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Trademarks and Territory: Detaching Trademark Law from the Nation-State

Graeme B. Dinwoodie, *Chicago-Kent College of Law*

TRADEMARKS AND TERRITORY: DETACHING TRADEMARK LAW FROM THE NATION-STATE

*Graeme B. Dinwoodie**

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* Professor of Law, Associate Dean, Norman & Edna Freehling Scholar, and Director, Program in Intellectual Property Law, Chicago-Kent College of Law. This paper was prepared for the 2004 IPIL/Houston Santa Fe Conference: *Trademark in Transition*. Thanks to all of the conference participants for comments on the draft paper. Arguments contained herein also reflect discussions with Brian Havel, Stacey Dogan, Mark Lemley, Tim Holbrook, Jean-Luc Piotraut, Hal Krent, Larry Helfer, Graeme Austin, Mark Janis, Michael Fromkin, and John Rothchild. I am grateful to all of them for assistance in working through some of these issues.

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“[T]hat a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader . . . will be sustained.”

United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 98 (1918).

“The law of trademarks rests upon territoriality.”

3 RUDOLF CALLMANN, CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 20:26, at 20-163 (2d ed. 1950).

“The concept of territoriality is basic to trademark law”

Person’s Co. v. Christman, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990).

“[T]he Paris Convention . . . recognizes the principle of the territoriality of trademarks.”

4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:25, at 29-67 to 29-68 (4th ed. 2004).

“[Our holding] is consistent with the fundamental doctrine of territoriality upon which our trademark law is presently based.”

Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona, 330 F.3d 617, 628 (4th Cir. 2003).

I. INTRODUCTION

As these contemporary and historical statements suggest, it is an axiomatic principle of domestic and international trademark law that trademarks and trademark law are territorial. Yet recently some scholars have suggested that “the territorial model of trademark law . . . is an anachronism” in the global market.¹ This paper critiques the principle of territoriality in four ways. First, I suggest that statements about trademark territoriality, though largely unquestioned, mask a variety of related propositions. Territorial philosophies separately affect rules regarding the scope of rights, applicable legal norms, and the acquisition and enforcement of rights. Disaggregating the “principle of territoriality” into its component parts, and

1. Marshall A. Leaffer, *The New World of International Trademark Law*, 2 MARQ. INTELL. PROP. L. REV. 1, 28 (1998).

separately analyzing the doctrines that implement the principle, enables a more nuanced assessment of the ways in which the principle might be modified in an era of global trade.

In particular, it becomes apparent that different rules of trademark law possess a territorial character for different reasons. For example, common law trademark rights are territorial because the intrinsic purpose of trademark law suggests extending (and limiting) rights to the geographic reach of goodwill. In contrast, registration systems designed to promote economic expansion derive their territorial character from their grounding in economic policymaking, effected by institutions that focus on the regulation or development of discrete economic regions. And rules regarding the enforcement of trademark rights assume their territorial quality because of their connection to political institutions with territorially defined sovereignty. Thus, some aspects of territoriality are rooted in social and commercial practices that dictate the reach of a brand, while other aspects are a function of political or policymaking authority. In an era of global trade and digital communication, social and commercial practices are less territorially confined and less commensurate with the nation-state. But economic policymaking and political institutions may prove more resistant to change than social or commercial behavior.

Second, I argue that although the principle of trademark territoriality has nominally remained constant (with only minor blips and exceptions²) since the conclusion of the Paris Convention³ over one hundred years ago, recent developments at both the national and international level suggest that the principle may have a different intensity today. Some U.S. courts appear willing to modify traditional principles and doctrines to reflect the increasingly cross-border nature of goodwill. The most notable judicial revisions have involved the “use in commerce” prerequisite to the award of U.S. rights, the well-known mark doctrine that protects foreign brands, and the conditions under which courts will grant relief with extraterritorial effects. The courts in question have acted, sometimes explicitly, largely to avoid *domestic consumer* confusion that would not be likely to occur absent all of the signature features of global life—increased international travel, satellite and Internet communication, and global trade—although one decision does reflect a concern for protecting foreign producers’ ability to expand into the United

2. Refer to Part II *infra*.

3. See Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

States.

Internationally, instruments have been adopted to protect *producer* interests in expanding trade by facilitating the grant of trademark protection on a broader territorial basis (with or without registration) and to minimize the costs of international trade by harmonizing substantive trademark norms. But truly international norms are directly applicable only in the field of cybersquatting disputes, and efforts to deviate from national models of enforcement have likewise taken root only in that narrow context.

Third, the paper begins an investigation of the ways in which the principle of territoriality *should* be revisited in light of the globalization of markets and concomitant changes in modern marketing practices. Given the multidimensional nature of the territoriality principle, different territoriality-based rules might be more or less appropriate subjects for reform. Thus, some overarching reconfiguration of “the principle” would be unwise and perhaps impossible. Instead, the paper analyzes several discrete developments. This analysis encompasses both revisions to the territorial model that have recently occurred (such as liberalization of the ability to obtain U.S. rights without use in the United States and enlargement of international mechanisms to obtain registrations on a multinational basis) and proposals for reform that are being resisted (such as efforts to facilitate the consolidation of multinational trademark claims in a single proceeding).

Some shared dilemmas can, however, be derived from these discrete inquiries. Thus, scholars and policymakers need to consider whether the territorial character of a rule reflects the intrinsic purpose of trademark law and is thus rooted in social practices that are already in flux. The character of these doctrines will almost inevitably mutate as the notion of territoriality evolves in line with social change. Such revisions will swim with the current of socially constructed territoriality. If, however, the territoriality of a doctrine instead mirrors the national nature of economic and political institutions, then efforts to revise the doctrines will first require altering the underlying institutional and policymaking apparatus. Moreover, I suggest that in deciding whether particular territorial aspects of trademark law warrant reassessment, it is important to bear in mind a choice that trademark law frequently encounters but that is rarely mentioned. That is, should trademark law be structured *reactively* to protect whatever consumer understandings or producer goodwill develops, or should it *proactively* seek to shape the ways in which consumers shop and

producers sell or seek to acquire rights, thus shaping how the economy functions?

For example, judicial revision of different U.S. doctrines that make it easier for foreign producers to secure protection in the United States without using the mark there may sacrifice producer interests in order to protect a small domestic consumer population (which travels abroad to partake of foreign services). Considering only the consumer protection side of the equation provides an incomplete picture of territorially related considerations. The costs to producers of deferring wholly to cross-border consumer goodwill in defining the scope of rights may outweigh the gains of reduced domestic confusion. The marketplace may become cluttered with marks of uncertain scope. At the very least, a complete analysis of how to revise the territorial nature of rights requires that the tradeoff between trademark law as a consumer protection regime and trademark law as an instrument of economic policy be explicitly explored.

International developments that bolster domestic trends toward recognition of well-known marks without use in the United States were adopted (unlike the domestic judicial decisions) primarily to serve the interests of producers. But these developments too might ultimately come to hinder global marketing by cluttering the trademark marketplace in ways that are not transparent to producers or users. In contrast, international instruments designed to confine the legal effects of a mark's use online to a limited number of territories appear well targeted at the cluttering problem. And deviations from the traditional model of trademark acquisition at the international level (i.e., centralized mechanisms to facilitate national registration, sometimes in advance of developing goodwill) are, by these same measures, almost wholly beneficial. Thus, I suggest that any revisions to the territorial model focus on targeted adjustments to the national model to reflect changes in the (cross-border) territoriality of goodwill. A full analysis of any reform must reflect objectives of territoriality rooted in both social and political values.

Finally, the concluding parts of the paper briefly highlight the extent to which, in implementing an appropriate commitment to the principle of territoriality, there is, or should be, an assimilation of the "territorial" and the "national." In a world of burgeoning international trademark law, the suggestion that trademark rights are territorial often finds practical expression in the notion that trademark rights are national. Although the two are often spoken of interchangeably, identification and analysis of the choices facing trademark law might be better

achieved by consciously separating the two. In particular, recognition of the territoriality of goodwill is linked to the basic purposes of trademark law, namely, the preservation of that goodwill and the protection of consumers. Nationality-grounded doctrines, seen particularly in the context of acquisition and enforcement of rights, are more likely driven by economic policy and by institutional issues such as the practical demands of current political structures. Recognizing this distinction would assist in highlighting for policymakers that doctrines reflecting premises connected to the national nature of institutions are likely to remain relatively fixed and will in the short term be substantially immune to the revolution we are witnessing in social norms. This grounding in nationality makes these doctrines more stable and less amenable to reform, and emphasizes that, with respect to these doctrines, we will first have to modify political structures—whether judicial or administrative—if reform is to be imagined.

II. THE PRINCIPLE OF TERRITORIALITY

Trademark law is territorial in part because the foundational intellectual property conventions of the late nineteenth century, the Paris Convention and the Berne Convention for the Protection of Literary and Artistic Property,⁴ were built around the principle of national treatment.⁵ As a general rule, a signatory state was obliged to offer protection to nationals of other signatory states that matched the protection afforded its own nationals.⁶ And this principle, carried forward and consolidated in the TRIPS Agreement,⁷ is seen as a corollary to the principle of territoriality—in a world of different trademark laws, lines are drawn according to place and not citizenship.

4. See Berne Convention for the Protection of Literary and Artistic Works, July 24, 1971, 1161 U.N.T.S. 31 [hereinafter Berne Convention]. The first version of the Berne Convention was concluded in 1886.

5. See Paris Convention, *supra* note 3, art. 2; Berne Convention, *supra* note 4, art. 5, 1161 U.N.T.S. at 35–36.

6. See, e.g., Berne Convention, *supra* note 4, art. 5, 1161 U.N.T.S. at 35.

7. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, art. 3, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81, 85 (1994) [hereinafter TRIPS Agreement]. Indeed, the only trademark law thus far found by a WTO dispute settlement panel to violate the TRIPS Agreement did so on the basis that it denied national treatment (and also violated most-favored nation obligations). See *United States—Section 211 Omnibus Appropriations Act of 1998*, World Trade Organization Appellate Body, WTO Doc. WT/DS176/AB/R, para. 60 (Jan. 2, 2002) [hereinafter WTO Appellate Body Report].

But trademark law is not unique in its territorial character and might have assumed this character absent international conventions. Much law is territorial. This is true for many reasons, reasons that have consumed international lawyers and legal theorists for centuries. Historically, the principal divide was between laws that attached to the person, wherever that person traveled, and laws that regulated according to the place where a relevant legal event occurred. Scholars of private international law have for many years offered a variety of theories advocating one approach over the other and over time have developed rules that allocate some legal questions to the law of the person and others to the law of the place.⁸ Trademark law is firmly in the latter category.

The attractions of territoriality are clear. Law is contextual, and geography is an important part of context.⁹ Territorial regulation of conduct comports in some sense with intuitive notions of appropriate prescriptive authority, embodied in the aphorism “when in Rome, do as the Romans do.” And territorial regulation might also be supported for practical or pragmatic reasons such as the relative ease of enforcing domestic judgments and comity-grounded concerns of reciprocal overreaching. Without rehearsing more fully the claims of territoriality as a governing principle of the reach of law,¹⁰ it is clear that courts and scholars justifying the territoriality of trademark law have resorted to some of the same arguments that are advanced in other fields of law.¹¹

As I will explain in greater detail below, however, there are additional reasons that explain the territorial character of trademark law. Some flow from the intrinsic nature and purpose of trademarks; others reflect the shape of economic policymaking; and yet others reflect the structure of political institutions used to administer and enforce trademark law. For present purposes, it is sufficient to note that it is in some sense hardly radical to find that trademark law is territorial.

In trademark law, the principle of territoriality is a vessel

8. See FRIEDRICH K. JUENGER, CHOICE OF LAW AND MULTISTATE JUSTICE 34–40 (1993) (discussing Savigny’s theories); JOSEPH STORY, COMMENTARIES ON THE CONFLICT OF LAWS 19–25 (1834). See generally Symeon Symeonides, *Territoriality and Personality*, in INTERCONTINENTAL COOPERATION THROUGH PRIVATE INTERNATIONAL LAW: ESSAYS IN MEMORY OF PETER NYGH 405 (Talia Einhorn & Kurt Siehr eds., 2003).

9. See Jane Holder & Carolyn Harrison, *Connecting Law and Geography*, in LAW AND GEOGRAPHY, 5 CURRENT LEGAL ISSUES 2002, at 3, 3–4 (Jane Holder & Carolyn Harrison eds., 2003).

10. See generally Symeonides, *supra* note 8.

11. See, e.g., *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 638–40, 647 (2d Cir. 1956) (discussing the reasons for the territorial scope of the Lanham Act).

for a variety of related propositions. These different propositions have a territorial component for different reasons. As a result, whether the territorial character of each proposition is waning (Part III of the paper) or *should* be revisited (Parts IV–V of the paper) might be answered differently for each. Thus, this Part of the paper outlines the different aspects of trademark law in which the principle of territoriality finds expression. Territorial philosophies inform rules regarding the scope of rights, applicable legal norms, and the acquisition and enforcement of rights.

A. *Territoriality of Rights*

Historically, within the United States, trademark *rights* have been defined territorially. At common law, this proposition has been affirmed on more than one occasion by the U.S. Supreme Court, most notably in two early twentieth century cases¹² that presented very similar facts.¹³ The later case, *United Drug Co. v. Theodore Rectanus Co.*,¹⁴ was a contest between two geographically remote users of the same mark for similar products. The Court held that the trademark rights of the senior user of the mark (from Massachusetts) did not extend to Louisville, Kentucky, where the junior user, without knowledge of the senior user's mark, had in fact been the first to use the mark.¹⁵ Indeed, not only could the Louisville producer continue its use of the mark, but it could exclude the senior user from the

12. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100–01 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415 (1916). The principles articulated by the Court in these cases have been followed in cases involving common law rights enforced in federal court under Lanham Act § 43(a). *See, e.g., Accu Pers., Inc. v. AccuStaff, Inc.*, 846 F. Supp. 1191, 1205 (D. Del. 1994); *see also* 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:4, at 26-9 to 26-10 (4th ed. 2004) (discussing cases).

13. The principal difference between the two cases was that the rival producers in *United Drug* had begun to compete in the same region, whereas the senior user in *Hanover Star Milling* acted preemptively in asserting national rights. This difference might be relevant to questions of relief in other contexts. Refer to text accompanying notes 304–06 *infra* (discussing *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d. 358 (2d Cir. 1959)).

14. 248 U.S. 90.

15. *Id.* at 101.

[W]here two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as to take the benefit of the reputation of his goods, to forestall the extension of his trade, or the like.

Hanover Star Milling, 240 U.S. at 415.

Louisville market.¹⁶ That is, the Court recognized the coexistence of two trademarks, each defined by, *inter alia*,¹⁷ the territory in which the respective mark was used.

Defining the scope of trademark rights territorially flowed logically from the intrinsic purpose of trademark law. In the Louisville area, customers associated the mark in question with the Kentucky producer alone.¹⁸ Whether viewed as an instrument to preserve producer goodwill or to protect consumers against confusion, the purpose of trademark law was served by recognizing rights in the local producer.¹⁹ The theoretical nature of trademark rights pointed in the same direction. The Massachusetts merchant could have no rights in Louisville because “[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed,” and the merchant in question had previously had no business or trade in Louisville.²⁰ Stated differently, trademarks are merely the vessels for a legally protectable interest, namely, goodwill, and the scope of that protectable interest thus defines the scope of trademark rights.²¹

Of course, identifying the legally protectable interest does

16. Strictly, the Court did not grant that relief, as there was no counterclaim filed by the Louisville company. See *United Drug*, 248 U.S. at 99, 104. If such relief had been sought, it would clearly have been granted. See *Nat'l Ass'n for Healthcare Communications, Inc. v. Cent. Ark. Area Agency on Aging, Inc.*, 257 F.3d 732, 733 (8th Cir. 2001) (recognizing the right of the junior user nationally to exclude the senior user from the local area in which the junior user was the first to use).

17. Any complete definition of the *scope* of the trademark rights in question would, of course, have to take into account other variables such as the product in connection with which the mark was used. At common law, the limits on the scope of trademark rights are essentially a function of the products upon which the mark is used and the geographic area in which the mark is used. Although this paper focuses on changes in the relevance of the geographic variable, expansion of the types of actionable consumer confusion and the adoption of federal dilution laws have, in recent years, also radically revised the force of product limits on the scope of rights.

18. *United Drug*, 248 U.S. at 95.

19. See *id.* at 100–02.

It would be a perversion of the rule of priority to give it such an application in our broadly extended country that an innocent party who had in good faith employed a trade-mark in one State, and by the use of it had built up a trade there, being the first appropriator in that jurisdiction, might afterwards be prevented from using it, with consequent injury to his trade and good-will, at the instance of one who theretofore had employed the same mark but only in other and remote jurisdictions

Id. at 100.

20. *Id.* at 96–97.

21. To some extent, this is recognized in the effective definition of “remote” provided by the *United Drug* Court, namely, that “the mark means one thing in one market, an entirely different thing in another.” *Id.* at 100.

not automatically answer the question regarding the geographic reach of trademark rights. Defining the scope of goodwill is itself a challenge. Must the producer claiming rights in a particular locale have sold goods bearing the mark in that area, or possess customers in that area? Is it sufficient that the mark is known, or has a reputation, in that area?²² The Massachusetts merchant in *United Drug* would, in any event, have satisfied none of these standards vis-a-vis Louisville.²³ Instead, the merchant's argument rested on the factually unsupported claim that it had continually expanded its business where financially possible.²⁴ The Court rejected that fact, even if proved, as a basis for trademark rights:

[T]he adoption of a trade-mark does not, at least in the absence of some valid legislation enacted for the purpose, project the right of protection in advance of the extension of the trade, or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade. And the expression, sometimes met with, that a trade-mark right is not limited in its enjoyment by territorial bounds, is true only in the sense that wherever the trade goes, attended by the use of the mark, the right of the trader to be protected against the sale by others of their wares in the place of his wares will be sustained.²⁵

Thus, the area in which the mark was *used* was the central determinant of the geographic reach of rights, as indeed one might expect in a use-based trademark system.²⁶ In the United

22. Cf. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. b (1995) (noting that “[t]he geographic scope of priority extends beyond the area in which the prior user has actually used the mark if the user’s association with the mark is known to prospective purchasers in other areas”). This spectrum of possibilities can be framed as an inquiry into what amounts to use of the mark, but might also be conceived, within the language of *United Drug*, as whether the users are truly “remote.” This inquiry has been submerged in a welter of doctrine, such as the “market penetration” test. See Nat’l Ass’n for Healthcare Communications, Inc. v. Cent. Ark. Area Agency on Aging, Inc., 257 F.3d 732, 735 (8th Cir. 2001); Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1398–99 (3d Cir. 1985) (listing factors for courts to consider in determining whether market penetration is sufficient to confer trademark protection).

23. See *United Drug*, 248 U.S. at 96.

24. *Id.* at 96–97.

25. *Id.* at 98.

Into whatever markets the use of a trade-mark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress. But this is not to say that the proprietor of a trade-mark . . . can monopolize markets that his trade has never reached and where the mark signifies not his goods but those of another.

Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 415–16 (1916).

26. The doctrine articulated by the Court in *United Drug* and *Hanover Star Milling*, known as the “Tea Rose doctrine” in recognition of the products at issue in *Hanover Star Milling*, also rested in part on the good faith of the geographically remote junior user.

States, trademark rights are acquired by, and dependent upon, use; under *United Drug*, the metes and bounds of the rights acquired are defined by use, with respect to both the products upon which they are used and the territory in which they are used.²⁷

This approach makes the question of what amounts to “use” crucial to the geographic scope of trademark rights, as will be discussed more fully below.²⁸ The lower courts, prompted by language in the earlier U.S. Supreme Court case, *Hanover Star Milling v. Metcalf*,²⁹ also developed doctrines designed to grant the first producer greater leeway in claiming rights beyond the area of actual use. In particular, some courts recognized that there existed a “zone of natural expansion” that permitted the senior trademark owner to exercise rights both in the area in which it used the mark and in the zone of natural expansion.³⁰ But these doctrines were in large part alternative vehicles for judicial reconfiguration of the central question, namely, how to define “use,” which in turn would define the scope of rights.³¹

These reconfigurations, which effectively broadened the geographic scope of rights beyond the area of actual use, reflected practical concerns linked to the social desirability of encouraging economic expansion. Similar impulses regarding the benefits of economic expansion eventually motivated congressional action, though through a different device.³² When the *United Drug* Court

United Drug, 248 U.S. at 101; *Hanover Star Milling*, 240 U.S. at 419. Thus, much case law developed on the meaning of what amounted to good faith. Refer to note 101 *infra* (discussing conflicting interpretations of “good faith”). This consideration in part reflects the roots of trademark law in broader principles of unfair competition. See *Hanover Star Milling*, 240 U.S. at 413 (“[T]he common law of trade-marks is but a part of the broader law of unfair competition.”).

27. *United Drug*, 248 U.S. at 98.

28. Refer to Part III.A *infra* (discussing the “use” requirement).

29. 240 U.S. at 420 (“We are not dealing with a case where the junior appropriator of a trade-mark is occupying territory that would probably be reached by the prior user in the natural expansion of his trade, and need pass no judgment upon such a case.”).

30. 4 MCCARTHY, *supra* note 12, § 26:2, at 26-6; see also *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1027-29 (11th Cir. 1989) (reviewing criteria for determining the zone of natural expansion). In recent years, some courts have rejected this concept, see, e.g., *Raxton Corp. v. Anania Assocs., Inc.*, 668 F.2d 622, 623 (1st Cir. 1982) (criticizing the concept of a zone of natural expansion), and the Restatement looks upon the concept with disfavor, see RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. c (1995).

31. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. c (1995).

32. Refer to note 44 *infra*. These motivations can be detected in the development of both nationwide constructive notice through registration and supranational rights. Refer to text accompanying notes 34-38 *infra* (discussing the Lanham Act); refer also to Part III.C.2 *infra* (discussing the EU’s Community Trade Mark). But the concern for local traders operating in the climate of economic expansion can be recognized in remedial rules in both settings. Refer to text accompanying notes 260-62 *infra* (discussing the

endorsed the territoriality rule explained above, the Court's opinion contained a caveat reflecting the fact that the Court was deciding a case under common law principles: the common law rule defining the scope of rights by reference to use applied absent contrary legislation.³³ In 1918, federal trademark statutes were much more limited in scope than they are today.³⁴ But with the development of a national economy, Congress did, in 1946, enact "valid legislation . . . for the purpose . . . [of] project[ing] the right of protection in advance of the extension of the trade,"³⁵ namely, the Lanham Act.

In particular, the Lanham Act's more liberal scheme of federal registration was enacted partly because commerce was becoming more national in nature.³⁶ Thus, the Act sought to facilitate enforcement of rights on a national basis by, inter alia, deeming registration of a mark on the Principal Register to be nationwide constructive notice of the registrant's claim to ownership.³⁷ As a result, later users in an area remote from the registrant would neither be able to assert the good faith necessary to make out a defense, nor claim trademark rights, of the type available to the Louisville producer in *United Drug*.³⁸ Federal registration thus secures for the trademark owner nationwide priority, notwithstanding its use in an area less than the entire United States.³⁹

The further liberalization of registration procedures by the Trademark Law Revision Act of 1988,⁴⁰ which introduced the possibility of filing an application for federal registration based

expansion of the EU and its effect on CTMs); refer also to text accompanying notes 304–06 *infra* (discussing *Dawn Donut*).

33. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98–99 (1918) (noting the absence of legislative intervention).

34. Congress perhaps had been chastened by the striking down of the federal trademark statute in 1879 as an unauthorized exercise of its powers under the Copyright and Patent Clause of the Constitution, see *In re Trade-Mark Cases*, 100 U.S. 82, 93–94 (1879), and the breadth of congressional authority under the Commerce Clause was not then fully appreciated, *id.* at 96–98.

35. *United Drug*, 248 U.S. at 98.

36. See S. REP. NO. 79-1333, at 4 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1277 ("Trade is no longer local, but is national . . . It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted.").

37. See 15 U.S.C. § 1072 (2000).

38. See *In re Beatrice Foods Co.*, 429 F.2d 466, 472 (C.C.P.A. 1970); *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 362 (2d Cir. 1959).

39. To the extent that the junior user has made good faith remote use prior to federal registration, the registration has the effect of freezing the junior user's area of priority. *Thrifty Rent-A-Car Sys., Inc. v. Thrift Cars, Inc.*, 831 F.2d 1177, 1181 (1st Cir. 1987).

40. Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935.

on an intent to use the mark in commerce,⁴¹ did not radically change this basic conceptual structure. Under § 7(c) of the Lanham Act, the filing of an *application* for registration now constitutes “constructive use of the mark, conferring a right of priority, nationwide in effect” (assuming a registration ultimately issues).⁴² The practical effect of this provision is to offer registrants the same benefits as of an earlier date (i.e., the date of the application).

