiction on grounds that the Brussels Convention considers inappropriate as against EU citizens.

<sup>297</sup> See Amended Proposal for a Council Regulation on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, COM(2000)689 final (Oct. 26, 2000).

<sup>298</sup> See Proposed Hague Convention, *supra* note 60, art. 28(1)(f).

<sup>299</sup> See Dreyfuss, *supra* note 37, at 151-6 (discussing standard).

<sup>300</sup> See Proposed Hague Convention, *supra* note 60, art. 25.

recognized or enforced.<sup>301</sup> But the draft Hague Convention creates a category of jurisdictional bases that are neither entitled to the benefits of automatic recognition and enforcement in other contracting states generally accorded under the Convention under Article 25, nor automatically denied recognition (as happens with respect to prohibited grounds of jurisdiction). The Hague Convention would provide that enforcing courts have discretion whether to enforce judgments rendered by courts that based jurisdiction on grounds other than those expressly permitted in the Convention but which are not prohibited.<sup>302</sup>

The WIPO Standing Committee on Trademarks has recognized the potential significance of this draft Convention to intellectual property law, as has the United States government.<sup>303</sup> The Hague project may indeed be crucial. Instituting a systemic approach to jurisdiction and recognition of judgments, even if skeletal and requiring elaboration by the courts, would put in place the institutional framework for developing principles according to which national interests could be mediated and international disputes resolved on an ongoing basis

If the Hague Convention were adopted, the interaction between private and public international law would develop in several different and important ways. Courts would be more willing to apply foreign laws and decide consolidate worldwide litigation if they felt that their decisions would automatically be recognized and enforced rather than thought of as an intrusion on a state's governmental acts (as is currently the case). It would affirm institutionally a commitment to move beyond the archaic premise of territoriality that bedevils intellectual property law. Moreover, forcing (or enabling) courts to consider different national laws, and the respective claims of each both in prescriptive force and substantive merit, would facilitate the development of choice of law rules in intellectual property law for the first time and the convergence of national laws to generate substantive rules of intellectual property law appropriate for international disputes.<sup>304</sup> Thus consolidated private international litigation might be seen more easily as an alternative vehicle to public international law for the development of convergent international principles.<sup>305</sup>

Most importantly, the Hague Agreement embodies a prospective commitment to the reconciliation of competing claims and values. Without it, the internationalization and digitization of contemporary society will force reconciliation through other less

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<sup>301</sup> See *id.*, art. 26 (listing types of judgments that are not to be recognized).

<sup>302</sup> See *id.* arts. 17, 24.

<sup>303</sup> See SCT Report, *supra* note 228, at 14; Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, Provisions of the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, WIPO Doc. No. SCT/4/3 (Dec. 20, 1999); United States Patent and Trademark Office, Request for Comments on Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, 65 Fed. Reg. 61306 (Oct. 17, 2000) (requesting comment on the proposed Hague Convention).

<sup>304</sup> *Accord* Dreyfuss, *supra* note 37, at 19. Professor Dreyfuss has commented that the Hague Convention has the potential more generally to facilitate common understandings on matters (such as claim and issue preclusion) that are crucial to making complex international litigation more efficient. See *id.* at 3.

<sup>305</sup> The advantages of private international lawmaking mechanisms are discussed in Dinwoodie, *supra* note 153.

palatable means: through competing legislative and judicial efforts to extrude laws and values internationally in order only (and understandably) to protect their national interests and values.<sup>306</sup> The recent Yahoo litigation is a precursor of such efforts;<sup>307</sup> calls for the legislative sanction of further forays into extraterritoriality are harbingers of what it is ahead.<sup>308</sup>

Moreover, such adherence will not entail commitment by numerous states to particular substantive principles of intellectual property law, a task that is likely to be difficult and arguably dangerous to appropriate national autonomy. Instead, joining the Hague Convention (including a deletion of the exclusive jurisdiction provision, at least for trademarks, where registration is often cursory) would be a commitment to a principle of international co-existence. The detailed means by which that co-existence plays out would be developed in the context of concrete intellectual property disputes. The potential advantages of such an internationalist approach are many, although their accrual depends in large part upon national judicial enthusiasm for such an internationalist project.<sup>309</sup>