The importance of the intent-to-use reforms for trademark applicants in the United States cannot be overstated, but in terms of the territoriality principle, constructive use operates in much the same way as does constructive notice. Both provisions confer nationwide rights without the necessity of actual nationwide use and thus protect the registrant against remote junior users; both provisions “grandfather” any remote junior users that predate the registrant’s priority date; and remedial rules exist in both contexts to respect local goodwill where the registrant has not yet started to use the mark locally in ways that give rise to confusion.⁴³

Statutory registration schemes thus overlay common law principles of territoriality. This is not to suggest that registration schemes are not territorial; they are decidedly so.⁴⁴ But because

41. See 15 U.S.C. § 1051(b).

42. See *id.* § 1057(c).

43. See *id.* (conditioning the benefits of constructive use with respect to earlier users); refer also to note 32 *supra*. *Dawn Donut*, discussed below, clearly limits the ability of the senior user (and federal registrant) to obtain injunctive relief notwithstanding nationwide priority if the local area is not one into which there is a likelihood that the registrant will expand his use. Lanham Act § 7(c) limits the ability of the intent-to-use applicant to obtain relief pending the commencement of use. See *WarnerVision Entm’t Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259, 261 (2d Cir. 1996). The Restatement suggests that the enactment of the intent-to-use provisions has not altered the rule that an injunction will not be granted against use in remote areas absent a likelihood of confusion. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. e (1995). Nor indeed should the position be any more favorable for the holders of registrations based upon an application under § 44(e). Applications taking advantage of the priority right in § 44(d) are subject to a further remedial limit. Refer to note 133 *infra* (discussing § 44(d)).

44. National registration schemes represent efforts to enable and encourage economic expansion into broader geographic markets without competing trademark rights becoming a barrier to such commerce. See Peter Jaffey, *The New European Trade Marks Regime*, 28 I.I.C. 153, 187–88 (1997) (discussing goals of registration systems). Ironically, such liberal expansions of rights might in fact undermine the certainty that they seek to create. To the extent that broader rights clutter the market, conflicts become more likely, raising transactional costs attendant to, and thus repressing, global trade. Refer to Part III.A.1 *infra* (discussing *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003)); see also Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Doc. WIPO/PIL/01/4, paras. 54–57 (Jan. 19, 2001) [hereinafter Dinwoodie, *Private International Aspects*] (discussing the effect of overly broad rights in the Internet context), http://www.wipo.int/pil-forum/en/documents/pdf/pil_01_4.pdf; refer also to Part III.A.3

registration systems reflect in greater part the role of trademark law as an instrument of economic and trade policy, and the objective of effective enforcement, their territorial character is due more to the reach of the policymaking or enforcement authorities than to the intrinsic nature of trademarks.

As a result, registered rights are more likely to conform in scope to the *political* authority that issued them, whether the issuer is a U.S. state or a nation-state.⁴⁵ As commerce globalizes, economic policy and judicial enforcement are increasingly responsibilities of the nation-state, and accordingly the registration overlay is *national*. When trademark rights are conceived of as merely creations of the state, as is the case most strongly in registration-based systems, the principle of territoriality will be expressed in terms providing that the “right . . . is effective only in the country that created the right.”⁴⁶

Rights defined by the area of use, or by reputation or renown, are less likely to conform to political boundaries and are likely instead to be more closely congruent with the breadth of *social or commercial* interchange.⁴⁷ Of course, there are exogenous (and dynamic) factors that might cause the area of use, reputation, or renown to map in some respects to political units, because patterns of social and commercial activity correspond to, and are influenced by, political boundaries, and vice-versa.⁴⁸ Such limits, however, are not the direct result of

infra (discussing the Joint Recommendation on Internet Use).

45. Refer to Part IV *infra*.

46. Joanna Schmidt-Szalewski, *The International Protection of Trademarks After the TRIPS Agreement*, 9 DUKE J. COMP. & INT'L L. 189, 190 (1998).

47. Courts resting rights upon areas of use within the United States have been reluctant to give conclusive weight to political borders. See *Nat'l Ass'n for Healthcare Communications, Inc. v. Cent. Ark. Area Agency on Aging, Inc.*, 257 F.3d 732, 733 (8th Cir. 2001) (breaking down markets in Arkansas county by county); *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398 n.34 (3d Cir. 1985) (suggesting that courts should determine the market penetration of a trademark “on the basis of natural trading areas that may or may not be coextensive with a state’s borders”). In *Hanover Star Milling*, the U.S. Supreme Court noted that a trademark “acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader’s goods have become known and identified by his use of the mark.” *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1915). In contrast, Justice Holmes, in his concurring opinion in *Hanover Star Milling*, elevated the importance of political boundaries. See *id.* at 426 (Holmes, J., concurring) (“I do not believe that a trademark established in Chicago could be used by a competitor in some other part of Illinois on the ground that it was not known there.”). For an analysis of Holmes’s position, refer to note 322 *infra*.

48. Cf. Richard T. Ford, *Law’s Territory (A History of Jurisdiction)*, 97 MICH. L. REV. 843, 844 (1999) (arguing that “[t]erritorial jurisdiction produces political and social identities” and that “[j]urisdictions define the identity of the people that occupy them”). For example, there has been a series of cases brought in U.S. federal courts regarding the rights of Cuban entities to own trademark rights in the United States, notwithstanding

political borders imposed without regard to social activity.

As pressures mount to reform trademark law to reflect further economic evolution toward global, rather than national, markets, the conceptual structures developed to effect the shift from local to national markets will be useful models.⁴⁹ But it will be important, in gauging the relevance of those models, to bear in mind the policy objectives that explain the territorial character of their different parts. Territoriality may reflect—as in the case of the *United Drug* rule—efforts to protect goodwill to the extent of its geographic reach. If our goal is to protect a new breed of global consumer called into existence by online shopping or international travel, or to defend global brands brought about by free trade, extending *United Drug* beyond the domestic context might seem attractive. And that rule would lend itself to extension because its territoriality is rooted in social and commercial practices, which increasingly transcend national borders. In contrast, reformers might conclude that global markets and digital communication have prompted a need for more effective international enforcement of rights or the stimulation of cross-border trade. But the mechanisms previously used to encourage broader enforcement and economic expansion (e.g., the creation of a more liberal national registration scheme)

the maintenance of the Cuban embargo by the U.S. government. Clearly, the political boundary between the United States and Cuba has played a substantial role in the creation of corresponding social patterns. However, Cuban expatriate flight to the United States, the ready exposure of U.S. consumers to the Cuban market through third countries, and the rendering of borders ever more porous by the decentralization and diversification of the information industries may, in recent years, have elevated the social over the political. At least one judge thinks so, see *Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1675–82 (S.D.N.Y. 2004) (applying well-known mark doctrine to Cuban mark), although the precise basis upon which Judge Sweet recognized rights in the Cuban company in *Empresa Cubana* raises substantial questions about the territoriality doctrine and the ability of domestic companies to adopt marks with the degree of certainty necessary to make domestic, let alone international, distribution. Refer to notes 180–82 *infra* and accompanying text.

49. The extent and fidelity of the replication of these models in current global initiatives are discussed in Parts III–IV below. I suggest there that some aspects of these approaches, especially the remedial rules such as those employed in *Dawn Donut*, warrant close consideration as we grant broader geographic registrations (such as the CTM) or have to deal with conflicts created by ubiquitous use online. Refer to Part III.A.3 *infra* (discussing the Joint Recommendation on Internet Use). However, at least one federal appellate judge has suggested,

Entering the new millennium, our society is far more mobile than it was four decades ago. For this reason, and given that recent technological innovations such as the Internet are increasingly deconstructing geographical barriers for marketing purposes, it appears . . . that a re-examination of precedents would be timely to determine whether the *Dawn Donut* Rule [as to likelihood of entry] has outlived its usefulness.

Circuit City Stores, Inc. v. Carmax, Inc., 165 F.3d 1047, 1057 (6th Cir. 1999) (Jones, J., concurring).

may be less easy to extend geographically. The territorial character of those mechanisms is rooted not in the intrinsic territoriality of trademarks, but in the structure of political and enforcement institutions. Unlike social and commercial actors, those institutions have not moved substantially beyond the national model.

B. Territoriality of Laws (Legal Norms)

Trademark *laws*, the group of legal norms that determine the availability and scope of trademark rights, are largely territorial; indeed, they are generally national.⁵⁰ They are promulgated primarily by national lawmaking institutions, whether courts or legislatures. To be sure, there is an increasing body of international trademark law that, among other things, imposes certain obligations on signatory countries regarding the content of their national trademark laws. But that body of international law has consolidated as much as it has challenged the territoriality principle.

The Paris Convention, the foundational treaty in this regard, imposed very few obligations regarding the substantive content of national laws.⁵¹ Instead of universal trademark norms, the contracting parties chose national treatment—to which territoriality, rather than universality, is the logical corollary⁵²—as the prevailing philosophy of the international trademark system.⁵³ The national treatment principle—and trademark-specific elaborations thereon—ensured that nationals of Paris Union countries were able to seek national rights in foreign countries on equal terms with domestic applicants.⁵⁴ The

50. See *Person's Co. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country’s statutory scheme.”). U.S. states do grant trademark rights, but these are of limited importance in the twenty-first century.

51. See Schmidt-Szalewski, *supra* note 46, at 199–200 (listing substantive obligations). The principal obligations that did not relate to questions of registration were the obligations to protect well-known marks and to grant protection against unfair competition. Paris Convention, *supra* note 3, arts. 6^{bis}, 10^{bis}. Both of these obligations are discussed below.

52. See 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); Walter J. Derenberg, *Territorial Scope and Situs of Trademarks and Good Will*, 47 VA. L. REV. 733, 734 (1961) (noting the relationship between Paris Convention principles and the concept of territoriality).

53. See Paris Convention, *supra* note 3, art. 2(1) (stating the principle).

54. See *id.* art. 2(1) (articulating this general principle); *id.* art. 6(2) (specifically prohibiting a requirement of prior filing in the country of origin).

Convention did create mechanisms, such as the priority right⁵⁵ and the *telle quelle* principle,⁵⁶ that were intended to facilitate the acquisition on a multinational basis of the national rights that the Convention sanctified.⁵⁷ But the rights in question were sought and obtained under each country's respective national law.

Even if the Paris Convention had contained a far greater number of provisions aimed at substantive harmonization, other structural aspects of the system would have limited its effectiveness in modifying the territoriality of trademark laws. First, the Convention articulated minimum levels of substantive protection: states were free to grant higher levels of protection.⁵⁸ Thus, expanding the number of obligations would not necessarily have effected substantial harmonization. Second, the treaty imposed obligations on member states; private parties were left largely to rely on faithful national implementation of member state obligations without, pre-TRIPS, much formal compliance pressure applied to recalcitrant states.⁵⁹

Although, as discussed below, there has been substantial development and growth of the international trademark system, both with respect to substantive harmonization and procedural

55. *Id.* art. 4; *see also* 15 U.S.C. § 1126(d) (2000) (implementing Article 4 of the Paris Convention). Refer to text accompanying notes 60–61 *infra* (discussing the priority right).

56. *See* Paris Convention, *supra* note 3, art. 6^{quinquies}; *see also* 15 U.S.C. § 1126(e) (implementing Article 6^{quinquies} of the Paris Convention). Refer to text accompanying notes 60–62 *infra*.

57. *See* Paris Convention, *supra* note 3, art. 6(1) (“The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.”); *see also id.* art. 6(3) (articulating the principle of independence of national rights); 15 U.S.C. § 1126(f) (implementing Article 6(3) of the Paris Convention). Moreover, within eight years the Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 175 Consol. T.S. 57 [hereinafter Madrid Agreement], a special agreement concluded under the Paris Convention, had created a system further designed to facilitate multinational acquisition of national rights. The Madrid system, including the Madrid Protocol concluded almost a century later, is discussed in Part III *infra*.

58. With respect to the registration provisions, the Paris Convention, atypically for multilateral international intellectual property instruments, with the exception of treaties on geographical indications, effectively imposed some ceilings on levels of national protection by requiring member states to prohibit the registration of certain signs. *See* Paris Convention, *supra* note 3, art. 6^{ter}.

59. The self-executing status of the Paris Convention within the United States is not clear. *See* *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1298–99 (3d Cir. 1979) (noting that the Paris Convention is not self-executing); *cf.* *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640–41 (2d Cir. 1956) (suggesting that the Paris Convention is self-executing, but finding no enlargement of substantive rights under U.S. trademark law). *But see* *Laboratorios Roldan, C. por A. v. Tex Int'l, Inc.*, 902 F. Supp. 1555, 1568 (S.D. Fla. 1995) (recognizing a claim under Article 10^{bis} of the Paris Convention, relying in part upon Lanham Act § 44).

matters, the basic proposition that trademark laws are national remains largely intact as a theoretical matter.

C. Territoriality of Acquisition Mechanisms: Administrative Competence

Even if a trademark owner holds broader geographic rights by virtue of owning a collection of territorial rights, those trademark rights are typically *acquired* through national mechanisms. Territoriality requires a producer to obtain separate rights for each territory (country) in which it desires protection, and historically this was achieved by making a separate application to each national office in which rights were sought.

International instruments, however, sought to mitigate the costs and inefficiencies of this premise in different ways.⁶⁰ The Paris Convention contained two provisions that facilitated the acquisition of a collection of national rights. First, the priority right mandated in national law by Article 4 enables an applicant to file in one Paris Union country within six months of making an application for the same mark in another Paris Union country and to receive in both countries the priority date of the first application.⁶¹ Second, the *telle quelle* principle, found in Article 6^{quinquies} of the Paris Convention, requires that a trademark registered in its country of origin in compliance with local law is to be registered in other contracting states “as is” (in French, *telle quelle*).⁶² If broadly construed, the *telle quelle* principle could represent a substantial departure from the principle of territoriality. But that principle is subject to exceptions that enable participating states to refuse to recognize the foreign right in certain circumstances, including conflict with prior local rights or lack of distinctiveness.⁶³ Thus, the intrusion on territoriality is

60. WTO Appellate Body Report, *supra* note 7. Indeed, it may be that, under the limited reading given Article 6^{quinquies} by the WTO Appellate Body, the United States could insist on use prior to issuance of the registration based on § 44(e) and still be in compliance with its obligations under the Paris Convention. That is to say, *Crocker National Bank* may overimplement Article 6^{quinquies}, at least as understood by the WPO Appellate Body in its Report.

61. Paris Convention, *supra* note 3, art. 4; 15 U.S.C. § 1126(d) (2000).

62. Paris Convention, *supra* note 3, art. 6^{quinquies}(A)(1).

63. *See id.* art. 6^{quinquies}(B); *see also* 15 U.S.C. § 1126(e) (“A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register *if eligible . . .*” (emphasis added)). Applicants relying on § 44(e), or indeed on the analogous provisions of the Madrid Protocol-implementing legislation, must allege a bona fide intent to use the mark in commerce but are not required to make use in commerce prior to the registration issuing. *See* 15 U.S.C.A. § 1141f(a) (West Supp. 2004); *see also* *Crocker Nat’l Bank v. Canadian Imperial Bank of Commerce*, 223 U.S.P.Q. 909, 914–17, 923 (T.T.A.B.

minimal. And neither the *telle quelle* nor the priority principle derogated from the premise that rights are acquired by separate (often serial) application to national offices, or from the principle that rights in different countries exist and are maintained separately from one another.

In contrast, the Madrid Agreement, concluded eight years after the Paris Convention, established a system designed to facilitate multinational acquisition of national rights through a single application by the owner of a registration in the owner's country of origin.⁶⁴ That application was processed by the World Intellectual Property Organization (WIPO), but the application continued to be separately examined by the different countries of the Madrid system in which protection was sought.⁶⁵ Whether rights were accorded in those other countries remained a matter of the national law of those countries, and any rights that were granted were held by the trademark owner as a bundle of national rights, each existing independently of the other.⁶⁶

Thus, the Madrid system was a minor modification of the territorial model under which an international procedure was used to initiate and facilitate applications for national rights assessed under national laws by national offices. The primary benefits were gains in efficiency, effectuated not only by the centralized application process, but also by permitting markholders to renew and maintain the bundle of rights through a single filing—technically, a renewal of the “International Registration,” though such a registration conferred no substantive rights in and of itself.

The United States never adhered to the Madrid Agreement, although, as discussed below, in November 2003 it became a member of the Madrid system through accession to the Madrid Protocol.⁶⁷

D. Territoriality of Jurisdiction and Enforcement: Judicial Competence

Trademark rights are *enforced* on a national basis. This proposition itself involves at least two discrete doctrines. First, a U.S. trademark confers rights only within the United States;

1984). This sets such applicants apart from intent-to-use applicants who may file based upon an intent to use, but will not receive a registration until use is demonstrated to the PTO.

64. See Madrid Agreement, *supra* note 57, arts. 1(2), 4(1).

65. *Id.* art. 5(1).

66. *Id.* art. 4(1).

67. Refer to Part III.C.1 *infra*.

extraterritorial enforcement or relief is an exception that the U.S. courts consider only in a limited number of circumstances. Second, even where the trademark owner holds rights in several countries, an action in the U.S. courts is permitted only insofar as it involves a vindication of U.S. rights. Any action that the trademark owner wishes to bring based upon the existence of non-U.S. rights must be brought in the country where those rights were granted. Clearly, any such action does not arise under federal law, foreclosing the possibility of federal question jurisdiction, and even where diversity jurisdiction might be possible, U.S. courts have declined, for pragmatic reasons, to assume jurisdiction in such cases.

These dual principles are well illustrated by the decision of the U.S. Court of Appeals for the Second Circuit in *Vanity Fair Mills, Inc. v. T. Eaton Company*.⁶⁸ The plaintiff in that case owned the rights to the mark VANITY FAIR for women's underwear in the United States and had a federal registration for that mark. The plaintiff brought suit in federal court in New York alleging that the defendant, a Canadian corporation with whom it previously had a distribution arrangement, was infringing its rights by selling goods under the same mark in both the United States and Canada.⁶⁹ The defendant owned a Canadian trademark registration for the same mark.⁷⁰

The Second Circuit declined to assert jurisdiction over the defendant's Canadian conduct under the Paris Convention because the national treatment principle consolidates rather than overturns the principle of territorial enforcement.⁷¹ Similarly, the court refused to apply the Lanham Act—i.e., to enforce plaintiff's U.S. rights—extraterritorially, because the case did not fall within the exceptional set of circumstances, defined by the U.S. Supreme Court in *Steele v. Bulova Watch Co.*,⁷² that warrant departure from the basic principle of territorial jurisdiction. The court did not think that Congress intended the Lanham Act to be “applied to acts committed by a foreign national in his home country under a presumably valid

68. 234 F.2d 633 (2d Cir. 1956).

69. *Id.* at 637–38.

70. *Id.* at 637.

71. *See id.* at 640 (“The Convention is not premised upon the idea that the trademark and related laws of each member nation shall be given extraterritorial application, but on exactly the converse principle that each nation's law shall have only territorial application.”).

72. 344 U.S. 280, 285–86 (1952) (applying Lanham Act extraterritorially where defendant, an American citizen, purchased parts in the United States but assembled them and affixed an infringing mark to goods made from them—which traveled back to the United States—in Mexico).

trade-mark registration in that country.”⁷³

Moreover, the court applied the doctrine of forum non conveniens and declined to exercise diversity jurisdiction over any claims under Canadian law.⁷⁴ Although courts are reluctant to force an American citizen to seek redress in foreign courts, to the extent that the complaint alleged passing off in Canada, the Second Circuit stated that that question would be governed by Canadian law and should be litigated in Canadian courts.⁷⁵ The court discerned that the central issue in the Canadian claim would be the validity of the defendant’s registration and concluded that U.S. courts should “not determine the validity of the acts of a foreign sovereign done within its borders,” a principle that the court extended to the acts of Canadian Trademark Office officials.⁷⁶ “To do so would be to welcome conflicts with the administrative and judicial officers of the Dominion of Canada.”⁷⁷ Finally, the court refused to find a basis for litigation of multinational disputes in the complex provisions of Lanham Act § 44, which expressly purport to implement and incorporate U.S. obligations under the Paris Convention.⁷⁸

This firm insistence on territoriality in the context of jurisdiction and enforcement thus requires that a plaintiff alleging trademark infringement by a defendant in a number of countries sue separately for relief in each of the countries in which infringing conduct is alleged to have occurred (and in which the plaintiff has rights). The social or commercial effects of the conduct in *Vanity Fair* may have been cross-border, but judicial enforcement is a profoundly political act. As we will see below in Part III, because the territoriality of the enforcement model is rooted in a political institution that remains resolutely national, the model has been quite resistant to change even as the volume of cross-border commerce has escalated.

73. *Vanity Fair*, 234 F.2d at 642.

74. *Id.* at 645–46.

75. *See id.* at 638–39, 645 (noting federal courts retain power to refuse jurisdiction in cases that should have been brought in a foreign jurisdiction rather than in the United States).

76. *Id.* at 646–47.

77. *Id.* at 647.

78. *See id.* at 643–44 (reasoning that because U.S. citizens are given the same benefits under § 44 of the Lanham Act as foreign nationals, and because foreign nationals do not enjoy extraterritorial benefits, U.S. citizens are likewise not afforded extraterritorial benefits).

E. Territoriality of Goodwill (The Role of Social or Factual Norms)

In *Vanity Fair*, the Second Circuit also stressed that “when trade-mark rights within the United States are being litigated in an American court, the decisions of foreign courts [or agencies] concerning the respective trade-mark rights of the parties are irrelevant and inadmissible.”⁷⁹ This is, in part, the logical consequence of the principle of independence of rights enshrined in the Paris Convention: U.S. rights are entirely separate from, and independent of, foreign rights.⁸⁰ Thus, one might regard this approach as an incident of the rule discussed above: the norms of trademark law are national and conclusions by national agencies and courts regarding their application to particular facts are national too.

But one might also explain the reluctance to make reference to foreign trademark determinations as reflecting another consideration, one that is empirically rather than legally grounded. Descriptively, the meaning of a mark in one territory is of no necessary relevance to the meaning of the same mark in another territory, even if used by the same producer.⁸¹ As we saw in the context of *United Drug*, goodwill has an intrinsic territorial component; it only reaches so far. Consumer association with a mark in country A may say very little about consumer association with the same mark in country B. Refusals by courts or trademark offices to refer to the trademark status of the mark in another country could thus rest not only upon the international *legal* principle of independence of rights, but also upon the premise that *social norms and practices* that give content to trademark rights are territorial and often national.⁸²

79. *Id.* at 639; *see also* *Carillon Imp. Ltd. v. Frank Pesce Group, Inc.*, 913 F. Supp. 1559, 1567–68 (S.D. Fla. 1996) (rejecting reference to Russian law determination of trademark ownership); *Double J of Broward Inc. v. Skalony Sportswear GmbH*, 21 U.S.P.Q.2d 1609, 1612 (T.T.A.B. 1991) (declaring information concerning foreign trademark applications and registration not relevant in an opposition proceeding).

80. *See* Paris Convention, *supra* note 3, art. 6(3) (declaring that a mark “duly registered in a country of the union shall be . . . independent of marks registered in . . . other Countries”); 15 U.S.C. § 1126(f) (2000) (explaining registration of a mark under this provision “shall be independent of the registration in the Country of origin”).

81. *Cf. Carillon Imp.*, 913 F. Supp. at 1568 (rejecting reference to rights in the Russian market because “[o]ur concern must be the “business and goodwill attached to the United States [marks]”” (second alteration in original) (quoting *E. Remy Martin & Co. v. Shaw-Ross Int’l Imp., Inc.*, 756 F.2d 1525, 1531 (11th Cir. 1985) (quoting *Roger & Gallet v. Janmarie, Inc.*, 245 F.2d 505, 510 (C.C.P.A. 1957))).

82. Of course, the analysis often proceeds in the opposite direction: to sustain a legal policy, courts may describe the nature of goodwill in a particular way. *See, e.g., Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1171–72 (S.D.N.Y. 1984) (describing the rejection of the universality theory in gray goods jurisprudence by the U.S. Supreme

This Part of the paper has sought to explain the territorial character of different aspects of trademark law by reference to the varying policy objectives that dictate a territorial approach. Some policy objectives implicate the intrinsic purposes of trademark law and thus are rooted in social and commercial norms that are fluid and increasingly unconnected to the nation-state. Others reflect complementary trademark values, such as economic expansion, effective enforcement, or political authority, and as a result are linked to institutions that remain primarily national in nature. This last example demonstrates that the line between what might be called “intrinsic territoriality” and “political territoriality” is not always clear-cut. But attempting this analysis does assist in explaining why some territorial aspects of trademark law might offer more stubborn resistance to the influence of globalization, a phenomenon that, for some, has rendered the territorial model anachronistic. And the insights, even if sometimes contingent, that this analysis provides remind us that it might be too glib to offer a single prescription to reconfigure “the principle of trademark territoriality.”

III. THE RECENT EVOLUTION OF THE PRINCIPLE OF TERRITORIALITY

Recent developments in the doctrines discussed in Part II suggest in some, but far from in all, respects a waning of the principle of territoriality. This Part of the paper examines some of the ways in which the force of the territoriality principle has been attenuated and the ways in which it, perhaps too stubbornly, persists. To understand fully the extent to which the principle has been modified, it is important to analyze separately different aspects of trademark law that are territorially based.

A. *Territoriality of Rights: The Requirement of “Use”*

With respect to the territoriality of *rights*, the strength and effect of the principle of territoriality are determined by the general rules concerning what amounts to “use” of a mark—both use sufficient to acquire *any* rights and use relevant to the

Court in *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923), and noting that a trademark’s function is “not necessarily to specify the origin or manufacture of a good (although it may incidentally do that), but rather to symbolize the domestic goodwill of the domestic markholder”). Although the *Osawa* court described goodwill in a way that explains the premise underlying the *Katzel* decision, this is a legal rule presumptively fixing consumer reaction. There is no suggestion that it is descriptively accurate in terms of actual consumer reaction to a trademark—it might have been in 1923, and it might not be in 2004.

geographic scope of those rights—and by exceptions to the use requirement. The general rule appears nominally unchanged as of late; use remains a prerequisite to the creation and the scope of rights.⁸³ Indeed, even as commerce becomes more global, courts continue to engage in micro-analysis of local markets to determine the reach of the goodwill embodied by a mark.⁸⁴

But there have been changes in both what constitutes “use in commerce” sufficient to acquire and define rights and the breadth of the exceptions under which rights will be recognized absent use, particularly under the well-known mark doctrine. The Lanham Act requires use of a mark “in commerce” in order to acquire U.S. trademark rights,⁸⁵ whether to obtain a federal registration or to assert a claim based upon unregistered rights under § 43(a).⁸⁶ Use of a mark in a foreign country creates no rights in the United States.⁸⁷

83. See Nat'l Ass'n for Healthcare Communications, Inc. v. Cent. Ark. Area Agency on Aging, Inc., 257 F.3d 732, 735 (8th Cir. 2001).

84. See *id.* (calibrating rights by reference to use on a county by county basis). This seems consistent with the purposes of trademark, even in a global market. One of the byproducts of globalization has been to strengthen the demand for some local services, perhaps in response to the need for distinct identities in the face of feared global homogenization. As a result of the adherence to this territorial approach under federal law, state registration cannot be regarded as conferring priority throughout a state, even though that might be a closer proxy for actual markets and even though as a rule the consequences of state registration mirror those found at the federal level, because the geographic scope of rights available under federal law would preempt those conferred by state law. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. e (1995) (noting the preemption argument); see also Spartan Food Sys., Inc. v. HFS Corp., 813 F.2d 1279, 1284 (4th Cir. 1987) (explaining that when conflicts arise between federal and state law involving state registration statutes, the Lanham Act preempts state law).

85. Professor McCarthy notes that, despite widespread judicial acceptance, there is no statutory basis for this requirement, which is instead an explicit element essential only of *defendant's* allegedly infringing use. See 4 MCCARTHY, *supra* note 12, § 29:2, at 29-9 n.9. Of course, the requirement does exist to obtain a registration, see 15 U.S.C. § 1051(a)(1) (2000), but Professor McCarthy is correct that no such requirement actually exists in the language of § 43 (which protects unregistered marks). If courts proceeded from Professor McCarthy's observation, it would open up substantial opportunities for foreign right holders in the United States. To avoid that result, it might not be surprising that, if pressed, courts implied the limits by way of interpretation of congressional intent, see *Lauritzen v. Larsen*, 345 U.S. 571, 576-77 (1953) (noting that a statute lacking territorial limit was not written “on a clean slate”), or by way of constitutional authority.

86. The exceptions to this proposition are registrations issued pursuant to Lanham Act § 44(e) based upon the registration of the same mark by the mark owner in its country of origin, and registrations flowing from a request for extension of protection under the Madrid Protocol. Refer to notes 62-63 *supra* and accompanying text (discussing the *telle quelle* principle and the requirements of § 44(e)). At some point, however, § 44 applicants must use the mark in commerce or the registration may be deemed abandoned. See *Linville v. Rivard*, 26 U.S.P.Q.2d 1508, 1512 (T.T.A.B. 1993). The same will be true of applicants under the Madrid Protocol. Refer to Part III.C.1 *infra* (discussing the Madrid Protocol).

87. See 3 RUDOLF CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 20:26, at 20-165 (Louis Altman ed., 4th ed. Supp. 2004) (“It is well settled

Resting on the principles espoused in *United Drug*, which reserve U.S. rights to those companies whose actual “trade goes attended by the use of [its] mark,”⁸⁸ courts have consistently held that

the mere advertising or promotion of a mark in the United States is insufficient to constitute “use” of the mark “in commerce,” within the meaning of the Lanham Act, where that advertising or promotion is unaccompanied by any actual rendering in the United States or in “commerce which may lawfully be regulated by Congress,” . . . of the services “in connection with which the mark is employed.”⁸⁹

Moreover, courts took the position that “use of a *foreign trademark* in connection with goods and services sold *only* in a foreign country by a foreign entity does not constitute ‘use of the mark’ in United States commerce sufficient to merit protection under the Lanham Act.”⁹⁰ It was of no moment that American consumers had availed themselves of the services or goods sold by the foreign user, or that Americans had inquired about possible expansion of the business into the United States.⁹¹ Nor did it matter that the advertising was targeted at American consumers, or whether the advertising occurred within or without U.S. borders.⁹² As far back as 1983, the Trademark Trial and Appeal Board warned that any other rule

would have enormous consequences, in terms of uncertainty, on our trademark system. Considering the rapid technological advances in telecommunications, especially satellite communications, . . . if mere use of a mark in restaurant services advertising created rights in the United States, without a filing somewhere on a Register

that foreign use creates no trademark rights in the United States.”). In her dissent in *International Bancorp*, Judge Diana Gribbon Motz described this rule as “a corollary of the well-established principle that trademark rights exist in each country solely as determined by that country’s law.” *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 384 n.3 (4th Cir. 2003) (Motz, J., dissenting).

88. See *Buti v. Perosa, S.R.L.*, 139 F.3d 98, 105 (2d Cir. 1998) (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918)). Courts have also relied on the language of the Court in *United Drug* stressing that trademark rights exist only “appurtenant to an established business or trade in connection with which the mark is employed.” *Buti*, 139 F.3d at 103 (quoting *United Drug*, 248 U.S. at 97); *Person’s Co. v. Christman*, 900 F.2d 1565, 1571 (Fed. Cir. 1990) (same).

89. *Buti*, 139 F.3d at 105 (quoting 15 U.S.C. § 1127 and *United Drug*, 248 U.S. at 97).

90. *Int’l Bancorp*, 329 F.3d at 385 (Motz, J., dissenting).

91. *Mother’s Rests. Inc. v. Mother’s Other Kitchen, Inc.*, 218 U.S.P.Q. 1046, 1047–48 (T.T.A.B. 1983).

92. *Id.*; *Buti*, 139 F.3d at 103.

capable of being searched, the adoption of a restaurant mark in the United States would be extremely hazardous.⁹³

The rule that only use in the United States could give rise to U.S. trademark rights was especially significant in priority contests. It meant that a U.S. producer could adopt a mark in the United States knowing that the mark had previously been used by another producer abroad. In *Person's Co. v. Christman*,⁹⁴ Christman, on a visit to Japan, saw luggage sold under the mark PERSON'S.⁹⁵ Upon returning to America and confirming by a trademark search that the mark was still available in the United States, Christman adopted the mark and obtained a federal registration.⁹⁶ In a contest with the Japanese producer, who wished to expand into the U.S. market, Christman prevailed because he was the first user of the mark in the United States.⁹⁷ The U.S. Court of Appeals for the Federal Circuit rejected the argument of the Japanese company that in light of the "world economy," priority of rights should be determined by first use anywhere, even use outside the United States.⁹⁸ Thus territoriality, as implemented by national laws and giving rise to national rights, remained the governing principle, even in a global economy.

The Federal Circuit did note two circumstances in which the prior foreign user might prevail notwithstanding that it was not the first user in the United States: "(1) [when] the foreign mark is famous here or (2) [when] the use is a nominal one made solely to block the prior foreign user's planned expansion into the United States."⁹⁹ Either circumstance might suggest the bad faith necessary to deprive the U.S. applicant of U.S. rights, but mere knowledge of a foreign use was not by itself sufficient to sustain that conclusion.¹⁰⁰ In contrast, in the domestic context some courts have held that mere knowledge of the mark destroyed the

93. *Mother's Rests.*, 218 U.S.P.Q. at 1051 (Allen, Board Member, concurring). Board Member Allen also suggested that because "[t]he rendering of the services is in Canada, by Canadian persons and entities[, t]he profit, if any, emanating from the rendering of such services accrues to Canadian citizens. . . . Thus, there is no impact as a result of the spillover advertising on commerce *between* Canada and the United States." *Id.*

94. 900 F.2d 1565 (Fed. Cir. 1990).

95. *Id.* at 1567.

96. *Id.*

97. *Id.* at 1568–69.

98. *Id.* at 1569 n.19, 1570.

99. *Id.* at 1570.

100. The *Person's* court echoed one of Board Member Allen's observations from *Mother's Restaurants* by noting that "Christman's adoption of the mark occurred at a time when appellant had not yet entered U.S. commerce; therefore, no prior user was in place to give Christman notice of appellant's potential U.S. rights." *Id.*

good faith necessary to sustain junior users' rights under *United Drug*.¹⁰¹

The "famous mark" doctrine, to which the *Person's* court referred, had been acknowledged in several earlier decisions, although it had rarely been applied to award rights to a foreign user.¹⁰² The doctrine implements U.S. obligations under Article 6^{bis} of the Paris Convention, which requires member states,

ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.¹⁰³

As the leading commentator on the Paris Convention has explained,

The purpose of [Article 6^{bis}] is to avoid the registration and use of a trademark, liable to create confusion with another mark already well known in the country of such registration or use, although the latter well-known mark is not, or not yet, protected in that country by a registration which would normally prevent the registration or use of the conflicting mark.¹⁰⁴

Under one conception, the treatment of well-known marks in Article 6^{bis} is a derogation from the general principle of territoriality.¹⁰⁵ The international obligation contained in Article

101. See, e.g., *Woman's World Shops Inc. v. Lane Bryant Inc.*, 5 U.S.P.Q.2d 1985, 1987-88 (T.T.A.B. 1988) (noting standard). Some courts treat knowledge as one factor among many. See, e.g., *C.P. Interests, Inc. v. Cal. Pools, Inc.*, 238 F.3d 690, 700 (5th Cir. 2001) (stating that remote junior user's "knowledge of use is but one factor in a good faith inquiry"); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. d (1995) (suggesting that a junior user does not act in "good faith" if the junior user "intends or expects that its use will create, either immediately or in the future, a likelihood of confusion with the goods, services, or business of the prior user"). Neither *United Drug* nor *Hanover Star Milling* offer authoritative guidance. See 4 MCCARTHY, *supra* note 12, § 26:8 (parsing U.S. Supreme Court opinions).

102. See, e.g., *Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332, 335 (Sup. Ct. 1959) (protecting foreign user of a "famous" mark); see also *Mother's Rests. Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. 1046, 1051 (T.T.A.B. 1983) (Allen, Board Member, concurring) (acknowledging the doctrine as applied in *Vaudable*).

103. See Paris Convention, *supra* note 3, art. 6^{bis}; see also TRIPS Agreement, *supra* note 7, art. 16 (extending the obligation, inter alia, to service marks).

104. G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 90 (1968).

105. One might alternatively regard the doctrine as an elaboration on the type of effect *within* a territory that is sufficient to acquire rights in that territory. Refer to text

6^{bis} was, however, of much greater significance in registration-based systems. In the United States, the protection of marks used in the United States but not registered here was largely accomplished by the availability of protection for unregistered marks in Lanham Act § 43(a). As a result, the exception, though routinely recognized in dicta, was rarely the basis upon which foreign users successfully established rights in the United States.

The level of the United States' obligations with respect to well-known marks might have been greater. At the 1958 Revision Conference of the Paris Union, an attempt to require member states to protect well-known marks where they had not been *used*, as opposed to simply not registered in the country where protection was sought, was narrowly defeated.¹⁰⁶ But the Paris Convention only imposes minimum obligations, and the United States is thus free to protect well-known marks without use in the United States. Under conventional articulations of the doctrine, this protection, in excess of what is required by the Paris Convention, is available under U.S. law.¹⁰⁷

Both the rule about what constitutes use sufficient to acquire U.S. rights and the well-known mark doctrine have recently been the subject of important evolution. In both instances, that evolution is reflected in domestic case law and international instruments. The overall trend in each case is, with one minor exception,¹⁰⁸ toward a less vigorous principle of territoriality.

1. “*Use in Commerce.*” The concept of “use in commerce” is defined expansively by the Lanham Act.¹⁰⁹ But courts have interpreted that definition consistent with a strict understanding of territoriality rather than with the broad statutory language.

accompanying note 31 *supra*. Thus, a revised definition of “use” might declare that renown may be sufficient penetration of the market to establish goodwill and thus trademark rights. So conceived, it would be wholly consistent with a principle of territoriality.

106. BODENHAUSEN, *supra* note 104, at 91.

107. Indeed, the United States exceeded the international standard in other respects. Although the most notable application of the doctrine by U.S. courts, in the *Vaudable* case, involved services, Article 6^{bis} applied only to goods. Paris Convention, *supra* note 3, art. 6^{bis}. It was later extended to service marks by Article 16 of the TRIPS Agreement. Refer to note 103 *supra*. Slightly higher obligations might also apply in a more limited regional context. See Thomas D. Drescher, *Nature and Scope of Trademark Provisions Under TRIPS and the Pan-American Convention*, 87 TRADEMARK REP. 319 (1997) (discussing Articles 7–8 of the Pan-American Convention and suggesting that they impose obligations more extensive than Article 6^{bis} of the Paris Convention).

108. Refer to Part III.A.3 *infra* (discussing the Joint Recommendation on Internet Use).

109. See 15 U.S.C. § 1127 (2000) (defining “use in commerce”).

Such an approach—as reflected in the rule that advertising (even in the United States) unconnected to an established U.S. product or service does not give rise to rights in the United States—has recently given way in some courts to a broader interpretation of “use.” This broader definition brings U.S. rights into contest with rights existing abroad. More frequent conflicts may, however, be an inevitable consequence of changes in global markets, which increasingly cause the overlap of previously distinct markets (whether the markets are defined by reference to geography or by reference to products).

The prime example of judicial expansion of “use” is the decision of the U.S. Court of Appeals for the Fourth Circuit in *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*.¹¹⁰ In that case, Société des Bains de Mer et du Cercle des Étrangers à Monaco (“SBM”) had, since 1863, owned and operated a casino in Monte Carlo, Monaco under the mark CASINO DE MONTE CARLO.¹¹¹ International Bancorp established a series of online gambling websites with domain names that incorporated some portion of the term “Casino de Monte Carlo”; the websites exhibited pictures of *the* Casino de Monte Carlo’s exterior and interior and made allusion to the geographic location of Monte Carlo, “implying that [International Bancorp] offer[ed] online gambling as an alternative to *their* Monaco-based casino, though they operate[d] no such facility.”¹¹²

Unfortunately for the casino operators, the CASINO DE MONTE CARLO mark, although registered in Monaco, was not registered in the United States.¹¹³ They did, however, promote the casino around the world, including out of a New York office.¹¹⁴ A majority of the panel held that the casino operator had U.S. trademark rights by virtue of its domestic advertising combined with its rendering of services to American customers, notwithstanding the fact that it only rendered services under the mark abroad.¹¹⁵ As the dissenting judge noted, the majority holding is in considerable tension with existing case law and, she suggested, the principle of territoriality.¹¹⁶

110. 329 F.3d 359 (4th Cir. 2003), *cert. denied*, 124 S. Ct. 1052 (2004).

111. *Id.* at 361.

112. *Id.*

113. *Id.*

114. *Id.*

115. *Id.* at 370.

116. *Id.* at 385 (Motz, J., dissenting). Refer to notes 88–102 *supra* and accompanying text (discussing earlier case law). The majority distinguished those cases on the basis that while they “support the general contention that ‘use’ must be in the United States, they

The majority rested its opinion squarely on the definitions of “commerce” and “use in commerce” in the Lanham Act.¹¹⁷ Taking into account the statutory instruction that “commerce” under the Lanham Act was coterminous with Congressional authority under the Commerce Clause, the majority then read the definition of “*use in commerce*” extremely capaciously. Section 45 provides that a service mark shall be deemed to be used in commerce

when it is used or displayed in the sale or advertising of services *and the services are rendered in commerce*, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.¹¹⁸

The majority accepted that mere advertising in the United States would not satisfy the statutory definition and would contradict the principle articulated by the U.S. Supreme Court in *United Drug*, namely, that “[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.”¹¹⁹ However, because U.S. citizens gamble at the casino and because the Casino de Monte Carlo is a subject of a foreign nation, the court concluded that the services were rendered in “foreign trade” (trade between subjects of the United States and subjects of a foreign nation) and thus “in commerce” within the meaning of the Lanham Act.¹²⁰ And SBM’s promotions used the mark in the advertising of the services that were so rendered.¹²¹

Therefore, under the majority’s reading, U.S. trademark rights can be acquired through advertising in the United States combined with the rendering of services abroad to American customers. The dissenting judge, Judge Motz, would have insisted that both elements of the statutory definition—advertising and the rendering of services—occur in the United States in order to satisfy the use in commerce requirement.¹²² The

do not support the very different conclusion that *both* distinct elements of the statutory ‘use in commerce’ definition for servicemarks must occur within the United States.” *Int’l Bancorp*, 329 F.3d at 374. It viewed the dissent as likewise conflating the two elements of the definition. *Id.* at 380.

117. *Int’l Bancorp*, 329 F.3d at 363–64; *see also* 15 U.S.C. § 1127 (2000) (defining “commerce” as “all commerce which may lawfully be regulated by Congress”).

118. 15 U.S.C. § 1127.

119. *Int’l Bancorp*, 329 F.3d at 364 (alteration in original) (quoting *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)).

120. *See id.* at 370.

121. *Id.*

122. *See id.* at 383 (Motz, J., dissenting).

majority rejected such a focus on the *place* of commerce and concentrated instead on the characteristics of the parties who engage in trade.¹²³

Judge Motz's disagreement stemmed not only from a different interpretation of the language of the statute and a concern about adhering to existing judicial interpretations,¹²⁴ but also from policy concerns grounded in the principle of territoriality.¹²⁵ According to Judge Motz, the territoriality principle requires that use of a foreign mark in a foreign country creates no trademark rights under U.S. law.¹²⁶ The dissent found support for her conclusion in the language of *United Drug* and *Hanover Star Milling* to the effect that "the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article. . . . [T]he trade-mark right assigned' cannot be 'greater in extent than the trade in which it [is] used.'"¹²⁷

Moreover, Judge Motz suggested that a contrary approach would undermine the notice value found in trademark law, because U.S. producers seeking to clear a mark domestically would be required to "scour the globe" to determine whether and when foreign traders using similar marks had sold goods or services to American citizens.¹²⁸ This argument recognizes one of the essential problems of liberalizing the acquisition of international trademark rights, namely, the cluttering of the marketplace with attendant increases in transaction costs. This

123. *See id.* at 366.

124. *See id.* at 385 (Motz, J., dissenting) ("Until today, every court to address this issue has held that use of a *foreign trademark* in connection with goods and services sold *only* in a foreign country by a foreign entity does not constitute 'use of the mark' in United States commerce sufficient to merit protection under the Lanham Act.").

125. *Id.* at 384 & n.3 (Motz, J., dissenting). The dissent also complained that the majority's approach would have an adverse effect on American commercial interests relative to foreign producers, because the majority's rule would suddenly confer on foreign producers, who traded with American travelers, rights in the United States that "[l]ike some sort of foreign influenza . . . would accompany American travelers on their return home." *Id.* at 389 (Motz, J., dissenting). For the dissent, this was "reverse imperialism, whereby foreign subjects would be allowed to colonize American markets with their foreign trademarks based on sales conducted exclusively abroad." *Id.* (Motz, J., dissenting). Thus, the majority approach would impose substantial costs on domestic producers, refer to text accompanying notes 134–36 *infra*, while facilitating the acquisition of U.S. rights for foreign producers. *See Int'l Bancorp*, 329 F.3d at 389 (Motz, J., dissenting) (arguing that under the majority rule companies would "suddenly acquire a windfall of potential United States trademark rights for all of the goods and services advertised to and purchased by United States citizens while traveling in their countries").

126. *Int'l Bancorp*, 329 F.3d at 385 (Motz, J., dissenting).

127. *Id.* at 391 n.10 (Motz, J., dissenting) (alterations in original) (quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416–17 (1916)).

128. *Id.* at 388–89 (Motz, J., dissenting).

problem can also be seen acutely in the cyberspace context, where the effective internationalization of trademark rights that might occur under a liberal interpretation of the concept of use online would multiply exponentially the number of conflicts that would occur, even in registration-based systems.¹²⁹ Concerns about the depletion of available marks also motivates the United States' retention of the use requirement in the face of foreign systems that are now largely registration based. And the existence of such concerns is also partly why the United States has insisted on a good faith intent to use the mark in the United States as a prerequisite to using the liberalized mechanisms found in Article 6^{quinquies} of the Paris Convention (implemented in Lanham Act § 44(e)) or the Madrid Protocol.¹³⁰ The availability of marks, without extravagant search costs or uncertainties, is a dominant domestic U.S. trademark policy.

The radical nature of the majority opinion in *International Bancorp* can, however, be overstated.¹³¹ In a use-based system such as the United States, the attenuation of the notice function has already been brought about in domestic law through the rejection of the sanctity of the register (not to mention the well-known mark doctrine¹³² and the priority right contained in § 44(d)).¹³³ Trademarks granted by the U.S. Patent and

129. See Dinwoodie, *Private International Aspects*, *supra* note 44, para. 54 (noting that a broad notion of use online "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"). Refer to Part III.A.3 *infra* (discussing the Joint Recommendation on Internet Use).

130. See 15 U.S.C.A. § 1141f(a) (West Supp. 2004) (requiring applicants to declare a bona fide intent to use the mark in commerce); Jeffrey M. Samuels & Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 GEO. WASH. J. INT'L L. & ECON. 433, 438–40 (1994) (noting importance of this requirement to the U.S. trademark bar).

131. Moreover, it is not clear to what extent this liberalized approach has application to trademarks, as opposed to service marks. *Int'l Bancorp*, 329 F.3d at 374 nn.7–8 (noting different statutory language).

132. Refer to Part III.A *supra* (discussing the use requirement).

133. The priority period under § 44(d) means that domestic applications may be defeated by foreign marks that are unregistered and unknown at the time of the domestic search, but that are filed within the six month priority period. See *SCM Corp. v. Langis Foods Ltd.*, 539 F.2d 196, 201 (D.C. Cir. 1976) (holding that under § 44(d), a foreign user had a "right to priority" for the six months following the filing of its [foreign] application for registration" and that "intervening use in the United States during that period cannot invalidate [appellant's] right to registration in [the United States]"). Thus the demands of internationalization—namely, efforts dating back a century to facilitate serial acquisition of national registered rights—already attenuate the notice function and create uncertainty. Although § 44(d) may cause an unknowing domestic applicant to lose the priority contest, it does contain some protection to prevent infringement claims against unsuspecting U.S. users. See 15 U.S.C. § 1126(d)(4) (2000) (precluding relief for acts committed prior to the date of the U.S. registration unless the registration is based on use

Trademark Office (PTO) are always vulnerable to earlier conflicting unregistered marks, and this vulnerability is hardly mitigated by the more rigorous examination system in the United States because the PTO does not ex officio search for conflicts with unregistered marks.¹³⁴ Instead, these costs are privatized through applicants' own searching and reliance on a vibrant opposition system.

But detection of domestically used marks, and determination of when and for what goods such marks were first used, is substantially easier in the domestic market. Presumably, producers have some sense of competitors in the same or adjoining markets, and even with respect to dissimilar product markets, information is obtained through similar types of sources and in a similar language as when assessing one's own domestic market. This task is much more arduous and costly (by a multiple greater than just the increased number of countries searched) when undertaken internationally. Ongoing efforts to harmonize information contained in applications and registrations,¹³⁵ to improve relations between different national offices, and to make trademark office procedures electronic¹³⁶ will help reduce search costs. But search costs after *International Bancorp* will still be high; domestic searches do not typically inquire, for example, into the nationality of the purchasers of the goods or services. And ironically, though a foreign registration is likely to exist given the reliance on registration-based systems abroad, the cautious U.S. applicant will also be obliged to review foreign uses of unregistered marks. Though such uses might be insufficient to confer trademark rights in the country where the goods or services are sold, remarkably, under *International Bancorp*, they might be sufficient to confer trademark rights in

in commerce).

134. See U.S. PATENT & TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1207.03 (3d ed. 2003) [hereinafter TMEP] (indicating that PTO will not at the ex parte stage of examination refuse registration on the basis of an unregistered mark or trade name, jointly referred to as "known marks"), <http://www.uspto.gov/web/offices/tac/tmep>.

135. See Trademark Law Treaty, Oct. 27, 1994, 2037 U.N.T.S. 298 [hereinafter Trademark Law Treaty] (providing for standardized elements in trademark registration applications and prohibiting a contracting party from demanding more than required in the Trademark Law Treaty).

136. See *Draft Revised Trademark Law Treaty*, Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, WIPO Doc. SCT/12/2, at 11 (Feb. 27, 2004) (revising the Trademark Law Treaty to address electronic filing), http://www.wipo.int/sct/en/documents/session_10/pdf/sct_10_2.pdf. A Diplomatic Conference to conclude the Revised Trademark Law Treaty is scheduled for March 2006. The United States has signed several declarations with foreign countries committing itself to jointly pursuing a compatible electronic filing system for trademarks.

the United States.