The Hague Convention incorporates these advantages within its approach. It leaves determinations under the Convention to national courts, aware of the exceptions for public policy that allow the continuing assertion of national values to reflect the continuing role of the nation-state as the vehicle for the democratic expression of values. But it does so subject to the common instruction to national courts to have regard to the need for uniformity, international values and the case law of other countries.<sup>310</sup>

### Conclusions and Principal Recommendations

1. Jurisdiction, whether adjudicative or prescriptive, over alleged trademark infringement should not be based upon the mere accessibility in a state of a web site containing the allegedly infringing mark.
2. In seeking to resolve the problems of choice of law presented by international trademark disputes, the role of substantive lawmaking must be acknowledged (and co-opted as a means of solving problems). A series of substantive law reform, particularly if backed up by institutional structures designed to facilitate

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<sup>306</sup> Cf. Dreyfuss, *supra* note 37, at 21-22 (“The choice is not really between adjudication as we have known it or the Hague Convention. . . . As between a systematic process for consolidation and the ad hoc system that will ensue in the absence of a Convention, the former is surely the better choice.”).

<sup>307</sup> See *supra* note 150 (Yahoo dispute).

<sup>308</sup> See *Subcommittee Tackles Jurisdiction Issues on Internet*, 60 PAT. TRADEMARK & COPYRIGHT J. (BNA) 214, 215 (July 14, 2000) (reporting testimony at an oversight hearing before the House Judiciary Committee’s Subcommittee on Courts and Intellectual Property).

<sup>309</sup> See Dinwoodie, *supra* note 153, at 572-74 (discussing advantages of the substantive law approach to choice of law issues in international copyright cases); cf. Anne-Marie Slaughter, *Judicial Globalization*, 40 VA. J. INT’L L. 1103 (2000) (describing different ways in which national courts are contributing to the development of global norms).

<sup>310</sup> See Proposed Hague Convention, *supra* note 60, art. 38.

the development of converging national rules governing international disputes, will greatly ameliorate what at first might seem intractable problems.

3. Although the different factors found in common in several of the proposals discussed in Part III as a resolution of choice of law problems are surely the central considerations in any decision to apply national trademark law to foreign online use, it would be a delusion to think that focusing on these considerations will of itself solve trademark choice of law problems. Situations will persist where two or more national rights that conflict have commercial effect in more than one state. Assessments of distinctiveness, confusion, and functionality (among others) will continue to be subject to national variation.<sup>311</sup> And the SCT Proposal does not attempt to harmonize the consequences of “use,” thus ensuring that differences in the scope of protection will remain.<sup>312</sup> An amalgam of the strategies canvassed here, including conceptual localization, the use of technology and the development of separate international standards, will also be relevant to any broad-based amelioration of the problems of applicable law.
4. Unless trademark owners are willing to accept a contraction of their theoretical substantive rights when operating in an online environment, they may find that they are unable to exercise their own rights on the internet. Such a result would undermine the purposes of trademark protection, and would threaten the integrity of consumer understandings that have developed in the offline context.
5. Trademark owners should actively involve themselves in the conclusion of the proposed Hague Convention. Adherence to a Hague Convention that requires recognition and enforcement of judgments, and that enables the consolidation of intellectual property claims, will allow courts to develop means of reconciling competing national claims and (depending upon that means) new substantive intellectual property law tailored to the hugely complex problems of international intellectual property. To enable this process, the exclusive jurisdiction provision in the current draft should be re-assessed to ensure that it will not frustrate the consolidation of claims and the adjudication in a single forum of international disputes.

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<sup>311</sup> Cf. SCT Memorandum, *supra* note 227, at 24 (recognizing that national laws will continue to determine the existence of exceptions and limitations, such as fair use or free speech).

<sup>312</sup> *See id.*, at 18, 22.