To be sure, the scenario described above portrays the searching dilemma at its most extreme. The majority rule in *International Bancorp* does require advertising or promotion of the service using the mark *within the United States*.¹³⁷ Thus, a domestic search, though perhaps requiring examination of a broader array of sources by virtue of the *International Bancorp* rule, would likely turn up the mark in question. At the very least, the requirement of advertising within the United States will serve as a filter, allowing the domestic applicant to follow up with international searching only where a potential conflict is revealed by U.S. promotional activities—such activities might strongly suggest the presence of U.S. consumers and thus “foreign trade” within the meaning of the majority rule. And the globalization of markets has already prompted many domestic applicants, especially large producers, to conduct international searches before adopting a mark. However, the additional costs and difficulties that ensue from this derogation from national notions of territoriality will likely remain significant, especially for smaller businesses or those seeking only to market domestically.

2. *The Well-Known Mark Doctrine.* With respect to the scope of trademark rights, the strength of the territoriality principle has also been eroded both by domestic case law and international developments that have made the well-known mark doctrine more readily available as an alternative means for a foreign user to obtain rights in the United States. Many of the concerns articulated above with respect to *International Bancorp* apply with equal force to some of the developments regarding well-known marks (especially the *Empresa Cubana* decision) that I will discuss in this Part of the paper. This should not be surprising. The force of the territoriality principle can be equally affected by a weakening of the doctrine that implements it or by a strengthening of the exceptions that limit it. Both a liberal “use” rule and a generous “well-known mark” exception present the possibility of a foreign user obtaining U.S. rights without a

137. The majority stressed that

it is not enough for a mark owner simply to render services in foreign commerce for it to be eligible for trademark protection. Nor is it enough for a mark owner simply to use or display a mark in the sale or advertising of services to United States consumers. *Both* elements are required, and *both* elements must be distinctly analyzed.

Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 373 (4th Cir. 2003), *cert. denied*, 124 S. Ct. 1052 (2004).

business located in the United States. Indeed, both the majority and the dissent in *International Bancorp* reflect awareness of the connection between these doctrines. The majority downplayed fears of havoc in trademark law resulting from its grant of rights based upon use of a mark in connection with a foreign business by noting that, conceptually, this was precisely what the well-known mark doctrine did.¹³⁸ And the dissent hinted parenthetically that that doctrine was the closest alternative argument available to the casino operators.¹³⁹

Indeed, the dissent's rebuttal of the majority's comments regarding the connection between the well-known mark doctrine and the "use" rule the court announced provides a good starting point for consideration of the recent liberalization of the well-known mark doctrine. The dissent was not comforted by the majority's analogy to the well-known mark doctrine because it "has been applied so seldom (never by a federal appellate court and only by a handful of district courts) that its viability is uncertain."¹⁴⁰ Indeed, Judge Motz noted that the casino operator "conceded . . . that it could not prevail on a famous marks argument without showing 'some use' of its mark in the United States."¹⁴¹

Judge Motz is surely correct that, although recognized in many cases, the well-known mark doctrine has rarely been applied by U.S. courts to sustain rights for a foreign user. The latter point, the concession by the casino operators that some use in the United States is required to secure protection under the well-known mark doctrine, which the dissent seemed willing to accept, is not as clear.¹⁴² As noted above, Article 6^{bis} of the Paris Convention does not require the United States to offer protection to marks without use; it simply requires such marks to be protected without registration in the United States.¹⁴³ A strict minimalist implementation of this obligation would add little to domestic U.S. law, given the scope of Lanham Act § 43(a), and

138. See *id.* at 372, 381–82 (noting that the well-known mark doctrine recognizes the undesirability of domestic confusion resulting from use of foreign trademarks).

139. See *id.* at 389 n.9 (Motz, J., dissenting); cf. 4 MCCARTHY, *supra* note 12, § 29:2, at 29-9 to 29-10 (agreeing with result but suggesting that the case should have been resolved under the famous mark doctrine).

140. *Int'l Bancorp*, 329 F.3d at 389 n.9 (Motz, J., dissenting).

141. *Id.* (Motz, J., dissenting).

142. In both recent district court cases discussed below, in which the doctrine was found to be satisfied, the plaintiff had not used the mark in the United States at the time that it sought to take advantage of the well-known mark doctrine. *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 119 F. Supp. 2d 1083, 1089 (C.D. Cal. 2000); *Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1675 (S.D.N.Y. 2004).

143. Refer to text accompanying notes 102–08 *supra*.

thus it might explain the paucity of cases in which a plaintiff has successfully relied on the doctrine in U.S. courts.¹⁴⁴ However, leading U.S. commentators do not regard use in the United States as a prerequisite for the well-known mark doctrine in U.S. law, largely *because* of the consequent disutility of the doctrine.¹⁴⁵ In any event, neither interpretation of the well-known mark doctrine has, in practice, represented a substantial intrusion on

144. If *International Bancorp* is good law, then perhaps there would be even less need to rely on the well-known mark doctrine. One could obtain rights based upon the provision of services abroad to Americans provided that one has advertised in the United States (and developed secondary meaning if the mark is not inherently distinctive). This would seem an easier task than pursuing the possibility that the mark was well known in the United States, a status rarely satisfied, and in conventional understanding connoting something more than distinctive. Of course, as we will see below, the *Grupo Gigante* and *Empresa Cubana* courts appear to be competing with the Fourth Circuit in efforts to create rights without use in the United States. Their low standard for well-known mark status, secondary meaning, may in some respects be more generous than the *International Bancorp* route. See *Grupo Gigante*, 119 F. Supp. 2d at 1091 (stating that “[i]n determining whether the plaintiffs’ mark was sufficiently known to warrant protection, the Court will consider the same factors that are considered in determining whether a descriptive mark has acquired secondary meaning”); *Empresa Cubana*, 70 U.S.P.Q.2d at 1676–77 (requiring only secondary meaning for a mark to be deemed famous within the meaning of *Vaudable*). To take advantage of the well-known mark doctrine as articulated by these courts, one would not be obliged to have served Americans or advertised in the United States (though one might think that both these factors would be important to proof of secondary meaning, were it not for the lax standard applied by the two courts following this lenient approach). In any event, both avenues (“use” under *International Bancorp* or a liberal definition of well-known marks) now seem easier than § 44(e), the expressly sanctioned route for foreign producers to obtain rights, which requires: (1) an identity between the claimed mark and the foreign registration in the country of origin, (2) a bona fide intent to use in commerce (although complying with this requirement surely is rendered easier by *International Bancorp*, as one need only intend to serve Americans and advertise in the United States), and (3) a distinctive mark. 15 U.S.C. § 1126(e) (2000); refer to note 172 *infra* and accompanying text (discussing the requirement that a foreign mark be distinctive).

145. See 4 MCCARTHY, *supra* note 12, § 29:61, at 29-164, 29-166 (suggesting that use is not required to obtain the benefit of the doctrine). The biggest uncertainty generated by the broader interpretation arises in the registration context where § 2(d), the most likely candidate upon which the owner of a well-known mark could base an opposition, expressly requires the use of the mark in the United States.

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

....

(d) . . . [has been] previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . .

15 U.S.C. § 1052 (2000). Despite the statutory lacuna, it is clear that the well-known mark doctrine is applied in the registration context without the need for use. The protection of well-known marks in the registration context might seem easier if the Paris Convention were self-executing, see *British-Am. Tobacco Co. v. Philip Morris Inc.*, 55 U.S.P.Q.2d 1585, 1589 (T.T.A.B. 2000) (relying on self-execution of the Pan-American Convention in the context of cancellation), but this would not help in any event because the Paris Convention does not mandate protection without use.

the principle of territoriality in the United States.

Recent developments, however, if broadly accepted, suggest that the well-known mark doctrine is likely to be a more significant exception to territoriality in the future. Although Article 6^{bis} of the Paris Convention does not require that member states provide protection to well-known marks without regard to use, member states are free to exceed the minimum standards in the Convention, and indeed, the approach of requiring protection without use commands increasing support as an internationally mandated standard.¹⁴⁶ As a result, in 1999, the WIPO General Assemblies and the Paris Union agreed to a nonbinding recommendation on well-known marks (the “Joint Recommendation on Well-Known Marks”), which stipulates that a well-known mark will be protected in a specific country on the ground that it is well known, even if the mark is not registered or used in that country.¹⁴⁷ Indeed, a member state is prohibited not only from requiring that a mark be used in that state as a condition for determining whether a mark is well known, but also from requiring that the mark be registered in any other member state.¹⁴⁸

The expansion of the well-known mark doctrine that the Joint Recommendation on Well-Known Marks purports to effect—which would preclude the United States from imposing the use requirement hinted at by the dissent in *International Bancorp*¹⁴⁹—is, however, contained in a nonbinding resolution. Article 16 of the TRIPS Agreement, which clearly *does* bind the United States, also effected a limited expansion of international obligations with respect to well-known marks. Article 16(2) extended the protection of Article 6^{bis} of the Paris Convention to service marks and provided some guidance, which is lacking in the Paris Convention, regarding the meaning of “well-known

146. See *Report of the First Session of the Committee of Experts on Well-Known Marks in Geneva on November 13–16, 1995*, WIPO Doc. WKM/CE/I/3, paras. 75–80 (Nov. 16, 1995) (stating that a majority of countries believe that protection of well-known marks should be available regardless of whether a mark is used in the territory in which protection is sought).

147. See *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, adopted by Assembly of the Paris Union for the Protection of Industrial Property and General Assembly of the World Intellectual Property Organization, WIPO Doc. 833(E), art. 2(3)(i) (Sept. 1999) [hereinafter *Joint Recommendation on Well-Known Marks*] (prohibiting member states from requiring that a mark be used in a member state as a condition for protection as “well known”).

148. *Id.* art. 2(3)(ii).

149. *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 383 (4th Cir. 2003) (Motz, J., dissenting) (suggesting that use in the United States might be a requirement to receive protection as a well-known mark under U.S. law).

mark.”¹⁵⁰ Article 16(3) enlarged the scope of Article 6^{bis} to protect against use of the mark on dissimilar goods.¹⁵¹ These expansions do not, however, require the enhancement of existing protection under U.S. law. The most notable case in the United States proffered as an example of the application of the doctrine involves a service mark,¹⁵² the additional guidance in TRIPS concerning the meaning of the term “well-known mark” is quite general,¹⁵³ and U.S. law already provides sufficient protection against uses of a mark on dissimilar goods.¹⁵⁴

Thus, although international norms regarding well-known marks have been strengthened, it might appear that U.S. law remained largely unaffected. U.S. law was already consistent with binding TRIPS obligations. And although requiring protection without use, as the Joint Recommendation on Well-Known Marks does, would consolidate in place the more generous interpretation of the well-known mark doctrine in U.S. law and preclude any limitation of the doctrine in the way suggested by Judge Motz, it is contained in a nonbinding instrument.

However, the fortification of the well-known mark exception to territoriality, as an international obligation of the United States, has in fact happened. Although the Joint Recommendation on Well-Known Marks is not binding, the

150. TRIPS Agreement, *supra* note 7, art. 16(2).

151. *Id.* art. 16(3).

152. See *Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332, 334 (Sup. Ct. 1959).

153. See TRIPS Agreement, *supra* note 7, art. 16(2) (“In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that Member obtained as a result of the promotion of the trademark.”).

154. Congress, in enacting federal dilution protection in 1995, claimed that Article 16(3) also required the enactment of dilution protection, which Congress then offered to “famous marks” within the meaning of the federal dilution legislation rather than “well-known marks” within the meaning of the Paris Convention or TRIPS. H.R. REP. NO. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031 (noting that dilution protection for famous marks is required for consistency with TRIPS). However, strong arguments exist that the legislative history of the dilution law overstates the obligations of Article 16(3) and that confusion-based causes of action under U.S. law satisfy Article 16(3). See Paul J. Heald, *Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement*, 29 VAND. J. TRANSNAT'L L. 635, 654 (1996) (“The ‘connection’ requirement is better understood to establish a cause of action for false sponsorship or association, remedies for which are already found in the Lanham Act.”); Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROBS. 75, 84 n.40 (1996) (suggesting that “[i]t is not at all clear that [Article 16(3)] requires enactment of a federal dilution statute”). *But cf.* Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village?*, 86 TRADEMARK REP. 103, 130 (1996) (advancing the possibility that Article 16(3) of the TRIPS Agreement may require “an action of trademark dilution in the absence of any confusion but where some association of the well-known mark with the goods or services of the registered owner is present”).

United States is including compliance with the Joint Recommendation as a term of bilateral agreements being concluded with various nations and is thus assuming international obligations on this issue.¹⁵⁵ To be sure, these agreements are not directly effective in U.S. law, and the United States may domestically fail to comply with its international obligations. However, this is a step not lightly taken, and in the last year, courts have made reference to the Joint Recommendation on Well-Known Marks to obtain guidance on the meaning of the term in U.S. law.¹⁵⁶

Moreover, the Joint Recommendation on Well-Known Marks, again with the same argument for efficacy as above, also outlines—in far greater detail than the Paris Convention or TRIPS—the considerations that *shall* be relevant to the determination of whether a mark is well known.¹⁵⁷ These provisions are not exhaustive and thus—although part of a concerted effort in international instruments over the past ten years to give more meaning to the concept first articulated in Article 6^{bis} of the Paris Convention—do not represent any specific incursion into the territoriality principle. The overall effect of this activity, however, is surely to consolidate the well-known mark exception to territoriality, albeit not in a particular, concrete way. Finally, the Joint Recommendation on Well-Known Marks specifically requires that well-known marks receive protection against dilution¹⁵⁸—thereby removing any ambiguity regarding the extent of the obligation to protect against use on dissimilar goods found in Article 16(3) of the TRIPS Agreement—and it requires such protection in circumstances that might not currently be afforded by Lanham Act § 43(c).¹⁵⁹

155. See Free Trade Agreement, May 6, 2003, U.S.-Sing., art. 16.2(b)(1) (providing that each party shall give effect to the Joint Recommendation on Well-Known Marks), http://www.ustr.gov/Trade_Agreements/Bilateral/Singapore_FTA/Section_Index.html (last visited Oct. 7, 2004); cf. Free Trade Agreement, June 6, 2003, U.S.-Chile, art. 17.2(9) (recognizing the importance of the Joint Recommendation and undertaking to be guided by its principles), http://www.ustr.gov/Trade_Agreements/Bilateral/Chile_FTA/Section_Index.html (last visited Oct. 7, 2004).

156. See *Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1578–79 (S.D.N.Y. 2004).

157. See Joint Recommendation on Well-Known Marks, *supra* note 147, art. 2(1) (mandating consideration of, inter alia, public recognition, use, and promotion of the mark).

158. *Id.* art. 4(1)(b)(ii).

159. The Joint Recommendation on Well-Known Marks mandates protection against marks that are “*likely* to impair or dilute in an unfair manner the distinctive character of the well-known mark.” *Id.* (emphasis added). This standard is almost identical to the one recently rejected by the U.S. Supreme Court in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432–33 (2003) (holding that protection under federal law requires a showing of *actual* dilution). Moreover, the standard is augmented by requiring protection against

International obligations to protect well-known marks have thus been enhanced of late. And, although the most clearly binding international obligations do not require strengthening of the well-known mark doctrine in U.S. law, the soft law provisions of the Joint Recommendation on Well-Known Marks might both further the international trend and create pressure on the United States to ensure vigorous protection for well-known marks under domestic law.

Parallel expansion of the well-known mark doctrine through liberalization of the definition of “well-known mark” can be seen in recent case law in the U.S. courts. In two recent cases, district courts have suggested that a mark must attain only a low threshold to avail itself of the benefit of the doctrine. In both *Grupo Gigante S.A. de C.V. v. Dallo & Co.*¹⁶⁰ and *Empresa Cubana del Tabaco v. Culboro Corp.*,¹⁶¹ the courts held that a mark that had not been used in the United States could be “well-known” for the purposes of this doctrine provided that secondary meaning could be shown in the United States.¹⁶²

In both cases, a foreign plaintiff that had not used the mark in the United States brought an infringement action against a U.S. company using the mark in the United States, and in both cases, the plaintiff successfully relied upon the well-known mark doctrine.¹⁶³ In *Grupo Gigante*, the plaintiff used the mark on grocery stores in Mexico, and the defendant used the mark for its stores in San Diego.¹⁶⁴ In *Empresa Cubana*, a Cuban company used the mark on premium cigars sold in Cuba and elsewhere—but not in the United States because of the Cuban embargo—and brought its action against an American manufacturer selling cigars under the same name in the United States.¹⁶⁵

The relevant international instruments—the Paris

“the use of that mark [that] would take unfair advantage of the distinctive character of the well-known mark,” Joint Recommendation on Well-Known Marks, *supra* note 147, art. 4(1)(b)(iii), language that resembles the arguably broader dilution concept under EU law. See First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks, art. 5(2), 1990 O.J. (L 40) 1 (granting protection where the junior mark “without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark”).

160. 119 F. Supp. 2d 1083 (C.D. Cal. 2000).

161. 70 U.S.P.Q.2d 1650 (S.D.N.Y. 2004). In the interest of full disclosure, I should acknowledge that periodically I have acted as a consultant with respect to certain questions in the *Empresa Cubana* litigation.

162. *Grupo Gigante*, 119 F. Supp. 2d at 1090; *Empresa Cubana*, 70 U.S.P.Q.2d at 1682.

163. *Grupo Gigante*, 119 F. Supp. 2d at 1089–90, 1098; *Empresa Cubana*, 70 U.S.P.Q.2d at 1654, 1682.

164. *Grupo Gigante*, 119 F. Supp. 2d at 1085.

165. *Empresa Cubana*, 70 U.S.P.Q.2d at 1653–54.

Convention, the TRIPS Agreement, and even the Joint Recommendation on Well-Known Marks—do not offer a clear conceptual understanding of what is a well-known mark, and the issue becomes even murkier when domestic U.S. law is superimposed. Some of the uncertainty (and incoherence) stems from a terminological difficulty. The well-known mark doctrine is sometimes referred to in U.S. case law as the “famous mark” doctrine.¹⁶⁶ Yet that term is also the term used by Congress in 1995 to define the subset of marks that obtain protection against dilution.¹⁶⁷

Moreover, although the Lanham Act contains a detailed list of what *considerations* are relevant to the question of fame, it does not contain any definition of the *standard* that must be met before a mark is famous for the purposes of dilution protection.¹⁶⁸ The exceptional protection against dilution afforded to famous marks is clearly limited to only a few marks, which Professor McCarthy has called “superstar” marks. The statutory standard is therefore very high. Because the term “famous” is often used in U.S. case law implementing Article 6^{bis}, the defendants in both *Grupo Gigante* and *Empresa Cubana* argued that the standard for protection under the “well-known mark” doctrine was the same (high) standard as that found in the federal dilution law.¹⁶⁹ In both cases, the court found that the plaintiff’s mark was not famous within the meaning of the federal dilution legislation.¹⁷⁰

Congress has done nothing that would discredit the connection, and indeed has contributed to the argument of approximation. When the federal dilution legislation was enacted, Congress saw in Article 16(3) of TRIPS an obligation to

166. *Grupo Gigante*, 119 F. Supp. 2d at 1090.

167. See 15 U.S.C. § 1125(c) (2000). There is, in fact, a glut of similar terminological inconsistencies throughout many foreign laws. See Mostert, *supra* note 154, at 114–19 (discussing the variety of terms and definitions used to refer to well-known marks, including “notorious,” “famous,” “highly-renowned,” “highly-reputed,” and “exceptionally well-known”).

168. This is a criticism leveled at U.S. dilution law in the context of applying the statute domestically. See Lori Krafte-Jacobs, *Judicial Interpretation of the Federal Trademark Dilution Act of 1995*, 66 U. CIN. L. REV. 659, 663–64, 693 (1998) (noting that the Lanham Act’s factor-based definition of “fame” does not offer much guidance).

169. *Grupo Gigante*, 119 F. Supp. 2d at 1089–90 (analyzing the potential applicability of the FTDA’s requirement that a famous mark have a “high degree of renown” to an inquiry under the well-known mark doctrine, but concluding that secondary meaning is the relevant standard for protection as a well-known mark); *Empresa Cubana*, 70 U.S.P.Q.2d at 1677 (noting defendant’s assertion that “[t]he FTDA standard for fame is consistent with cases analyzing fame under the well-known marks doctrine”).

170. *Grupo Gigante*, 119 F. Supp. 2d at 1102; *Empresa Cubana*, 70 U.S.P.Q.2d at 1692.

offer “well known marks” protection against dilution—protection that it then conferred on a subset of marks defined by the term “famous.”¹⁷¹ Likewise, although the original terms of Article 6^{bis}, which protected well-known marks against confusion, might not suggest a necessary connection between dilution and “well-known marks,” the ambiguous language of Article 16(3) and the quite unambiguous language of the Joint Recommendation on Well-Known Marks appear to afford the category of “well-known” marks exceptional (dilution) protection similar to that afforded to another subset of marks (“famous” marks) under U.S. law.

Yet both courts rejected a high standard (and in particular the statutory standard of fame relevant to dilution protection) for well-known marks, partly because of what the courts saw as the more exceptional nature of dilution protection,¹⁷² and partly because the courts claimed to see affirmative connections between the concept of well-known marks and the domestic secondary meaning standard.¹⁷³

The affirmative reasons proffered by the two courts for the standard that a mark is well known in the United States if secondary meaning is shown here are unconvincing and raise a series of policy concerns that track those generated by the *International Bancorp* opinion. Both courts found support for the argument that the standard is low in what they described as a survey of case law (even though the well-known mark claim has

171. Refer to note 154 *supra*.

172. It is too simplistic to suggest, as the *Empresa Cubana* court does, that the standard for well-known marks will not be the same as famous marks because “the protection available under the FTDA is much greater.” 70 U.S.P.Q.2d at 1678. Dilution protection *is* indeed greater than that afforded by classic infringement theories, but the well-known mark doctrine also affords much greater protection because, unlike a classical infringement case, it does not require use in the United States. Might there thus be a conceptual connection that would support such an approximation of “famous” and “well-known”? Article 6^{bis}, in its original incarnation, might be seen as a broadening of the geographic scope of protection (at least insofar as it addressed registration-based systems), while dilution protection is essentially a broadening of protection with respect to classical product-based limits. Both doctrines appear to recognize exceptional protection, beyond the classical scope of trademark rights, for an extremely small subset of marks. The two subsets may not correspond precisely—that is, the test of marks to be protected as “well-known” may be different from the test of fame used to determine which marks are protected against dilution—because the scope of the derogation (i.e., when infringement will be found in these special cases) and the purpose underlying the derogation is different. But it is surely not the case that the test for whether a mark is exceptionally protected as a well-known mark can be the same as the test for whether a mark receives protection under the Lanham Act as a routine matter. Yet that is essentially the test that both the *Grupo Gigante* and *Empresa Cubana* courts developed in permitting a mark to receive protection as a well-known mark on the basis of secondary meaning.

173. *Grupo Gigante*, 119 F. Supp. 2d at 1091; *Empresa Cubana*, 70 U.S.P.Q.2d at 1677–78.

rarely succeeded).¹⁷⁴ The lax secondary meaning standard cannot be extrapolated from the cases where the well-known mark doctrine was applied. Both the *Grupo Gigante* and *Empresa Cubana* courts single out, in particular, the *Vaudable* case as an illustration of a court protecting a well-known mark based upon secondary meaning.¹⁷⁵ The *Vaudable* case cannot, however, be read for the proposition that secondary meaning is all that is required to support Article 6^{bis}-derived protection for well-known marks. *Vaudable* contains language regarding the international fame and prestige of the mark at issue in that case, and that level of consumer awareness of the mark was well in excess of bare secondary meaning.¹⁷⁶

In *Grupo Gigante*, the argument for a secondary meaning standard was buttressed by the proximity in Professor McCarthy's treatise of a reference to the *Tea Rose-Rectanus* (*United Drug*) doctrine, thus suggesting that all that is required is that the mark is known (as opposed to "well-known") in the United States.¹⁷⁷ The court cited the treatise despite Professor McCarthy's acknowledgment that the *Tea Rose-Rectanus* doctrine does not apply in the international context.¹⁷⁸ The considerations that might permit an expansion of the geographic scope of rights within the United States have not been applied in the international context, recognizing that the common law principle of territoriality has been overlaid by national political boundaries. The Lanham Act represents a compromise between different conceptions of territoriality. It balances the territoriality intrinsic to the purpose of trademark law (which informs the scope of common law rights) with the politically grounded values of territoriality that exalt national borders (by granting nationwide rights in advance of trade through federal registration). The *Empresa Cubana* and *Grupo Gigante* courts have ignored the second dimension to territoriality and have effectively erased the nationality component of the use requirement from U.S. law. Domestic marks routinely claim

174. See *Grupo Gigante*, 119 F. Supp. 2d at 1090–91 (citing various cases); *Empresa Cubana*, 70 U.S.P.Q.2d at 1677–78 (identifying *Vaudable*).

175. *Grupo Gigante*, 119 F. Supp. 2d at 1090–91; *Empresa Cubana*, 70 U.S.P.Q.2d at 1676–78.

176. Moreover, the French restaurant owned a registration in the United States for catering services. *Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332, 334 (Sup. Ct. 1959). At the time, the related goods (or related services) doctrine was not as vibrant as under current law. Today, the restaurant would probably not even need to make the famous mark argument, so *Vaudable* can hardly be read as establishing a standard that captures the exceptional nature of the doctrine.

177. *Grupo Gigante*, 119 F. Supp. 2d at 1090.

178. 4 MCCARTHY, *supra* note 12, § 26:5 n.1, at 26-12.

protection based upon distinctiveness and use in the United States. Under these new cases, the test for protection of foreign marks in the United States is simply actual distinctiveness in the United States, assessed under the same test that is used in the typical domestic case to determine whether a mark gets *any* (let alone exceptional) protection.¹⁷⁹

In *Empresa Cubana*, the court also supported the secondary meaning standard by noting the similarity between the factors used to prove secondary meaning and those found in the Joint Recommendation on Well-Known Marks indicating that a mark is well known.¹⁸⁰ The similarity of *factors* used to determine secondary meaning and the factors found in international instruments addressing well-known marks does not support the assimilation of the *standards* for determining whether a mark falls into those two categories. The *Empresa Cubana* court conflated the standard for determining whether a mark meets the level of distinctiveness that warrants protection as a well-known mark with the evidentiary factors that assist in determining whether that standard is met.¹⁸¹ Less tendentiously, the same evidence is used at many different points in trademark analysis, but such multiple utility does not require the approximation of all the legal rules to which the evidence is relevant.¹⁸²

Shortcomings in the *Grupo Gigante* and *Empresa Cubana* opinions go beyond the use of an overly liberal standard for

179. Refer to note 172 *supra*. An alternative conceptualization of what these courts have done is that, rather than erasing the use requirement from U.S. law, they have rewritten it. Use is now satisfied by general renown or reputation rather than by requiring that there be “trade [in the country] in which it [is] used.” *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 391 n.10 (4th Cir. 2003) (quoting *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416–17 (1916)). Such a conceptualization might peripherally reflect Professor McCarthy’s analysis of the well-known mark exception, which Judge Sweet cites in *Empresa Cubana*. But it is doubtful that Professor McCarthy intended for his attempt to explain the well-known mark doctrine within the rubric of U.S. trademark law to be used to support an equation of well-known mark with “mark”. Territoriality is indeed a cardinal principle of international trademark law, but use is a cardinal principle of U.S. trademark law. It is the principle upon which U.S. negotiators most steadfastly insist in international negotiations, and these courts have radically abolished it.

180. *Empresa Cubana*, 70 U.S.P.Q.2d at 1678–79.

181. Only occasionally does Judge Sweet acknowledge this distinction. *See, e.g., id.* at 1679 (noting that the WIPO factors do not dictate the level of fame).

182. Indeed, if a mere correlation of “factors” is to be used to identify the nature of the well-known mark exception, the factors in the Joint Recommendation on Well-Known Marks—which Judge Sweet endorses as indicative of U.S. law—mesh just as well with those in § 43(c)(1)’s definition of “fame” for dilution purposes as they do with the secondary meaning factors. One cannot look simply at the factors; one has to look at the extent of recognition—that is, the metric and not the factors.

protection as a well-known mark. Even assuming the standard is correct, both courts (as well as, once more, *International Bancorp*) do not appear to grasp the full consequences of attempting to discern consumer association without domestic use. In all three cases, *International Bancorp*, *Grupo Gigante*, and *Empresa Cubana*, the court accorded rights to foreign producers who had not used their marks in the United States. In both well-known mark cases, *Grupo Gigante* and *Empresa Cubana*, the courts noted that the secondary meaning standard explicitly requires the plaintiff to show acquired distinctiveness in the United States notwithstanding lack of use. Likewise, the majority in *International Bancorp* noted that an unregistered mark used in foreign trade will merit Lanham Act protection only when it is distinctive among U.S. consumers. Use without distinctiveness is insufficient because such use does not generate goodwill among American consumers.

Under the *International Bancorp* rule, secondary meaning will not always be required for unregistered foreign marks to merit Lanham Act protection; inherently distinctive marks used to offer services to Americans abroad, with accompanying advertising under the mark in the United States, will be protected without proof of secondary meaning. But in *International Bancorp* itself, this principle should have presented a challenge to the casino operator because the mark was geographically descriptive and hence unprotectable absent secondary meaning.¹⁸³ Thus, all three cases raise a relatively new issue: do consumers truly develop understandings regarding the sources of a product when there has been no use in the United States, and how does one prove that secondary meaning? Assessment of applications filed based upon Lanham Act § 44(e) suggest that proving secondary meaning absent use in the United States should be quite arduous.¹⁸⁴

183. *Int'l Bancorp*, 329 F.3d at 370.

184. The relevant section of the TMEP highlights this difficulty:

A § 44 applicant may assert that a mark has acquired distinctiveness under 15 U.S.C. §1052(f) if the applicant establishes that the mark has become distinctive of its goods or services *in commerce* in the same manner that any other applicant must. For these purposes, the applicant may not rely on use other than use in commerce that may be regulated by the United States Congress, that is, the applicant may not rely on use solely in a foreign country.

TMEP, *supra* note 134, § 1010; *see also id.* § 1212.08 (“The applicant may not rely on use other than use in commerce that may be regulated by the United States Congress in establishing acquired distinctiveness. Use solely in a foreign country is not evidence of acquired distinctiveness in the United States.”). Of course, § 44 applicants should arguably have the right to contend before the PTO that “use in commerce” has a meaning consistent with *International Bancorp*, but precedent in the TTAB (*Mother's Restaurants*) and Federal Circuit (*Person's*) suggest otherwise, making § 44's mechanism a less

In this regard, the secondary meaning analysis in *International Bancorp* appears suspect. The majority concluded that the mark possessed secondary meaning and could thus be protected.¹⁸⁵ The court relied on the typical factors relevant to a secondary meaning inquiry, including substantial advertising and sales success in the United States, and noted that under Fourth Circuit case law, *Larsen v. Terk Technologies*,¹⁸⁶ SBM could meet its burden of proving secondary meaning because it had established that the online companies intentionally copied the mark.¹⁸⁷ Under *Larsen*, a trademark plaintiff who proves that the defendant directly and intentionally copied its mark is presumed to have proved that mark's secondary meaning, and the defendant must then rebut that presumption.¹⁸⁸ Yet it is well established that the copying of a mark used abroad does not by itself amount to bad faith.¹⁸⁹

The unquestioning invocation of presumptions often used in domestic distinctiveness analysis results in an overly liberal doctrinal stance toward the creation of U.S. rights without use or registration in the United States, and it is replicated in the *Empresa Cubana* opinion.¹⁹⁰ The court there relies almost exclusively on the third secondary meaning factor, intentional copying.¹⁹¹ But the court's finding of secondary meaning cannot rest on intentional copying alone, because, as the court notes elsewhere in the opinion, the copying was not done in bad faith.¹⁹² Only copying done with a bad faith intent to pass off, not simply to compete, contributes to a finding of secondary meaning.¹⁹³ Thus, were the *Empresa Cubana* court to rest on that intentional

attractive proposition for the foreign right owner. Section 44(e) applicants will, however, retain the advantage of certainty over those foreign mark owners relying on judicial determinations of well-known mark status.

185. *Int'l Bancorp*, 329 F.3d at 372.

186. 151 F.3d 140 (4th Cir. 1998).

187. *Int'l Bancorp*, 329 F.3d at 371 (citing *Larsen*, 151 F.3d at 148–49).

188. *See Larsen*, 151 F.3d at 148 (citing *Osem Food Indus. v. Sherwood Foods*, 917 F.2d 161, 163 (4th Cir. 1990)).

189. *See Person's Co. v. Christman*, 900 F.2d 1565, 1569 n.18, 1570 (Fed. Cir. 1990); *Bulk Mfg. Co. v. Schoenbach Prods. Co.*, 208 U.S.P.Q. 664, 667–68 (S.D.N.Y. 1980).

190. Indeed, that two or three of the six factors typically relevant to secondary meaning (sales success, length and exclusivity of use, and possibly advertising expenditures) are unlikely to be applicable to the well-known mark context should indicate that secondary meaning is not the appropriate level on which to grant protection.

191. The court's conclusion on survey evidence is ambivalent or weak, and the court's conclusion on unsolicited media coverage is also troubling given that the advertising involved was heavily solicited. *See Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1680–81 (S.D.N.Y. 2004).

192. *See id.* at 1688, 1693 (concluding that General Cigar did not act in bad faith).

193. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13 cmt. e (1995).

copying factor alone, it would have converted trademark law from a law against misrepresentation into a law against misappropriation, which courts have continually stressed is not the role of the Lanham Act. Thus, putting aside for present purposes the dubious reliance on secondary meaning as the *legal standard* for well-known marks, both cases, *International Bancorp* and *Empresa Cubana*, involve an inappropriate application of the secondary meaning test that further erodes the principle of territoriality.

The liberal approach to the acquisition of rights in the United States demonstrated by all three courts (*International Bancorp*, *Grupo Gigante*, and *Empresa Cubana*) discussed in this Part of the paper sustains one aspect of territoriality alone, namely, that which reflects the intrinsic purpose of trademark law. These courts elevate concerns about domestic consumer confusion without consideration of other values underlying territoriality. As demonstrated above, trademark law may adopt a territorial (or national) stance in order to pursue other objectives. By ignoring an increase in uncertainty and search costs, and by undermining the established international systems for registration of rights on a multinational basis, these courts have undervalued the importance of territoriality rooted in national political and economic structures.

3. *Use on the Internet: The WIPO Standing Committee on Trademarks.* As is implicit in the discussion above, the concept of use is central to the attitude U.S. law adopts toward the global market. But the concept of use is important even in registration-based systems where use is still required to maintain a registration and to determine infringement. In both systems, use has been interpreted with an implicit territorial dimension; use in Germany does not, as a general matter, infringe on rights owned in France. As seen above, this concept of use has been rendered unstable by the growing cross-border activity of producers and consumers. Nowhere is this more acute than in the context of the Internet, which typifies (and celebrates) such activity.

In recent years, the WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications ("SCT") developed provisions on the concept of use on the Internet, which were adopted as a nonbinding instrument by the WIPO General Assemblies and the Paris Union in 2001.¹⁹⁴ The

194. See *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, adopted by Assembly of

Joint Recommendation on Internet Use consists of two components. The first component reduces the number of likely conflicts, and thus problems of clutter, in the online environment; the second component suggests a flexible approach to mediating conflicts that do occur notwithstanding the first part of the Joint Recommendation.

Under the first component, use of a sign on the Internet should only be treated as use—whether to acquire rights or to determine infringement—in any particular state if the use of the sign has a “commercial effect” in that state.¹⁹⁵ The Joint Recommendation further details the nonexhaustive factors relevant to a determination of whether a sign has a commercial effect in a state.¹⁹⁶ The second component of the Joint Recommendation limits the liability of an owner of trademark rights in one country that uses its mark online in a way that *has* a commercial effect in another state.¹⁹⁷ In particular, such a mark owner should not be liable to the mark owner in that foreign state prior to receiving a “notification of infringement,” provided that the mark owner’s rights were not acquired in bad faith and that contact details are provided on the website where the sign is displayed. Even upon receiving a notification, the user can avoid liability by expeditiously taking reasonable steps “to avoid a commercial effect in the [country] in which the allegedly infringed right is protected” or to avoid confusion with the mark owner in that country.¹⁹⁸ And these steps should not unreasonably burden the commercial activity the user carries out

the Paris Union for the Protection of Industrial Property *and* General Assembly of the World Intellectual Property Organization, WIPO Doc. 845(E), pmb. (Oct. 2001) [hereinafter *Joint Recommendation on Internet Use*] (setting forth provisions intended to apply when determining whether “use of a sign on the Internet has contributed to the acquisition, maintenance or infringement of a mark or other industrial property right in the sign, or whether such use constitutes an act of unfair competition”).

195. *See id.* art. 2 (“Use of a sign on the Internet shall constitute use in a Member State 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 Article 3.”).

196. The factors are nonexhaustive 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 website where the mark is used, as well as any explicit disclaimer of the ability to deliver 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 website had actually been visited by persons from a particular state. The interactivity of the website might also be an important factor. The full listing of factors is found in Article 3 of the *Joint Recommendation on Internet Use*. *See id.* art. 3. For an analysis of the wisdom of the particular factors listed, see Dinwoodie, *Private International Aspects*, *supra* note 44, paras. 103–05.

197. *Joint Recommendation on Internet Use*, *supra* note 194, art. 2.

198. *Id.* at Notes, ¶ 10.02.

over the Internet.¹⁹⁹

The Joint Recommendation on Internet Use further suggests that national courts granting a remedy against infringing Internet use consider the effect that any injunction would have in other states; any remedy should be proportionate to the commercial effect in a particular state.²⁰⁰ Furthermore, a court could “take account . . . of the number of Member States in which the infringed right is also protected, the number of Member States in which the infringing sign is protected by a right, or the relative extent of use on the Internet.”²⁰¹ 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 the user has acted in good faith.²⁰²

Whereas developments with respect to well-known marks—and the approach of the majority in *International Bancorp* to the question of “use” under domestic U.S. law—suggest an erosion of the principle of territoriality fully understood, the Joint Recommendation on Internet Use is a commendable effort to employ the principle of territoriality constructively in a global online environment. It is informed by both intrinsic and pragmatic notions of territoriality. Ironically, although both *International Bancorp* and the developments in the protection of well-known marks appear to be motivated by a desire to reflect the realities of global markets and to facilitate the ready acquisition of rights on a broader geographic basis, they may in fact impede global commerce. In the Internet context, I have previously commented that too broad a view of use

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

199. See *id.* If those steps include the use of a disclaimer in accordance with the terms of Article 9 of the Recommendation, the user is conclusively presumed to have satisfied the standard. Such disclaimers should, inter alia, make clear that the user of the sign does not intend to deliver goods to the particular member state where a conflicting right exists and that the user has no relationship with the owner of the conflicting right.

200. See Joint Recommendation on Internet Use, *supra* note 194, art. 13(1).

201. *Id.* at Notes, ¶ 13.04.

202. Such global injunctions are expressly prohibited by Article 14. *Id.* at Notes, ¶ 14.01. The provisions contain examples of alternative remedial options (such as gateway webpages). *Id.* art. 14.

acquired trademark rights from expanding into the online environment lest they interfere with competing rights in other countries. . . . 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.²⁰³

The same is true of global commerce generally, and the Joint Recommendation on Internet Use, unlike *International Bancorp* or the different developments regarding well-known marks, recognizes that unduly liberal attitudes regarding the grant of rights may result in a cluttering of the marketplace. Such clutter may create barriers to, rather than facilitate, global commerce.

B. Nonterritorial (and Foreign) Legal Norms

1. *Convergence of National Legal Norms: Public International Trademark Law.* Despite the continuing nationality of trademark law norms, in recent years a variety of harmonization initiatives have effected a substantial convergence of substantive norms. The TRIPS Agreement and regional harmonization have contributed significantly to this trend. The three nonbinding recommendations emanating from the SCT and adopted by the general assemblies of the WIPO and the Paris Union have contributed toward a confluence of standards in the areas of well-known marks, use, and trademark licensing. And, procedurally, the Trademark Law Treaty has minimized the inefficiencies of serial national applications by encouraging standardized procedural requirements in trademark registration applications.²⁰⁴ These public law developments do not detract, however, from the basic principle of territoriality. Instead, they minimize, but do not eradicate, the costs and inefficiencies that flow from national rights by rendering more common the national

203. Dinwoodie, *Private International Aspects*, *supra* note 44, paras. 54–55.

204. See Trademark Law Treaty, *supra* note 135, art. 3(1)(a), 3(7) (listing elements that may be required in trademark registration applications and prohibiting contracting parties from requiring elements beyond those in the list).

legal norms that apply in a territorial system. In so doing, they foster a climate that facilitates international commerce, ironically creating further challenges for trademark law.

2. *The Uniform Domain Name Dispute Resolution Policy (UDRP)*. The Internet Corporation for Assigned Names and Numbers (ICANN)²⁰⁵ requires every registrar issuing domain names in the most commercially significant generic top-level domains to include in its registration agreement a contractual provision requiring domain name registrants to submit to the application of the Uniform Domain Name Dispute Resolution Policy (UDRP) adopted by ICANN in late 1999.²⁰⁶ As a result, cybersquatting disputes between domain name registrants and trademark holders may, at the insistence of the trademark owner, be resolved by quasi-arbitral panels. While many disputes have been resolved instead in national courts, the UDRP has become the international standard for resolving cybersquatting disputes, representing a modest departure from the territorial model both with respect to enforcement and (more controversially) applicable norms.²⁰⁷

The enforcement mechanism developed by the UDRP, namely, expeditious resolution largely based upon electronically filed, bare-bones pleadings and settled by “administrative panels” administered by ICANN-authorized dispute settlement providers,²⁰⁸ is an obvious departure from the norm of national trademark enforcement discussed above. The substantive rules that the panels apply likewise represent a deviation from the territorial model. The rules were developed in an unconventional process of international intellectual property lawmaking

205. ICANN is a not-for-profit corporation created by the U.S. government to operate the domain name system, among other things, in accordance with parameters set by the Commerce Department. Management of Internet Names and Addresses, 63 Fed. Reg. 31,741 (June 10, 1998); see also *Internet Domain Names and Intellectual Property Rights: Hearing Before the Subcomm. on Courts & Intellectual Prop. of the House Comm. on the Judiciary*, 106th Cong. 41 (1999) (statement of Michael Robert, Interim President and CEO, ICANN) (explaining ICANN's founding), available at <http://www.house.gov/judiciary/rove0728.htm>. Among its domain-name related activities, ICANN authorizes individual registrars to issue domain names in the generic top-level domains.

206. See generally Uniform Domain Name Dispute Resolution Policy (Oct. 24, 1999) [hereinafter UDRP], <http://www.icann.org/dndr/udrp/policy.htm>.

207. See Council for Trade-Related Aspects of Intellectual Property Rights, *Electronic Commerce Work Programme: Submission from Australia*, IP/C/W/2337, ¶ 44 (Dec. 7, 2000) (suggesting that the UDRP has become the de facto international standard in cybersquatting disputes), http://www.dfat.gov.au/ip/revised_aust_ecommerce.pdf. Since its inception in 1999, more than 9300 proceedings have been brought under the UDRP. ICANN, *Statistical Summary of Proceedings Under Uniform Domain Name Dispute Resolution Policy*, at <http://www.icann.org/udrp/proceedings-stat.htm> (last modified May 10, 2004).

208. UDRP, *supra* note 206, paras. 3–4.

wherein, at the request of the United States, the World Intellectual Property Organization drafted a report proposing the rules in question, which ICANN then adopted.²⁰⁹

The substantive standards embodied in the UDRP (what a complainant must show to prevail) are unconnected to any particular national legal norm.²¹⁰ The standards are purportedly a context-specific application of the international norm prohibiting unfair competition contained in Article 10^{bis} of the Paris Convention.²¹¹ And they are similar to norms that have independently (although not without an eye to the UDRP) been enacted or adopted in various national laws.²¹² A precise characterization of the norms that apply in UDRP proceedings is therefore difficult and probably unnecessary. Most importantly, the applicable rules follow something other than the national model described above.

To be sure, decisions under the UDRP are not necessarily rendered without reference to national law. Trademark rights must still be established under national law, and the legitimacy of a respondent's use of a mark might raise a question of national law.²¹³ Moreover, national norms clearly inform the development of the rules of decision under the UDRP.²¹⁴ Over time, however, panelists

209. This description does not do justice to the complexity of the process. For fuller explanations, see generally Laurence R. Helfer & Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 WM. & MARY L. REV. 141 (2001) (analyzing in detail the development of the rules that ICANN-authorized dispute settlement providers use to resolve cybersquatting disputes); A. Michael Froomkin, *Of Governments and Governance*, 14 BERKELEY TECH. L.J. 617, 626–29 (1999) (same); A. Michael Froomkin, *Semi-Private International Rulemaking: Lessons Learned from the WIPO Domain Name Process*, at 14–26, at <http://www.law.miami.edu-froomkin/articles/tprc99.pdf> (draft on file with Author) (Aug. 26, 1999) (reviewing UDRP as hybrid “dispute settlement creature that blended public and private elements and that was not wholly ministerial, judicial, or arbitral in nature”).

210. See UDRP, *supra* note 206, para. 4 (setting forth the elements that a complainant must show to prevail in a mandatory administrative proceeding). Rule 15 of the UDRP Rules provides that panels should decide cases on the basis of “the statements and documents submitted and in accordance with the Policy, the[] [UDRP] Rules and any rules [or] principles of law that [they] deem[] applicable.” ICANN, *Rules for Uniform Domain Name Dispute Resolution Policy*, Rule 15 (Oct. 24, 1999), <http://www.icann.org/udrp/udrp-rules-24oct99.htm>.

211. Paris Convention, *supra* note 3, art. 10^{bis}.

212. See, e.g., Anti-Cybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1536, 1501A-545 to 1501A-552 (1999) (codified as amended at 15 U.S.C. § 1125(d) (2000)) (establishing a cause of action for cybersquatting).

213. See Dinwoodie, *Private International Aspects*, *supra* note 44, paras. 116–18 (discussing extent to which the UDRP is an autonomous body of law).

214. See, e.g., *World Wrestling Fed'n Entm't, Inc. v. Bosman*, WIPO Case D99-0001, para. 6, at <http://arbiter.wipo.int/domains/decisions/html/1999/d1999-0001.html> (Jan. 14, 2000) (supporting interpretation of “use” requirement by referencing a decision of the U.S. Court of Appeals for the Ninth Circuit).

have given weight to prior panel rulings, regardless of their etymology. Decisions rendered on the basis of persuasive national rules have been cited as embodying autonomous principles of UDRP law, suggesting that the enforcement mechanism has acquired a common law-like capacity to generate norms. The UDRP thus effects, in a manner more complex than public international harmonization, a shift from national trademark norms.

National trademark norms also inform the resolution of cybersquatting disputes more directly than via their influence on the UDRP. Trademark owners retain the right to proceed in national courts instead of, or in addition to, bringing a complaint under the UDRP,²¹⁵ and many do. National law might provide slightly more favorable standards, more extensive relief, or more useful procedures. Moreover, even when a trademark owner secures the return of the domain name through a UDRP proceeding, that result can be overcome by a contrary determination in a national court (a so-called “national appeal”).²¹⁶ And those national courts are not obliged to defer, or even refer, to the conclusions of the UDRP panel; they apply national law.²¹⁷

Although in practice national “appeals” have rarely been invoked, the ultimate (potential) national law control of the UDRP process has been demonstrated in the few cases filed in the U.S. courts. Lanham Act § 32(2)(D)(v), enacted by the Anti-Cybersquatting Protection Act (ACPA), permits domain name registrants aggrieved by the loss of a UDRP proceeding, and hence of their domain name registration, to file a claim before a U.S. federal court seeking (1) a declaration that their domain name registration violated no trademark rights under the Lanham Act and (2) an order returning their domain name registration. Two cases that have reached the federal appellate courts in the United States have resulted in the overriding of UDRP decisions and thus retention of the respective domain names by the domain name registrants in question.²¹⁸

In both cases, the success of the domain name registrants in

215. UDRP, *supra* note 206, para. 4(k).

216. Orders of UDRP panelists may be stayed by nothing more than the losing party filing a complaint in the appropriate national court. *Id.*

217. See *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 626 (4th Cir. 2003) (stating that “any decision made by a panel under the UDRP is no more than an agreed-upon administration that is *not* given any deference under the ACPA”).

218. See *id.* at 625–29 (applying Lanham Act § 1114(2)(D)(c) and ordering the return of the domain name to the domain name registrant); *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 18 (1st Cir. 2001) (reversing dismissal of an action under § 32(2)(D)(v)).

the U.S. courts was due not so much to the application of the legal norms found in the Lanham Act, which—post-ACPA—do not deviate much from the standards found in the UDRP. Indeed, to the extent that there are differences, the provision introduced by the ACPA may be more favorable to the trademark owner. Rather, the claim adjudicated in the UDRP proceeding rests upon the existence of trademark rights anywhere. The claim adjudicated under the ACPA relies upon the existence of U.S. trademark rights. Thus, even in the “inherently international” context of cybersquatting disputes, the national model of rights, norms, and enforcement remains ultimately dominant in theory, although still substantially modified in practice given the rarity of national appeals.

In the second of these decisions, *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*,²¹⁹ the district court judge attempted to break the model even more dramatically. There, a Spanish national registered the domain name “barcelona.com” in the name of his wife.²²⁰ The City of Barcelona owns rights in Spain for various marks that include the name BARCELONA, although it owns no trademark rights in the name BARCELONA as such.²²¹ And it owned no rights in the United States. The City of Barcelona successfully filed a complaint under the UDRP. When the owners of Barcelona.com filed a complaint under Lanham Act § 32(2)(D)(v), the district court upheld the claim of the City of Barcelona because foreign trademark rights could be enforced under the ACPA.²²²

The district court in *Barcelona.com* reasoned,

In the text of the statute Congress makes no distinction between United States or foreign marks, even though trademark law has historically been governed and regulated on a national level. However, this law was framed to govern the registration of domain names on the Internet, and the framers were perfectly aware of the international nature of the Internet when enacting the law. . . . It is untenable to suppose that Congress, aware of the fact that the Internet is so international in nature, only intended for U.S. trademarks to be protected under the Anticybersquatting statute. . . . For these reasons, this Court is of the opinion that the Spanish trademark “Barcelona” is valid for purposes of the ACPA.²²³

219. 189 F. Supp. 2d 367 (E.D. Va. 2002), *rev'd*, 330 F.3d 617 (4th Cir. 2003).

220. *Id.* at 369.

221. *Id.* at 371.

222. *Id.* at 373–74.

223. *Id.*

The district court's decision would have radically revised one of the pillars of territoriality. Although the opinion reads suspiciously like an appellate review of the UDRP panel decision, the district court purported to be applying U.S. law. Thus, the opinion would have effected a rather convoluted reconfiguration of the territoriality principle: it would have permitted a U.S. court to protect a Spanish mark against acts in the United States under U.S. law. But the Fourth Circuit reversed the decision, reaffirming that U.S. trademark law offers protection only to U.S. trademark rights.²²⁴ This decision raises, but inadequately addresses, whether a dispute effectively between Spanish parties about the registration of a domain name consisting of a Spanish city name and the conflict between that domain name and Spanish trademark rights should be adjudicated under U.S. trademark law. For present purposes, however, the decision's importance lies in its continued endorsement of the principle that foreign trademark rights cannot be vindicated in U.S. courts or under U.S. law.²²⁵

3. *Section 44 & Article 10^{bis}*. Although international norms are slowly intruding into trademark law through harmonization and substantially shaping the outcome of cybersquatting disputes, is it possible that international trademark norms might be directly relied upon in U.S. courts? This seems unlikely because the TRIPS Agreement, which contains the most developed substantive norms, is not self-executing in the United States.²²⁶ Looking at the text of the Lanham Act, however, there

224. *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 628–29 (4th Cir. 2003).

225. While foreign trademark rights still cannot be vindicated under the Lanham Act, and thus have no offensive capacity, the existence of foreign rights might justify a domain name registrant's activity and thus negate the bad faith necessary to sustain a claim for cybersquatting under those parts of the ACPA now codified in Lanham Act § 43(d). *See Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 233–35 (4th Cir. 2002) (noting that the statutory reference to "intellectual property rights" corresponding to the domain name in dispute, which might explain and hence justify the domain name registration, should not be territorially restricted). Thus, foreign trademark rights might have a defensive capacity in limited circumstances such as cybersquatting claims. This is particularly appropriate given the territorially unlimited reach of the ACPA, because it is in the context of extraterritorial application of the Lanham Act that the defensive value of foreign rights has long been recognized by U.S. courts. Refer to Part III.D.3 *infra* (discussing extraterritorial application of the Lanham Act).

226. The leading context in which U.S. courts have been more receptive to direct reliance on international standards is in the context of the Pan-American Convention. *See, e.g., British-Am. Tobacco Co. v. Philip Morris Inc.*, 55 U.S.P.Q.2d 1585, 1588–89 (T.T.A.B. 2000) (relying on self-execution of the Pan-American Convention in the context of a cancellation proceeding). Often, such claims will be duplicative of actions brought under the Lanham Act because the standards are so close. *See, e.g., Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1674 (S.D.N.Y. 2004).

appears to be an avenue for reliance on international norms.

Section 44(b) of the Act provides,

Any person whose country of origin is a party to any convention or treaty relating to trademarks, . . . to which the United States is also a party, . . . shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention [or] treaty . . . , in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.²²⁷

More specifically, under § 44(h), foreign citizens are entitled to protection against unfair competition,²²⁸ an obligation imposed on the United States by Article 10^{bis} of the Paris Convention.²²⁹

Most courts have adopted the position that these provisions offer no greater protection than would be available under the explicit causes of action in Lanham Act §§ 32 and 43. This issue has recently been revived in the U.S. courts. Recognition of the possibility of a cause of action under § 44 for a violation of Article 10^{bis} has, however, been forthcoming only at the district court level.²³⁰ Reaction in the appellate courts appears more skeptical. Historically, the *Vanity Fair* opinion was often cited for the proposition that § 44 (and its express incorporation of the Paris Convention) affords no relief beyond that already provided by the Lanham Act. Indeed, one of the district courts holding to the contrary appeared to read *Vanity Fair* in that manner.²³¹

But, on the facts of *Vanity Fair*, the Second Circuit in that case was only addressing whether § 44's incorporation of the Paris Convention expanded rights geographically by making actionable conduct occurring outside the United States.²³² This arguably should not foreclose the possibility that the incorporation of the Paris Convention by § 44 expanded rights in some other way by making actionable conduct that does not

227. 15 U.S.C. § 1126(b) (2000).

228. *Id.* § 1126(h).

229. Paris Convention, *supra* note 3, art. 10^{bis}.

230. *See Gen. Motors Corp. v. Lopez*, 948 F. Supp. 684, 689 (E.D. Mich. 1996) (finding that the Lanham Act incorporates the substantive provisions of the Paris Convention); *see also Maison Lazard et Compagnie v. Manfra, Tordella & Brooks, Inc.*, 585 F. Supp. 1286, 1289 (S.D.N.Y. 1984) (stating that the “federal right created by subsection 44(h) [15 U.S.C. § 1126(h)] is co-extensive with the substantive provisions of the [Paris Convention]” (first alteration in original) (quoting *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 792–93 (9th Cir. 1981))).

231. *See Gen. Motors*, 948 F. Supp. at 688.

232. *See Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 644–45 (2d Cir. 1956) (affirming lower court's finding that allegedly infringing acts occurring in Canada do not create a claim under U.S. law).

violate the infringement provisions of the Lanham Act, but that does fall within the scope of Article 10^{bis} of the Paris Convention.

A more recent decision of the Ninth Circuit Court of Appeals does, however, insist on this more absolute rejection of any reliance on Article 10^{bis} of the Paris Convention, as incorporated by Lanham Act § 44.²³³ The court in *Mattel, Inc. v. MCA Records, Inc.*²³⁴ limited language in an earlier Ninth Circuit opinion, suggesting that § 44 created rights coextensive with treaty provisions, to the context of that earlier case, namely, a bilateral treaty mandating national treatment.²³⁵ Thus, the use of § 44 to incorporate substantive norms of the Paris Convention (such as Article 10^{bis}) that exceed those in the Lanham Act has been accepted only by district courts.²³⁶

A contrary interpretation of § 44, and indeed the one suggested by the two district courts, would retain a territorial (national) model of enforcement but incorporate international norms within that model. Indeed, to the extent that Article 10^{bis} of the Paris Convention is the international provision that a plaintiff seeks to incorporate, the potential for the development of international norms is particularly significant. Article 10^{bis} requires protection against acts of unfair competition, including “an[] act of competition contrary to honest practices in industrial or commercial matters.”²³⁷ Actions to enforce this provision in U.S. courts would clearly rest upon the enforcement of an international norm. But the content of that norm might be especially detached from the territorial model. The leading commentator on the Paris Convention suggests that in determining what are “honest practices,” courts should take into account “honest practices established in international trade.”²³⁸ As the development of international arbitration and the *lex mercatoria* attest, international commercial entities have a much greater tendency than political actors to develop norms and practices detached from the nation-state. At present, however, that prospect has not found support at the appellate level in the United States.

233. See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 907–08 (9th Cir. 2002) (limiting benefits of § 44 to the right of national treatment); *Int'l Cafe, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1277–78 (11th Cir. 2001) (same).

234. 296 F.3d 894 (9th Cir. 2002).

235. See *id.* at 907.

236. See, e.g., *Gen. Motors*, 948 F. Supp. at 689; *Maison Lazard et Compagnie v. Manfra, Tordella & Brooks, Inc.*, 585 F. Supp. 1286, 1289 (S.D.N.Y. 1984).

237. Paris Convention, *supra* note 3, art. 10^{bis}.

238. BODENHAUSEN, *supra* note 104, at 144.

4. *Conclusions Under Application of Foreign Norms.* As the decision in *Barcelona.com* suggests, there remains a resistance in trademark law to protect rights asserted under foreign trademark laws.²³⁹ Yet, in the context of the doctrine of foreign equivalents, the Second Circuit has indicated a greater willingness to look to the decisions of foreign trademark offices to ascertain the meaning of foreign terms as used in the United States.²⁴⁰

In *Otokoyama Co. v. Wine of Japan Import, Inc.*,²⁴¹ a dispute arose between two importers of Japanese sake regarding whether the word “otokoyama,” in which one party held a U.S. registration, was generic.²⁴² The district court reasoned that “[t]he meaning of a term outside of the United States is irrelevant’ to a determination of entitlement to the protection of the U.S. trademark laws,” and thus refused to consider evidence of the meaning and usage of “otokoyama” in Japan.²⁴³ The court also refused to consider a ruling of the Japanese Patent Office denying plaintiff’s application for trademark protection on the ground that “otokoyama” is generic.²⁴⁴ The Second Circuit found both decisions erroneous. The court expressed concern that

[i]f otokoyama in Japanese signifies a type of sake, and one United States merchant were given the exclusive right to use that word to designate its brand of sake, competing merchants would be prevented from calling their product by the word which designates that product in Japanese. Any Japanese-speaking customers and others who are familiar with the Japanese terminology would be misled to believe that there is only one brand of otokoyama available in the United States.²⁴⁵

The decision of the Japanese Patent Office should have been admitted because, although rights (or lack of rights) in the United States cannot rest on the determination of a foreign trademark office, the decision might have been offered to prove

239. *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003) (“United States courts do not entertain actions seeking to enforce trademark rights that exist only under foreign law.”).

240. *See, e.g., Otokoyama Co. v. Wine of Japan Imp., Inc.* 175 F.3d 266, 273 (2d Cir. 1999); *see also Orto Conserviera Samaranese di Giacchetti Marino & C. v. Bioconserve S.R.L.*, 49 U.S.P.Q.2d 2013, 2015 (S.D.N.Y. 1999) (considering evidence of foreign usage relevant to a determination of a mark’s genericness).

241. 175 F.3d 266 (2d Cir. 1999).

242. *Id.* at 268.

243. *Id.* at 269 (alteration in original) (quoting *Otokoyama Co. v. Wine of Japan Imp., Inc.*, 985 F. Supp. 372, 376 (S.D.N.Y. 1997)).

244. *Id.*

245. *Id.* at 272.

particular facts.²⁴⁶ In this case, it was offered to prove, among other things, that “the word *otokoyama* in Japanese refers to a type or class of sake.”²⁴⁷

This liberalization in *Otokoyama* does not involve the acceptance of foreign legal norms. The court was neither applying Japanese trademark standards nor automatically accepting the application of those standards by the Japanese Patent Office. Rather, the court was apparently willing to read conventional doctrine liberally to obtain assistance in ascertaining the facts necessary to sustain the purposes of U.S. trademark law. The court was seeking to effectuate the central concern that underlies the domestic generic mark doctrine—preventing the grant of control over an entire product market to a single producer—in an era of global trade in which foreign-language branded goods are readily purchased in the United States and in which familiarity with foreign language is deemed more common.

Whether this latter assumption is valid within the United States is debatable, but the court at least recognized the social realities that might make meaning abroad more relevant to meaning at home. The court seemed to recognize that even where trademark rights and legal norms are national, the social understanding of a term may be common.

Like the courts in *International Bancorp*, *Grupo Gigante*, and *Empresa Cubana*, the *Otakayama* court is concerned with vindicating the intrinsic consumer protection purposes of domestic trademark law. As domestic consumers begin to interact globally and international commerce proliferates, the territorial character of goodwill will inevitably change. One might also justify departure from precedent in this area on grounds of international economic policy and a desire to enable marks freely used in a country of primary manufacture to be used in global trade. This motivation, which is rooted more in the values of economic expansion and free trade, has appeared to influence one court applying the doctrine of foreign equivalents.²⁴⁸

246. *Id.* at 273.

247. *Id.* at 273. It was also offered as evidence of plaintiff's fraud on the U.S. trademark office because the plaintiff had represented to the examiner that the term was not an “arbitrary, fanciful term . . . [that] cannot be translated.” *Id.* The decision of the Japanese Patent Office was clearly relevant to this question.

248. In *Orto Conserviera*, the defendant had registered BELLA DI CERIGNOLA as its trademark for olives. *Orto Conserviera Sameranese di Giacchetti Marino & C. v. Bioconserve S.R.L.*, 49 U.S.P.Q.2d 2013, 2013 (S.D.N.Y. 1999). The plaintiff sought cancellation of the mark on the ground that “Bella di Cerignola” is a generic term used to describe a particular type of olive. *Id.* The court concluded that the term was generic in both Italy and the United States, but noted that “[e]ven if the Court were to conclude that ‘Bella di Cerignola’ had not yet become generic in this country, it would be reluctant to

But economic policy is ground upon which it is dangerous for courts to tread, and courts are thus more likely to support modifications of territoriality-grounded rules by reference to shifts in consumer understanding than to the desirability of a new approach to international economic policy. These changes can, as we have seen, be rooted in the intrinsic purpose of trademark law.

C. Centralized Acquisition Mechanisms and Broader Unitary Rights

1. *Madrid Protocol.* The Madrid Protocol contained several improvements to the Madrid Agreement that allowed the United States to enter the international system for the registration of marks. U.S. membership in the Madrid system should greatly facilitate the acquisition by U.S. applicants of rights on a multinational basis. One of the primary reasons for the United States' refusal to adhere to the Madrid Agreement was the severe consequence that flowed from cancellation of the "home" registration, upon which extensions of protection in other countries were based.²⁴⁹ Under the Madrid Agreement, home registration cancellation caused all dependent extensions of protection to fail.²⁵⁰ Because U.S. registrations were vulnerable to prior marks that were unregistered, the United States viewed the dependency of extensions as particularly harmful to U.S. users of the system. Under the Madrid Protocol, if a home registration is canceled, any extensions of protections are still canceled.²⁵¹ But the

permit defendants to use it as a trademark for olives because to do so would preclude producers of Italian olives from selling them using the generic designation by which they are known in the country of origin." *Id.* at 2014–15. The district court rejected as "too parochial for the modern world of international commerce" the conventional rule that refused to consider whether a term was generic in another country. *Id.* at 2015. *But see* *Anheuser-Busch Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 642 (8th Cir. 1984) (following the conventional rule not to consider use of a term in another country, and affirming lower court's decision to disregard evidence of a term's use in Australia); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9–10 (2d Cir. 1976) (concluding that a term may be generic in one market and not generic in another); *Seiko Sporting Goods USA, Inc. v. Kabushiki Kaisha Hattori Tokeiten*, 545 F. Supp. 221, 226 (S.D.N.Y. 1982) (asserting that a generic term in Japan can still be arbitrary or fanciful in the United States). The *Orto Conserviera* decision goes further than *Otokoyama*, but it was affirmed by the Second Circuit; it seems committed more to the creation of a global market than to traditional trademark concerns.

249. *See generally* Samuels & Samuels, *supra* note 130, at 443–44 (analyzing the United States' refusal to accede to the Madrid Agreement).

250. *See* Madrid Agreement, *supra* note 57, art. 6(3).

251. *See* Madrid Agreement Concerning the International Registration of Marks, arts. 6(3), 6(4), WIPO Doc. 204(E) (June 27, 1989) [hereinafter Madrid Protocol]; 15 U.S.C.A. § 1141j(a) (West Supp. 2004).

trademark owner may, by refile with the national office in question within three months of cancellation of the international registration, transform its Madrid-based international registration into a national filing and retain the same priority date as was afforded the international registration.²⁵²

The accession of the United States,²⁵³ and the recent addition of Spanish as a working language of the Madrid system,²⁵⁴ should substantially encourage use of the system. As with applicants wishing to take advantage of the benefits of § 44(d) and § 44(e), applicants under the Madrid system will need to standardize their marks and the goods for which registration is sought. Thus, the availability of this procedure, and the need for identity, is likely to further hasten the process of global marketing.

2. *Community Trade Mark.* Under the Madrid system, the applicant obtains a bundle of national trademark rights, thus effecting a departure from the national model of administration while preserving the territoriality of rights and norms. Several regional trading blocs have, however, gone further and created unitary trademark rights throughout a supranational area. The most notable of these is the Community Trade Mark (CTM), now available as a means of securing trademark rights throughout the European Union.²⁵⁵ Because the CTM system is (unlike the Madrid system) an open system, U.S. applicants have been active participants. Indeed, U.S. companies have filed a greater number of applications than entities from any other single country.²⁵⁶

252. See Madrid Protocol, *supra* note 251, art. 9^{quinquies}. The transformation procedure in U.S. law is contained in § 70(c) of the Lanham Act. See 15 U.S.C. § 1141j(c) (2000).

253. The United States deposited its instrument of ratification of the Madrid Protocol with WIPO on August 2, 2003. The necessary implementing legislation was enacted, and the United States thus became part of the Madrid system as of November 2, 2002. See Madrid Protocol Implementation Act, Pub. L. No. 107-273, 116 Stat. 1758, 1913-21 (2002).

254. Pursuant to a decision of the WIPO Assemblies and the Madrid Union, as of April 1, 2004, Spanish became the third working language of the Madrid system. Press Release, WIPO, Spanish Becomes Working Language of International Trademark System, at http://www.wipo.int/edocs/prdocs/en/2004/wipo_pr_2004_379.html (Apr. 1, 2004). Previously, many Latin American countries were hesitant to use the system, which functioned in French (the Madrid Agreement) or French and English (the Madrid Protocol). Expanding the languages in order to encourage greater global involvement in a system also raises transactional costs and incites passionate nationalistic reactions, as the European Union has seen in trying to craft language compromises in the operation of its CTM and proposed Community Patent systems.

255. See Council Regulation No. 40/94, 1994 O.J. (L 11) 3 [hereinafter CTM Regulation].

256. Office for Harmonization in the Internal Market, *Statistics: Community Trade Mark (CTM) & Community Designs (RCD) Applications Breakdown by Country*, 1 OAMI NEWS 3 (2004) (ranking the United States as the country with the highest number of applications from 1996 through 2003, having filed 24.27% of all applications during that

The transition from national trademark rights within Europe to the CTM system (working in combination with national systems and rights) may provide another model, along with the development of U.S. federal registration in 1946, for any effort to move away from a nationally rooted system as global markets develop further. Several aspects differentiate the CTM model from the approach adopted in the Lanham Act. Most importantly, however, as adopted in 1994, the CTM system placed greater emphasis on the unitary character of rights than did the Lanham Act.²⁵⁷ The unitary character of the CTM presents opportunities for substantial cost-savings for producers within the EU, because rights in that large trading area can be secured with a single application, and use in a single country is sufficient to maintain a valid EU-wide trademark registration. But the supposed unitary nature of the system means that an application will be defeated if it would be unregistrable in any single EU country.²⁵⁸ In particular, the existence of prior conflicting rights in a single country will defeat the CTM application and cause the applicant to convert the CTM into separate national applications filed with the various national offices.²⁵⁹ As discussed above, even after enactment of the Lanham Act, the United States continued to recognize the coexistence of local rights and federal registrations.

The strict approach to unitary rights posed a potential problem even when the EU consisted of fifteen countries. With the expansion of the EU to twenty-five countries on May 1, 2004, the problems have intensified. Of course, that expansion created an additional dilemma: what to do with “unitary”

time period), <http://oami.eu.int/pdf/diff/oaminews1-04.pdf>.

257. Article 1(2) of the CTM Regulation provides that “[a] Community trade mark shall have a unitary character. It shall have equal effect throughout the Community.” CTM Regulation, *supra* note 255, art. 1(2).

258. This raises a problem especially for marks that are descriptive and thus initially unregistrable. Proving secondary meaning throughout the EU becomes a hard task. *See, e.g.*, Case R 20/97-1, USA Detergents Inc.’s Application, 1998 E.T.M.R. 562, 565–66 (OHIM Bd. App.) (rejecting application of XTRA for laundry detergent under CTM Regulation Article 7(1)(b)–(c) after considering the meaning of the aurally equivalent term “extra” in English, French, Spanish, Italian, and Dutch dictionaries and concluding that “in at least five of the official languages of the European Union the word ‘EXTRA’ may be used . . . to denote products of superior quality”).

259. Prior conflicting rights may consist of a number of different earlier rights: applications or registrations for CTMs, applications or registrations in a member state of the EU or the Benelux, international registrations having effect in an EU member state, marks that are well-known in an EU member state, and even unregistered marks or other signs that are of more than mere local significance (provided that the law of the member state governing such mark or sign grants its proprietor the right to prohibit the use of a subsequent mark). *See* CTM Regulation, *supra* note 255, arts. 8, 42.

CTMs granted between 1996 and 2004 that were now in conflict with national trademarks in the ten newly acceding member states. Here, the model of the Lanham Act was more closely followed. From the date of accession, a CTM registered or applied for before the date of accession will be extended to the territory of the ten new member states and will then have equal effect throughout the enlarged European Community.²⁶⁰ However, holders of earlier rights in new member states can enforce their rights against extended CTMs as permitted by their respective national legislation, provided that the earlier right was registered, applied for, or acquired in good faith in the new member state prior to the date of accession of that state.²⁶¹

The extended CTM would be valid and enforceable in the entire EU, including the new Member State, but not against an earlier conflicting national right. The extended CTM would thus not only not be enforceable against an earlier national right, but the holder of such a right [could] prohibit the use of the extended CTM in his territory.²⁶²

The revision to the territoriality principle that the CTM effects (i.e., the territorial expansion of the scope of rights) is of course a product of changes to the relevant political and policymaking institutions within Europe. It thus stands in contrast to the de facto territorial extension of rights that result from the decisions in *International Bancorp*, *Grupo Gigante*, and *Empresa Cubana*, which were grounded in the intrinsic territoriality of goodwill.

D. The National Enforcement Model

The national enforcement doctrines discussed in Part II have undergone some slight modification in recent years. For example, as noted above, the enforcement mechanism of the UDRP is in some respects a departure from the national enforcement model. And, as discussed below, U.S. courts have indicated greater

260. See Council Regulation 3288/94 of 22 December 1994 Amending Council Regulation 40/94 of 20 December 1993 on the Community Trade Mark, art. 142a(1), 1994 O.J. (L 349) 342. For such registrations or applications, enlargement will not affect validity regarding absolute grounds that only apply because of the accession of new member states. For example, should an existing CTM registration consist of a word that is descriptive in the language of one of the new member states, this will not be a ground for filing an invalidity claim. See *id.* art. 142a(4).

261. *Id.* art. 142a(5).

262. Communication No. 05/03 of the President of the Office of 16 October 2003 Concerning the Enlargement of the European Union in 2004, § II, para. 3, at <http://oami.eu.int/en/office/aspects/communications/05-03.htm> (last visited Sept. 12, 2004).

willingness to enforce the Lanham Act extraterritorially in light of global commerce.²⁶³ However, the basic principle of national enforcement remains clear and quite resilient, as illustrated by the recent litigation between Microsoft and Lindows.com over the status of the mark WINDOWS for operating systems software in a number of countries.²⁶⁴

1. *Hague Convention.* Other than the UDRP, any shifts in the national adjudication of trademark claims remain solidly at the proposal stage. In the late 1990s, the Hague Conference on Private International Law intensified its efforts to conclude a convention on jurisdiction and recognition of judgments in civil and commercial matters.²⁶⁵ These efforts resulted in a series of

263. Most courts have stressed the need to act cautiously in imposing blanket remedies that interfere with activities abroad. Refer to Part III.D.3 *infra*.

264. Microsoft alleged that Lindows' use of the term LINDOWS (for an open source Linux-based operating system with an interface that resembles Windows software) is an infringement of its trademark in the term WINDOWS for operating systems. *Microsoft Corp. v. Lindows.com, Inc.*, 319 F. Supp. 2d 1219, 1220–21 (W.D. Wash. 2004). A trial of that dispute, in which the defendant argued, *inter alia*, that the term WINDOWS has become generic, has been pending in the United States for some time. *Microsoft Corp. v. Lindows.com Inc.*, 66 U.S.P.Q.2d 1371, 1371–72 (W.D. Wash. 2002). While that trial was pending, Microsoft initiated or threatened litigation against Lindows and its distributors in several other countries including the Benelux and Sweden. *Microsoft*, 319 F. Supp. 2d at 1221. Microsoft officials defended this strategy, declaring that “Microsoft must protect its trademarks or risk losing them and that a ruling in the U.S. case would unlikely affect overseas trademarks. ‘The resolution of the U.S. case doesn’t necessarily bind any other country,’ [a Microsoft spokesman] said.” David Becker, *Microsoft-Lindows Battle Expands in Europe*, at <http://news.com.com/2100-7344-5116840.html> (Dec. 8, 2003). Lindows officials saw the new lawsuits differently, charging, “It’s a tactic to make us spend money opening up all these new legal fronts It makes no sense to launch all these lawsuits when in three months, this case will be decided in a U.S. court, and if we lose, we’ll change our name, and it’s a nonissue.” *Id.* After the U.S. court declined to issue an antisuit injunction against Microsoft pursuing its foreign litigation, *see Microsoft*, 319 F. Supp. 2d at 1224, and decisions in Europe were favorable to Microsoft, Lindows decided to change its name (initially overseas, but eventually in the United States).

265. The proposed Hague Convention was modeled in large part on the Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, *see* Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Sept. 27, 1968, 1972 O.J. (L 299) 32, *reprinted in* 8 I.L.M. 229 (1969), as amended by 1990 O.J. (C 189) 1, *reprinted as amended in* 29 I.L.M. 1413 (1990), the basic tenets of which have been repeated in the Brussels Regulation adopted by the EU. *See* Council Regulation 44/2001, 2001 O.J. (L 12) 1. Operating under this treaty, several European courts have consolidated related national intellectual property litigation and granted cross-border relief. Although most of the leading cases involved patent rights—typically national patent rights stemming from a common European patent—some cases did address trademark claims. *See, e.g.*, Case KG 97/1526, *Kabushiki Kaisha Yakult Honsha v. Danone Nederland BV*, 1998 E.T.M.R. 465, 472, 479 (Hague Dist. Ct. 1998) (Neth.) (stating that “the system under the Brussels Convention requires that the court . . . 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). These trends receded in the late 1990s as several national courts became cautious about the adjudication of the validity of foreign registered rights. The scope of

draft instruments that would, in different respects,²⁶⁶ have permitted the consolidation of national trademark actions in a single court (with consequent guaranteed enforcement by other Hague members). Such a mechanism would have radically revised the existing serial national litigation model as illustrated by the *Lindows.com* dispute and by *Vanity Fair*.

Ultimately, the most ambitious forms of the instrument encountered strong opposition, and intellectual property issues—most notably those in industrial property cases—were among the most controversial. If a broad agreement was to be reached, it was clear that any determination of the validity of a trademark would have to be contested only in the courts of the country that issued the trademark registration. (The issue of how to deal with unregistered trademark disputes was never fully resolved.) At best, a court seized with jurisdiction under the treaty's proposed jurisdiction rules could adjudicate a claim of foreign trademark infringement, including a question of validity if it arose as an incidental question. But the traditional resistance to permitting a foreign judge to pass on the validity of a trademark issued by another country continued to raise questions about whether such a judgment should automatically be enforceable, or enforceable at all, in other countries of the Hague Conference.

The trademark issues were not the only ones attracting controversy, however, and efforts to reach a broad agreement stalled. Thus, the initiative was framed more narrowly, and the current incarnation of the proposed Hague Convention would essentially validate and require enforcement of exclusive choice-of-court clauses in business-to-business contracts. In essence, the treaty seeks to extend the model of the New York Convention on Recognition of Arbitral Awards to the court system. However, its

cross-border jurisdiction in patent cases within the EU is currently before the European Court of Justice. *See* Case 593/03, *Roche Nederland B.V. v. Primus*, 2004 O.J. (C 59) 11. Indeed, the members of the EU may believe that the CTM is the salvation (within Europe) to the problems of national rights, and thus may be less inclined to pursue the goal of consolidation-inspired treaties.

266. *See* Hague Conference on Private International Law, Commission II, Jurisdiction and Foreign Judgments in Civil and Commercial Matters, Nineteenth Session: Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference, Interim Text (June 6–20, 2001), *reprinted in* 77 *CHI.-KENT L. REV.* 1015, 1031 (2002) (including trademark law within the Convention but proposing various alternatives by which the courts in the state of registration could be given exclusive jurisdiction, at least when determining relief for matters related to the validity of the mark); Hague Conference on Private International Law, Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, art. 12 (Oct. 30, 1999) (including intellectual property within the Convention but reserving jurisdiction in certain matters to the state of registration), <http://www.hcch.net/e/conventions/draft36e.html>.

more curtailed scope of application would still have included intellectual property contracts, thus permitting consolidation of trademark claims in a narrow band of cases. As a result, some of the same dilemmas regarding the appropriateness of adjudicating foreign trademark (and patent) claims remained. After a Diplomatic Conference in December 2003 again failed to reach consensus,²⁶⁷ the project was further scaled back at another Diplomatic Conference in April 2004, and the intention is now that copyright will be the only intellectual property regime to be a proper subject of the more limited Convention, which is hoped to be adopted in early 2005.²⁶⁸ Consolidation of national trademark claims in a single proceeding, therefore, remains an elusive goal, even though it would have substantial value in a world of global marketing.

Indeed, modification of the national enforcement system through the consolidation of national claims might be the surest way to ensure the continued vitality of separate national rights and norms. Global or multinational relief through efforts at extraterritorial enforcement by a single national court is rendered less necessary when multinational relief can as easily be obtained through consolidation of national claims. Yet courts that adjudicate claims under, for example, twenty separate trademark laws might be tempted to determine the entire controversy under principles that reflect an amalgam of national and international norms or, alternatively, under the most dominant national norm. Indeed, if courts did not do so and tried a case under twenty different laws, taking evidence with respect to twenty different consumer markets, the costs savings over the national enforcement model might become so small as to be illusory. Pragmatic enforcement considerations might thus be the catalyst for a court seized of consolidated litigation to apply a single norm. There may in fact be circumstances in which conflicts theory would support an international trademark

267. See *Draft on Exclusive Choice of Court Agreements*, Hague Conference on Private International Law, Special Commission on Jurisdiction, Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, Work. Doc. 49E (revised), art. 1(3)(k) (Dec. 1–9, 2003) (providing that “[t]he Convention shall not apply to proceedings that have as their object . . . the validity of . . . trademarks”).

268. It is not clear that the bracketed language in the current draft adequately implements that objective. See *Draft on Exclusive Choice of Court Agreements*, Hague Conference on Private International Law, Special Commission on Jurisdiction, Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, Work. Doc. 110E (revised), art. 2(2)(k) (Apr. 21–27, 2004) (providing that “[t]he Convention shall not apply to . . . intellectual property rights other than copyright or related rights, except in proceedings pursuant to a contract which licenses or assigns such intellectual property”).

dispute being resolved according to an international norm so devised.²⁶⁹ But frequent disregard of the national components of consolidation would undermine one of the arguments that proponents of liberal consolidation (i.e., enforcement) mechanisms can use to win over critics with residual attraction to national rights and national norms.

2. *American Law Institute Project on Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Intellectual Property Disputes.* A more ambitious project, resembling in some respects the initial Hague proposal, was commenced by the American Law Institute (ALI) when it became apparent that treaty provisions facilitating the consolidation of intellectual property litigation were not likely to be agreed upon at the Hague Conference.²⁷⁰ The ALI Project was motivated in large part by the gains of consolidated litigation and the departure from the model of serial national litigation. Indeed, consolidation was a more dominant objective in the ALI Project than in the Hague initiative. The ALI Project is, however, at an early stage, and some of the same challenges are being confronted. Because the ALI Project seeks to elaborate a set of principles to which courts might voluntarily turn when confronted with practical problems in transnational disputes, rather than to create a binding instrument of international law, it is hoped that a reconciliation might be more likely. But, as with the Hague proposal, the ALI Project remains a work in progress, and the national adjudication model persists.

3. *Extraterritoriality.* Nominally, the standards for extraterritorial application of the Lanham Act to restrain allegedly infringing activities abroad have not changed of late. But cases in the last decade have suggested that courts might be willing to treat the doctrine more flexibly in order to

269. Cf. Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 542–52 (2000) (advocating the use of the substantive law method to resolve international copyright disputes). There are likely to be fewer circumstances in which a single analysis might appropriately resolve an international trademark dispute than is the case in international copyright litigation. To the extent that consumer understanding continues to vary substantially from one country to another, global solutions might serve to undermine the basic purposes of trademark law (though as much because of variations in the underlying factual issues, such as consumer behavior, as because of widely disparate legal norms). But there may be some small set of circumstances involving a global brand and unified global distribution channels in which a less nationally rooted analysis might be appropriate.

270. See American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Intellectual Property Disputes* (Prelim. Draft No. 2, Jan. 20, 2004).

accommodate the demands of global commerce. Most notably, in *Sterling Drug, Inc. v. Bayer*,²⁷¹ the court was willing to grant the plaintiff (which owned U.S. rights in the mark BAYER) relief against conduct abroad by Bayer AG, a German company that owned rights to the BAYER mark in most countries of the world, including Germany.²⁷² For many years, the Second Circuit has determined whether the Lanham Act should apply extraterritorially by considering three factors, first announced in *Vanity Fair* and based upon the U.S. Supreme Court decision in *Steele v. Bulova Watch Co.*²⁷³ The *Vanity Fair* Court held that the statute would not be applied extraterritorially if two of the following three factors were absent: (1) the defendant was an American citizen, (2) there was a substantial effect on U.S. commerce, and (3) there was no conflict with foreign rights.²⁷⁴ Thus, in *Vanity Fair*, the court refused to apply the Lanham Act where the American owner of a U.S. trademark registration sought to restrain use of the mark in Canada by a Canadian defendant that owned the Canadian registration for the same mark.²⁷⁵ 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.²⁷⁶

In *Sterling Drug*, the court of appeals acknowledged that *Vanity Fair* should forbid the extraterritorial application of the statute.²⁷⁷ However, the court remanded the case to the district court to grant relief because "such an unrefined application of that case might mean that we fail to preserve the Lanham Act's goals of protecting American consumers against confusion, and protecting holders of American trademarks against misappropriation of their marks."²⁷⁸ The court was willing to contemplate relief because the *Vanity Fair* test was unnecessarily strict when, rather than seeking an absolute

271. 14 F.3d 733 (2d Cir. 1994).

272. *Id.* at 736.

273. 344 U.S. 280 (1952).

274. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956) (reviewing and applying *Bulova Watch*). Indeed, the *Vanity Fair* court hinted that the presence of all three factors might be necessary to justify extraterritorial application. *Id.* at 642-43.

275. *See id.* at 647-48 (affirming lower court's refusal to consider trademark infringement and unfair competition claims arising in Canada).

276. *Id.* at 643 (observing that the officers of the defendant corporation were Canadian citizens and that they were "acting under presumably valid trade-marks in a foreign country").

277. *Sterling Drug*, 14 F.3d at 746 ("[I]f we applied the *Vanity Fair* test mechanically to the instant case, we would forbid the application of the Lanham Act abroad against a foreign corporation that holds superior rights to the mark under foreign law.").

278. *Id.*

injunction against foreign conduct, the plaintiff was seeking only “the more modest goal of limiting foreign uses that reach the United States.”²⁷⁹ The court acknowledged the sensitivities of the international context and noted that, in a global economy with technologically advanced communication, “not every activity of a foreign corporation with any tendency to create some confusion among American consumers can be prohibited by the extraterritorial reach of . . . [an] injunction.”²⁸⁰

Bayer argued that foreign uses by Bayer that had an effect in the United States were “the unavoidable result of an international community of nations in which each nation exercises the power to grant trademark rights,” but the Second Circuit thought it possible to fashion relief that respected the foreign trademark rights while requiring steps “reasonably necessary to protect against significant trademark-impairing effects on American commerce.”²⁸¹

Thus, although the sentiments of the *Sterling Drug* court echo the comments of the majority in *International Bancorp*, the *Sterling Drug* court adopted a more pragmatic solution that still reflected its concern about domestic consumers in light of contemporary travel patterns. The Second Circuit was not willing to act upon the reality of goodwill that had transcended

279. *Id.* The U.S. Court of Appeals for the Second Circuit has been resistant to a broad-based relaxation of the *Bulova* factors. *See, e.g., Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189, 192 & n.4 (2d Cir. 1998) (explaining that the presence of the first two of the *Vanity Fair* factors does not guarantee extraterritorial application of the Lanham Act).

280. *Sterling Drug*, 14 F.3d at 747.

281. *Id.* Less sensitive extraterritorial application of U.S. law can be seen in the context of the ACPA. *See* Graeme B. Dinwoodie, *Constructing International Intellectual Property Law: The Role of National Courts*, 77 CHI.-KENT L. REV. 991, 1008 (2002) (noting that the enactment of the Anti-Cybersquatting Consumer Protection Act may encourage “more intrusive [U.S.] judicial regulation of international domain name space”); Graeme B. Dinwoodie, *The Extended Reach of the ACPA: The Domination of Trademark Rights or the Domination of U.S. Law*, Eleventh Annual Fordham Conference on International Intellectual Property Law and Policy, New York (manuscript at 1) (Apr. 2003) (working paper on file with Author) (suggesting that the ACPA is “an unduly broad geographic extension of the reach of U.S. law”). But that is, in large part, a result of de facto U.S. control of domain name registration. *See* *Globalsantafe Corp. v. GlobalSantaFe.com*, 250 F. Supp. 2d 610, 612 (E.D. Va. 2003) (deciding whether under the ACPA, a U.S. “.com” registry may cancel defendant’s domain name despite an injunction against doing so issued by a foreign court); *Am. Online, Inc. v. AOL.org*, 259 F. Supp. 2d 449, 457 (E.D. Va. 2003) (noting that the registry for defendant’s domain name was in the United States, giving U.S. courts jurisdiction over the domain name). In online cases involving more than merely ownership of the domain names, U.S. courts have tried more carefully to craft extraterritorial relief that accommodates foreign rights. *See* *Playboy Enters. v. Chuckleberry Publ’g, Inc.*, 939 F. Supp. 1032, 1040–41 (1996) (ordering defendant to either shut down its Italian Internet site or refrain from accepting U.S. users, refund current U.S. users’ money, and close their accounts).

territorial boundaries without due regard to the pragmatic and normative limits of U.S. sovereignty (which do reflect existing territorial boundaries).

IV. THE RECONFIGURATION OF THE TERRITORIALITY PRINCIPLE

The developments discussed in Part III reflect the manufacture, marketing, and distribution of products in a global market. Goods and services are no longer offered on a purely national basis, thus putting the dominant premise of both international conventions and Lanham Act registration at odds with social and commercial reality. Many of the decisions and instruments discussed above acknowledge, and are clearly informed by, that reality. They refer to the “world economy,”²⁸² note the inherently “international nature of the Internet,”²⁸³ seek to protect American consumers who travel internationally,²⁸⁴ or express concern about effects on competition between American and foreign producers rather than between rival domestic traders.²⁸⁵ In this global environment, doctrines built on the premise of territorially limited markets have unsurprisingly come under pressure to evolve.²⁸⁶

It is rarer to see mention of political or administrative realities, although those references that do occur normally signal restraint and adherence to traditional models of territoriality. So how should we reconfigure the territorial model to reflect both substantial social change and the relative immutability of political institutions? The territorial model of trademark law encompasses both. If the Lanham Act represented a partial

282. See, e.g., *Person's Co. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990) (noting arguments that rules should be revised to reflect the “world economy”); *Sterling Drug*, 14 F.3d at 743, 747 (acknowledging “today’s global economy” and revising rules accordingly).

283. See, e.g., *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 189 F. Supp. 2d 367, 373–74 (E.D. Va. 2002), *rev'd*, 330 F.3d 617 (4th Cir. 2003).

284. See, e.g., *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 365 (4th Cir. 2003) (protecting the trademark of the foreign defendant that conducted its business wholly overseas but advertised to Americans who flew internationally to gamble at defendant’s casino).

285. See *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 233–34 (4th Cir. 2002) (noting the relevance of competing foreign traders).

286. Of course, arguments about economic expansion had previously been made to no avail. See *Person's*, 900 F.2d at 1569 n.18 (rejecting arguments based on the “world economy”). And not every court takes an international view of events that many commentators might regard as international in nature. See *Am. Online*, 259 F. Supp. 2d at 457 (“By choosing to register a domain name in the popular ‘.org’ top-level domain, these foreign registrants deliberately chose to use a top-level domain controlled by a United States registry. They chose, in effect, to play Internet ball in American cyberspace.”).

reconfiguration of the territorial model to reflect national markets, how should that model be revised to accommodate international markets? And should the territoriality principle be reconsidered at the international level?

Part III of this paper offered critiques of several discrete developments that represent a modification of the principle of territoriality, as well as several inchoate or rejected efforts toward that same objective. This Part suggests more thematic or conceptual approaches. Of course, the multidimensional nature of “the principle of territoriality” counsels caution in advancing a single prescription. But efforts to rethink the territorial model, in all its component parts, might be assisted by framing properly the relevant inquiry and by tentatively sketching some of the basic questions.

A. *Framing the Inquiry*

My inquiry into this question proceeds from two working premises. First, it is ostrich-like to adhere to conventional principles simply because to do so may seem easier analytically. The problems precipitated by the increasingly amorphous nature of goodwill, measured socially or empirically, surface in a minority of trademark disputes at present, but the importance and frequency of these problems are only likely to increase. *Some* change is necessary. The shrinking globe and the relative decline of the nation-state as the exclusive source of prescriptive authority may mean that a reconfiguration is normatively and pragmatically warranted.

Second, however, territoriality will still have an important role to play in trademark law. Other scholars have suggested that “the territorial model of trademark law . . . is an anachronism” in the global market.²⁸⁷ But the vitality of the principle of territoriality can only be assessed by considering the full range of reasons why the principle pervades trademark law. As suggested by the intrinsic nature and purposes of trademark law, one cannot fully define goodwill as an empirical social phenomenon without paying attention to its territorial reach. And it is by reference to that social phenomenon that the consumer protection purposes of trademark law, as opposed to concerns of economic policy, are effectuated.

Territorial doctrines have furthered several other important objectives of trademark law. Allowing trademark rights to extend

287. See, e.g., Marshall A. Leaffer, *The New World of International Trademark Law*, 2 MARQ. INTELL. PROP. L. REV. 1, 28 (1998).

(only) as far as the producer's trade inevitably tethered the scope of protection to the harms against which trademark law protects. The common law principle of territorial rights thus simultaneously afforded sufficient, but prevented excessive, protection. And by limiting the rights of one producer, the principle of territoriality protected separate goodwill that the mark might embody elsewhere. Such restraint is valuable in an economy of remote markets; it is essential in a world of multiple overlapping markets.

National registration schemes successfully balanced the intrinsic territoriality of common law rights with the pragmatic demands of economic expansion. Those aspects of trademark territoriality grounded in economic policymaking are unlikely to change radically because such notions of territoriality are connected to policymaking institutions that have proven more resistant to the effects of global markets.

Finally, the national enforcement model and strict limits on extraterritorial relief were consistent with conventional notions of political sovereignty and institutional competence. No one questioned the enforcement of judgments that purported to protect local consumers and producers against conduct occurring locally. The application of local legal norms by local adjudicators (whether courts or trademark officials) lent an aura of legitimacy and competence to decisions that those adjudicators rendered. These officials were trained in applying those norms, and their decisions were informed, as much trademark law can be, by intuitive judgments about consumer understanding that were likely to correspond to actual consumer understandings.²⁸⁸ Despite changes in social and commercial practices, enforcement institutions remain steadfastly national.

B. Conceptual Alternatives

As discussed in Part II, the principle of territoriality is not a unitary concept, and the doctrines that implement it have assumed a territorial character for different reasons. But, conscious of the dangers of offering a single prescription to a multifaceted dilemma, I set out below three basic conceptual approaches that might guide future approaches to territoriality in trademark law.

288. The U.S. Supreme Court in particular seems fairly confident in generalizing about consumer desires and reactions without empirical support. See Graeme B. Dinwoodie, *The Seventh Annual Honorable Helen Wilson Nies Memorial Lecture in Intellectual Property Law: The Trademark Jurisprudence of the Rehnquist Court*, 8 MARQ. INTELL. PROP. L. REV. 187 (2004) [Dinwoodie, *Trademark Jurisprudence*].

1. *Tying Trademark Rights to the Territoriality of Goodwill.* As markets increasingly come to be defined by communities that do not mesh with political boundaries, allowing trademark rights to conform consciously to the territorial reach of goodwill regardless of political boundaries might help trademark law adjust to and reflect social realities. This approach would involve privileging the intrinsic consumer protection purposes of trademark law over proactive economic policy; it would exalt social and commercial patterns of activity as the defining instruments of the scope of rights.

If we pursued this approach to territoriality, we might wish to consider the scope of rights that we would likely confer on trademark owners. Would global brands quickly establish worldwide rights? What is the shape or reach of territorially defined goodwill in the current marketplace? Many of the developments discussed above presuppose that it frequently no longer maps to national political boundaries. So, what shape will goodwill take? The nature of the present-day market does not simply reflect a linear progression from *local* to *national* to *global*. The rise of global markets has not necessarily produced unitary, geographically larger markets or unified consumer understanding. Although such markets or understanding might have developed²⁸⁹ with respect to some products (especially products designed specifically for an online consumer, such as peer-to-peer software), this view of the move toward a global economy is too simplistic. Such a view too easily buys into the argument of global homogenization in ways, perhaps fortunately, inconsistent with actual consumer reaction or producer distribution and marketing. Linguistic and cultural differences, wealth disparities, and varying patterns of economic activity and structure continue to open up different geographic and social markets for producers in a range of ways. And, even if producers unwisely tried to ignore these differences, to create a single global market, and to impose a single global understanding, these same attributes would likely cause consumers, independent of producer desires, to develop understandings far from uniform—and *might* in some circumstances give rise to trademark-relevant differences.²⁹⁰ Thus, implementation of this

289. To be sure, in addition to the creation of a few unitary markets, global trade has increased the possibility that producers will market their wares internationally, generating (and thus causing us to regulate) a collection of distinct, if related, bundles of goodwill. And in some circumstances, those bundles all represent the same source, leading in time toward a universal notion of goodwill. The Madrid Protocol, however, seems to be a sufficient response for this dynamic at present.

290. There is one caveat to such postmodern concerns of individuated meaning.

approach may be less simple than it first seems. Measuring the (cross-border) territorial reach of goodwill in current markets may be difficult, which might caution against adopting it as the lodestar for trademark rights.

Moreover, scholars in other disciplines have commented on the phenomenon of “glocalization,”²⁹¹ whereby the globalization of markets has been accompanied by a responsive effort to sustain local identity in the face of, and sometimes through the use of, global markets. Trademark rights, as reflectors of identity, are thus stretched in both directions, locally and globally, though in both cases the market is at odds with the dominant (if now challenged) political sovereignty, namely, the nation-state. Practical implementation concerns may thus be exacerbated by such a phenomenon. By the same token, however, the phenomenon of “glocalization” might make linking the scope of rights to the intrinsic territoriality of goodwill seem especially attractive. Tethering the scope of rights to social reality allows both the expansion of rights where goodwill is global and the confinement of rights where goodwill is local.

While this approach may seem radical, the principle of defining trademark rights by reference to the territoriality of goodwill is, of course, not new. It is where the common law started. In his opinion in *Hanover Star Milling*, Justice Pitney captured perfectly the theoretical independence of trademark rights from political boundaries: “To say that a trade-mark right is not limited in its enjoyment by territorial bounds, is inconsistent with saying that it extends as far as the sovereignty in which it has been enjoyed. If the territorial bounds of sovereignty do not limit, how can they enlarge such a right?”²⁹²

U.S. law, as one of the few use-based systems in the world, would seem well suited to accommodate this approach. If we seek to link rights to the expanding social reach of goodwill, we will inevitably rely on doctrines of use and, subsidiarily, the principle of well-known marks. The decisions of U.S. courts in *International Bancorp*, *Grupo Gigante*, and *Empresa Cubana* (as well as the international development of the well-known mark

Differences in the reaction of one group of consumers as opposed to another do not necessarily mean the presence of two discrete bundles of goodwill. If both groups associate the mark with the same source, that is unitary goodwill (even if it is viewed more favorably in one locale than in the other). This is not a result merely of geographic difference. For some shoppers, WAL-MART for retail stores means value; for others it might mean “low-quality.” Regardless, it is a single mark with single goodwill.

291. Eric Swyngedouw, *Neither Global nor Local: ‘Glocalization’ and the Politics of Scale*, in SPACES OF GLOBALIZATION: REASSERTING THE POWER OF THE LOCAL 137 (Kevin Cox ed., 1997).

292. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916).

doctrine) appear committed to the notion that if the unused, unregistered marks have meaning to American consumers, that meaning should be protected. That is, these opinions appear to reflect the actual scope of goodwill, regardless of the industrial policy that political authorities might wish to pursue. They thus provide some measure of the wisdom of tying trademark rights to its intrinsic territoriality.

As suggested above, one criticism of these developments is that the rules disfavor American trademark owners and substantially increase searching costs for trademark applicants. This is not to suggest that U.S. (or international) law should not make provisions for the foreign producer who wishes efficiently to develop and exploit goodwill among American consumers. The mechanisms that hitherto have addressed such a scenario are the *telle quelle* principle (implemented in Lanham Act § 44(e)) and, to a lesser extent historically, the well-known mark doctrine.²⁹³ But the foreign user who relies instead on U.S. advertising and foreign use (under *International Bancorp*) or secondary meaning developed in the United States without use (under *Empresa Cubana*) is placed in a better situation than the foreign mark owner who takes advantage of the *telle quelle* procedure required by the Paris Convention and explicitly incorporated by the Lanham Act § 44. Under § 44(e), the foreign producer can obtain a registration without use,²⁹⁴ but the registration will be canceled if use does not take place within the statutory time period.²⁹⁵ The

293. Although a requirement that a mark owner render services in the United States to secure U.S. common law rights would not preclude foreign producers from obtaining rights in the United States under § 44(e) prior to establishing a business here, the majority in *International Bancorp* was insistent that foreign producers should be entitled to rely on unregistered rights to the same extent as local producers. *See Int'l Bancorp*, 329 F.3d at 382 & n.14 (“It is inconceivable that courts would interpret the Lanham Act to punish [foreign] mark owners for failing to register their mark *where* their mark otherwise meets the statutory requirements for protection.”). This articulation of the issue (avoiding antifoign discrimination) clearly presents the argument as rhetorically inconsistent with the Paris Convention and TRIPS’ national treatment obligations. But a rule on the meaning of “use” that instead simply accords different weight to foreign and domestic use clearly comports with the underlying treaty premise of territoriality; it may be quite appropriate, as a concession to some of the prescriptive claims of territoriality, to require a foreign user to register to acquire rights but not to make the same demand of a domestic user. And it may be that the increasingly contested trade environment in which international trademark law is developing should make courts cautious before adopting such an avowedly internationalist (albeit pro-U.S. consumer) position as the *International Bancorp* majority advocates, even if it is consistent with the territorial goodwill premises of domestic U.S. trademark law.

294. 15 U.S.C. § 1126(e) (2000) (allowing registration by foreign user based on intent to use).

295. Refer to note 86 *supra* (discussing *Linville v. Rinard*, 26 U.S.P.Q.2d 1508 (T.T.A.B. 1993)). To minimize this problem, one might argue that efforts to defeat cancellation cannot be based on fame without use. *See Imperial Tobacco Ltd. v. Philip*

remedies that are available to a § 44(e) applicant absent use are likewise restricted because it is unlikely that there will be consumer confusion in such circumstances. Given the problems of clutter and conflict that flow from liberal globalization of rights, an approach that does not undermine use of international registration mechanisms (which at least provide notice and transparency) is surely to be preferred.²⁹⁶

Yet, by the same token, as consumers engage in world travel in unprecedented numbers, and as modern technology allows images and marks to cross borders in advance of consumers and goodwill, refusal to recognize use-based rights such as those protected in *International Bancorp*, *Grupo Gigante*, and *Empresa Cubana* creates a risk that American consumers will be confused. To permit such confusion would allow inefficiencies to persist in the domestic economy. Thus, the approach of these courts appears grounded in the basic purposes of U.S. trademark law: to wit, the protection of American consumers in an era of world travel and global information flows, though apparently at the expense of American producers, especially those less commercially interested in globetrotting consumers or global markets.²⁹⁷

In making the choice between these arguably unpalatable options—uncertainty and clutter, or confusion—it is important to

Morris, Inc., 899 F.2d 1575, 1579–80 (Fed. Cir. 1990) (canceling foreign defendant's trademark registration for lack of use in the United States); *cf. Empresa Cubana del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1691 (S.D.N.Y. 2004) (canceling domestic defendant's trademark registration for lack of use and upholding foreign plaintiff's trademark in the United States because of excused nonuse resulting from U.S. embargo against Cuban products). This has great merit in preventing end-runs around § 44(e), but it is not logically consistent with the well-known mark doctrine.

296. The liberal attitude that each case adopts toward the existence of secondary meaning further ensures that § 44(e), the means by which the Lanham Act explicitly confers rights on foreign producers without use in the United States, becomes an increasingly irrelevant provision notwithstanding the development of global markets. Refer to notes 162–82 *supra* and accompanying text.

297. One could regard this as a choice of consumer interests over producer interests—though, of course, producer costs are ultimately passed on to American consumers—or of internationally minded interests over domestically oriented interests. These two vectors no doubt intersect, but their mutual presence merely highlights the complexity of international trademark law, which must attend not only to the substantive balance essential to domestic trademark dilemmas, but also to the now-omnipresent battle between internationalism and nationalism. See Graeme B. Dinwoodie, *Private Ordering and the Creation of International Copyright Norms: The Role of Public Structuring*, 160 J. INSTITUTIONAL & THEORETICAL ECON. 161, 161–62 (2004) (noting the difficulty in balancing national versus international interests with respect to copyrights); Graeme B. Dinwoodie, *The International Intellectual Property Law System: New Actors, New Institutions, New Sources*, PROCEEDINGS OF THE 98TH ANNUAL MEETING OF THE AM. SOC'Y INT'L L. (manuscript at 5–7) (forthcoming 2004) (discussing the two different balances).

bear in mind a dichotomous choice that trademark law frequently encounters but is insufficiently addressed (or at least not explicitly) in trademark scholarship. That is, should trademark law be structured *reactively* to protect whatever consumer understandings or producer goodwill develops, or should it *proactively* seek to shape the ways in which consumers shop and producers sell or seek to acquire rights, thus shaping how the economy functions.²⁹⁸ Should trademark law *reflect* social norms or aspire to *create* them?

If the reactive school of thought prevails, the increasingly nonnational (though no less intrinsically territorial) nature of goodwill suggests that the majority in *International Bancorp* and, to a lesser extent, the courts in *Grupo Gigante* and *Empresa Cubana* are properly engaged with the basic objectives of trademark law, but pursued in the context of a global market. A reactive theorist would tend to elevate the intrinsic social aspects of territoriality and to protect the goodwill that the global market engenders.

In contrast, a proactive theorist might seek solace in the politically grounded aspects of territoriality and the practical value of national rights. Under this philosophy, parties desirous of international protection would be encouraged to use the efficiency-enhancing mechanisms of § 44(e) and the Madrid Protocol, and certainty would be promoted through a narrow interpretation of “use in commerce.” A proactive approach would facilitate the further, or perhaps more orderly, development of the global market through more transparent international trademark acquisition devices or international enforcement reforms. These priorities would thus accommodate and promote global markets without interfering with the interests of producers who wish to market locally unburdened by the costs of global trade or of subsidizing global producers. This balancing of interests does appear to reflect the fuller range of different constituencies that the trademark system is trying to serve in the current marketplace.

That the instrumental, proactive argument appears to elevate the value of registration systems in a global market might be an irony lost on adherents to the traditional American approach. Instrumentalism in intellectual property law is more

298. This debate is also acute in the area of product-design trade dress protection. The implicit message of several recent U.S. Supreme Court opinions is that producers should seek to encourage identification with their products through verbal rather than design marks. See generally Dinwoodie, *Trademark Jurisprudence*, *supra* note 288, at 209 (raising the proactive-reactive dilemma).

naturally the philosophy of U.S. law. But the domestic territoriality-based principles regarding the “reach of goodwill” articulated by the U.S. Supreme Court in *United Drug* and *Hanover Star Milling* have since 1946 been subject to the equally territoriality-based principles of national rights, consciously rendering the treatment of international disputes different from the treatment of domestic disputes.²⁹⁹ Both the majority and the dissent in *International Bancorp* can claim the mantle of the *United Drug* and *Hanover Star Milling* Courts. Both accommodate territoriality-based concerns into their analysis; but they focus on different aspects of the territoriality principle.³⁰⁰ The difference between them rests on the willingness of the majority to cast off the nationality overlay imposed on territoriality—something that federal appellate courts had previously resisted even when presented with arguments that the global market altered the traditional calculus.³⁰¹ To do so, the *International Bancorp* majority elevates the intrinsic trademark notion of territoriality over the international trademark notion of nationality, thereby privileging the social aspects of territoriality over its political properties.³⁰²

Indeed, it is worth recalling that even in the domestic context we have modified our strict assimilation between the scope of rights and territorial goodwill to pursue complementary values such as economic expansion or producer certainty.³⁰³ And, as seen in cases adjudicating relief where there has been federal registration but no local use, the grant of rights for these purposes can be tempered by remedial rules (driven by the consumer confusion rationale) that protect local goodwill. Thus, in *Dawn Donut Co. v. Hart's Food Stores, Inc.*,³⁰⁴ the Second Circuit denied injunctive relief to a senior user with rights that, by virtue of federal registration, were nationwide. Confusion would have arisen if goods of both parties had been sold in the

299. Refer to notes 13–31 *supra* and accompanying text.

300. *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 374 (4th Cir. 2003) (agreeing that “use in commerce” is necessary for protection under the Lanham Act); *id.* at 388 (Motz, J., dissenting) (criticizing the majority’s position as inconsistent with the principle of territoriality).

301. *See Person's Co. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990) (rejecting argument based on the world economy).

302. *See Int'l Bancorp*, 329 F.3d at 381 (“[T]he dissent fears that we are undoing all of the good of our country’s trademark laws. . . . [A]voidance of consumer confusion is the ultimate end of all trademark law, this case presents a paradigmatic situation in which we may see our laws working . . . to reduce consumer confusion.”).

303. Refer to text accompanying notes 36–42 *supra* (discussing Lanham Act constructive notice reforms).

304. 267 F.2d 358 (2d Cir. 1959).

same region, but relief was denied because the senior user had no plans to enter the market where the injunction was sought.³⁰⁵ Although the court recognized the superior rights of the senior user, which were sufficient therefore to offer the senior user the certainty in the national market that registration confers, it also sought to protect the goodwill that had developed in a particular locale.³⁰⁶

Despite these criticisms of tying rights to the territorial scope of goodwill, there does appear to be a trend toward the grant of rights on a broader geographic scale without the burden of registration. If this trend continues, the remedial lesson of *Dawn Donut* will be even more valuable in the future. As rights expand into a variety of countries, a greater number of conflicts will arise and nuanced remedies may indeed be the only means of reconciling competing interests.

The Internet has of course been a leading cause of these increased conflicts. In this context, the Joint Recommendation on Internet Use is extremely important. In particular, national courts should be hesitant to find use on a global basis and should in any event be sensitive to competing interests in devising remedies. Similar lessons are to be drawn from the approach of the Second Circuit in *Sterling Drug*, where, in the inverse setting of U.S. rights extruding to regulate conduct abroad, the court was cognizant of the inevitable, but reconcilable, conflicts that globalization generates.³⁰⁷ That court was clearly aware not only of changes in the intrinsic territoriality of goodwill, but also of those aspects of territoriality rooted in national political sovereignty and the unspoken limits of the court's enforcement authority outside the United States.

2. *Tying Trademark Rights to the Territoriality of Desired Economic Expansion.* As commerce moves from the national to the global level, we could begin to develop the possibility of unitary regional or global trademark rights; of course, the latter is a utopian dream. That is, we might seek trademark rights on a broader geographic basis in order to facilitate commerce on a broader geographic scale and use trademark law as an

305. *Id.* at 364–65 (denying injunctive relief because “there was no reasonable expectation that plaintiff would extend its retail operations into defendant’s trading area” and thus cause consumer confusion).

306. *Id.* at 363–64 (concluding that no likelihood of confusion existed as a result of defendant’s use of the mark in distinct geographic regions).

307. *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 750 (2d Cir. 1994) (directing the district court to “redraw . . . the injunction to accommodate [defendant’s] global business interests”).

instrument of economic policy. This is the rationale that encouraged the development of the CTM as the EU sought to develop a unified trading area. And it drove the Lanham Act notion of constructive nationwide notice as trade within the United States became more national.

Whereas the option discussed above privileged the social dimension to territoriality by tying rights to goodwill, this approach would emphasize those aspects of trademark territoriality grounded in economic expansion. Such an emphasis radically affects the viability of this approach. The development of unitary regional or global trademark rights would encounter substantial institutional and enforcement issues. The transition from local to national rights in the United States in 1946 did not present concerns about political sovereignty and enforcement power. In 1946, the shift effected was from rights that were subnational to rights that were national. Political institutions operated at both levels, and the relationship between them was constitutionally articulated. Although the Lanham Act accommodated local interstate rights within a national system, it never confronted rights that transcended U.S. national borders. Likewise, the quasi-federal political institutions of the European Union were an essential feature of the move to an EU-wide right in the form of the CTM.³⁰⁸ At present, genuine political institutions do not exist at the global level and are unlikely to exist in the near future. And the relationships between nation-states and those international intellectual property institutions that do exist (such as the WTO or WIPO) are too contingent to serve as substitutes without substantial modification.³⁰⁹ Thus, because the structure of economic policymaking reflects territorial notions that have not adapted to global markets in ways that permit an analogy to the enactment of the Lanham Act or the CTM, tying trademark rights to the territorial scope of desired economic expansion presently seems unworkable.

308. The existence of regional political institutions in Europe clearly facilitated the creation of a unitary trademark right valid throughout the European Union, rather than a national model of twenty-five separate national rights. There is evidence that looser international arrangements might, on occasion, be sufficient to achieve similar objectives, such as when the Benelux (or Andean Pact) countries created their regional trademarks, but some institutional arrangement is necessary.

309. In addition, we would need to consider the different ways in which to accommodate local uses by other than global registration; the Lanham Act and the EU CTM Regulation adopted different solutions to this question. Incorporating some aspects of the first option presented above by linking enforceability of rights explicitly to the scope of goodwill would accommodate the local trader where a separate local goodwill existed.

3. *Tying Trademark Rights to the Territoriality of Existing (National) Political Units.* We have seen problems both with coupling trademark rights unreservedly to fast-changing social patterns and with moving the model of trademark law to the levels of desired economic expansion in advance of the necessary political institutions. We are thus left with efforts that take the national model as the starting point for more targeted reform. The practicalities of the national model and its nexus to industrial policy suggest adhering to the basic premise of national rights but seeking to minimize the costs and inefficiencies of national acquisition and enforcement. That is, rather than seek to revise the territorial aspects of trademark *rights* or trademark law *norms*, a different strategy might focus on the procedural aspects of the trademark system.

As seen in Part III, recent developments suggest a commitment to facilitating the acquisition of registered national rights on a broader basis. The acquisition mechanisms (principally, the Madrid Protocol) have appeared to intrude relatively little on the principle of territoriality because requests for extension of protection in Madrid countries remain subject to examination under different national laws by independent national offices. The Madrid Protocol preserves national rights, but it does so in a way that facilitates global trade. It may grant rights in advance of trade, thus furthering some of the objectives that might have been achieved by linking rights to the area of desired economic expansion. But it does so in much the same way as the *telle quelle* principle and constructive use and notice under the Lanham Act, requiring minimal institutional upheaval. And it facilitates global trade in ways that do not create the costs generated by a slew of unregistered rights protected in countries where a mark has not been used.

Efforts to effect parallel efficiencies in the enforcement of national rights have encountered substantial opposition. As demonstrated both by the decision of the Fourth Circuit in *Barcelona.com* and the impasse in the Hague negotiations, the historical and political obstacles that have prevented domestic enforcement of foreign rights in the U.S. courts (whether under U.S. law or through adjudication of foreign law claims) remain firmly entrenched.³¹⁰ National institutions will, for the

310. The device of litigating claims through § 44 and Article 10^{bis} of the Paris Convention would not implicate the reluctance to adjudicate foreign law claims because the conduct at issue would be alleged to violate international norms. U.S. courts already refer to international standards in applying such statutes as the Alien Tort Claims Act and the Convention on the International Sale of Goods. Enlarging the scope of a defendant's conduct that might give rise to a cause of action under the Lanham Act might

foreseeable future, remain the location for and instruments of enforcement.³¹¹

Yet arguments grounded in judicial competence surely carry much less weight when almost all countries are now developing a trademark jurisprudence and international trademark agreements are effecting a convergence of national rules. As seen in recent Second Circuit case law on the doctrine of foreign equivalents, value can be gained from reference to foreign determinations.³¹² Indeed, formal reference procedures could be developed for those circumstances in which foreign views have not yet been articulated.

Concerns about offending foreign nations in adjudicating trademark claims are also overstated.³¹³ At bottom, trademark infringement is a tort and should be treated as such for the purposes of private international law and consolidation of national claims. To be sure, any decision regarding trademark validity effects a regulation of the economy in which the alleged infringement occurred. But in a world where different economies inevitably interact, conflicting decisions by national courts under national law can have close to global effect. Foreign decisions (purportedly with national effect) in the recent dispute between Microsoft and Lindows.com had evident effects in the United States.³¹⁴ Producers who wish to market their goods on a global basis may find that national courts are in effect passing on the validity (or at least the commercial value) of trademarks issued

create some higher degree of uncertainty for those who act in commerce. But, to the extent that an unfair competition action under Article 10^{bis} rested on a more subjective notion of liability than trademark rights proper, this would be less troublesome.

311. Not all theorists would understand a decision by U.S. courts to respect foreign rights in some circumstances (as suggested by the district court in *Barcelona.com*) to involve the application of foreign law. Indeed, as explained by Walter Wheeler Cook in his theory of “local law,” even a decision to *apply* foreign law could be conceptualized as a decision by the United States to make use of foreign determinations when it thought it necessary to serve U.S. interests. See generally WALTER WHEELER COOK, *THE LOGICAL AND LEGAL BASES OF THE CONFLICT OF LAWS* (1949). That is to say, this is a sovereign decision of the United States.

312. See *Otokoyama Co. v. Wine of Japan Imp., Inc.*, 175 F.3d 266, 273 (2d Cir. 1999) (considering Japanese Patent Office’s finding that mark was generic); *Orto Conserviera Samaranese di Giacchetti Marino & C. v. Bioconserve S.R.L.*, 49 U.S.P.Q.2d 2013, 2014–15 (S.D.N.Y. 1999) (relying on foreign usage to determine if a mark was generic).

313. The notion that foreign trademark actions cannot be tried without risk of offending the rights-issuing state is arguably belied by increasing arbitration of international trademark disputes. But such decisions only operate inter partes. Giving only inter partes effect to a finding of noninfringement or infringement in a trademark action might in fact have an effect erga omnes because of the relationship between third party uses and a mark’s distinctiveness.

314. See Elliot Spagat, *Lindows Changes Name of Operating System to Linspire*, USA TODAY, Apr. 14, 2004, at http://www.usatoday.com/tech/techinvestor/techcorporatenews/2004-04-14-lindows-to-linspire_x.htm.

in another country.

An alternative approach to the difficulties of enforcement in interdependent markets, which might be pursued by parties frustrated by the lack of consolidation mechanisms, is to seek application of U.S. law extraterritorially in a greater range of circumstances. The *Sterling Drug* opinion reflects the view that global markets require a more flexible approach to extraterritoriality in order to protect American consumer interests fully.³¹⁵ The district court's decision in *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*,³¹⁶ in which the court ordered an Italian website to restrict access by American consumers, might also be viewed in this light, although the court's analysis in that case was not cast in the language of extraterritoriality.³¹⁷

However, both the *Sterling Drug* and *Playboy* courts exhibited keen attention to a variable that will be crucial to ensuring that such expansionist tendencies do not interfere with other countries' interests and prompt retaliatory action—the nature of relief. In both cases, the courts sought to craft injunctive relief that was not fully prohibitory with respect to the defendant's conduct in the foreign country. Such inquiries should be expected to become more common, as is recognized by the commendable Joint Recommendation on Internet Use, which counsels against global prohibitory injunctions on the Internet.³¹⁸ Absent this caution, enforcement of extraterritorial decisions will become vulnerable without a recognition treaty (which is not likely to happen).³¹⁹ In an era of global and digital exchange, a

315. See *Sterling Drug, Inc. v. Bayer*, 14 F.3d 733, 746–47 (2d Cir. 1994) (rejecting *Vanity Fair's* strict adherence to extraterritoriality principle).

316. 939 F. Supp. 1032 (S.D.N.Y. 1996).

317. *Id.* at 1039–40 (acknowledging that a U.S. court cannot prohibit creation or maintenance of infringing sites around the world, but can “prohibit access to those sites in [the United States]”).

318. Joint Recommendation on Internet Use, *supra* note 194, art. 15.

319. Judgments with potential extraterritorial effects have in the past relied upon existing U.S. jurisdiction over the defendant, see *Playboy*, 939 F. Supp. at 1040 (“While this Court has neither the jurisdiction nor the desire to prohibit the creation of Internet sites around the globe, it may prohibit access to those sites in *this* country.”), or jurisdiction over the person with physical control of the means of implementing the relief abroad (an occurrence that is mostly restricted to the Internet). In *Globalsantafe Corp. v. GlobalSantaFe.com*, 250 F. Supp. 2d 610 (E.D. Va. 2003), the plaintiff trademark owner obtained an order from the Eastern District of Virginia, exercising in rem jurisdiction, directing a Korean registrar to transfer a confusingly similar domain name in the “.com” domain (for which the registry was based in Virginia) to the trademark owner. *Id.* at 612. The Korean domain name registrant responded by obtaining an order from the Korean courts directing the Korean registrar not to comply with the order of the U.S. court (on the grounds that Korean choice of law rules identified the law of the server as the applicable law and thus U.S. courts should not have applied U.S. law to the case). *Id.*

central question for trademark law is how to accommodate an increased number of competing interests, which is most subtly and efficiently pursued through careful attention to remedies.

V. TERRITORIALITY AND NATIONALITY

As Part IV suggests, the appropriateness of the leading developments discussed in Part III may turn on whether one seeks to effectuate the intrinsic consumer protection purposes of trademark law or (additionally) to develop trademark law instrumentally as a tool of economic policy to equip domestic producers to compete in global markets. A subsidiary theme, however, in that and other debates, is the relationship between territoriality and nationality.

As the discussion in Parts II and III demonstrates, U.S. courts have consistently recognized that the rules applicable to two remote users *within* the United States are different from those that govern the competing rights of a senior user *outside* the United States and a later user who is the first to use within the United States. Because rights in the United States cannot be acquired by use outside the United States, the later user within the United States will—as the only user in the United States—be afforded substantial latitude before it risks losing a priority contest with the foreign user.³²⁰ Thus, the later U.S. user starts as the senior user and the presumptive rightholder, subject to narrow exceptions, whereas the later user in an internal U.S. dispute will only have rights if the later user satisfies strict requirements of good faith, remoteness, and use prior to federal registration.³²¹

When the Korean registrar chose to comply with the Korean court order rather than the U.S. court order, the plaintiff then sought an order against Verisign (the registry for the .com domain) compelling it to disable the domain name registration in question. *Id.* The court granted the relief sought by the plaintiff. *Id.* at 626–27; *see also* Am. Online, Inc. v. AOL.org, 259 F. Supp. 2d 449, 455–57 (E.D. Va. 2003) (holding that the court had power—in circumstances similar to *Globalsantafe*, but without a competing court order—to order the registry to transfer the infringing domain name registration even if that conduct might be in violation of the agreements between the registrar that had refused to comply with the U.S. court decision and the registry).

320. *See* Person's Co. v. Christman, 900 F.2d 1565, 1571–72 (Fed. Cir. 1990) (denying foreign plaintiff priority for a mark used inside the United States first by a domestic producer).

321. *See* United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 101 (1918).

“[W]here two parties . . . are employing the same mark . . . in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user”

Id. (quoting Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 415 (1916)).

This distinction can be explained on several different grounds, and the explanation chosen may affect whether one accepts the need to revise trademark law in light of globalization (or the possibility of doing so).³²² Nationality might be regarded as a good proxy for territoriality if markets, and thus consumer understanding, were always national. That is, one might simply treat the international rule as implementation of an assumption that foreign markets are remote and that the local producer, who would have no expectation that the foreign producer would expand into the United States, acts in good faith.³²³ Conceptualized in these terms, which are grounded very much in universal trademark teleology rather than in notions of political authority or national industrial policy, the advent of globalization and world markets would throw the distinction between the internal and cross-border scenarios into considerable doubt. The stated assumptions hold up in many fewer cases, such that the arguments for a rule of law flowing from them seem weak.³²⁴

However, global trading may warrant a lesser revision of the different treatment of domestic and international priority contests if we explain that distinction on other grounds. For example, if we posit the distinction between domestic and international priority contests as reflecting the prescriptive reach (normative or descriptive) of the national political authorities that accord trademark rights, the emergence of global markets

322. This dilemma concerning competing rationales for territorial rules is not new. Justice Holmes, in dicta in his concurring opinion in *Hanover Star Milling*, elevated the importance of political boundaries. See *Hanover Star Milling*, 240 U.S. at 426 (Holmes, J., concurring) (“I do not believe that a trade-mark established in Chicago could be used by a competitor in some other part of Illinois on the ground that it was not known there.”). Justice Holmes’s view might have been defensible on the grounds that markets typically encompassed the reach of the state, rendering both good faith and discrete goodwill implausible conclusions. Or it might reflect pragmatic concerns about the need for certainty, reflected more directly in statewide or nationwide benefits of registration. But it might also reflect a bare assertion of the link between political sovereignty and property rights, and that would appear to be a stronger element in Justice Holmes’s analysis. See *id.* at 424-25 (Holmes, J., concurring).

323. One could view the good faith standard in *Hanover Star Milling*, 240 U.S. at 415—“unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user, such as . . . to forestall the extension of his trade, or the like”—as similar to the standard articulated in *Person’s* in the international context. The application of that (common) standard before the commencement of global trade would have afforded quite different results in the domestic and international setting. Trade was more likely to extend within the United States. But such differences might be somewhat smaller today. If, instead, one viewed the *legal standards* as different because of pragmatic concerns grounded in economic policy then the shift toward global trade will be of less significance.

324. See Cass R. Sunstein, *Problems with Rules*, 83 CAL. L. REV. 953, 993-94 (1995) (discussing when rules are more appropriate than standards).

has little to say about the revision of the “territorial” rules of trademark law absent the creation of global political institutions.

Finally, the distinction may rest instead on the practical concerns of nations that a ready supply of marks be available to their producers and that the cost of clearing marks not become prohibitive because of conflicting international marks. Despite the readier access to information about foreign registers, which might make searching easier, if the distinction were based on this rationale it likewise would not require revision because of international trade. But the distinction, so based, might be more susceptible to change in the event that social developments cause a reassessment of the availability of marks.

It would be helpful, however, if courts and scholars would recognize the assimilation and its significance. When territorial rules flow from nationally grounded concerns such as economic policy or political sovereignty, they are likely to be subject to a more cautious reassessment. Policymaking and political institutions have retained their national configuration even in the face of globalization. That is to say, the assimilation of territoriality and nationality in debates about the issues discussed in this paper is in fact an unspoken decision to prefer only one aspect of territoriality or to pursue a particular set of trademark objectives (i.e., those that reflect political sovereignty or economic policy).

VI. CONCLUSION

The phenomenon of globalization presents a variety of challenges to U.S. courts and international policymakers. In the face of such challenges, they are arguably reconfiguring the doctrines of territoriality for a new age. But the considerations that lead to one solution over another are often unstated. Mere reference to “the principle of territoriality” in support of a particular position is insufficient because the principle is not unitary. It is simply impossible to say that “the principle” is either outdated or unnecessary to change.

Whether trademark law can be detached from its territorial moorings and the nation-state is not simply a function of whether consumer or producer activity still conforms to the territorial boundaries of the nation-state. That consideration, grounded in social and commercial practices, reflects only that part of the territoriality principle intrinsic to the purposes of trademark law, namely, extending (and limiting) trademark rights to the geographic reach of goodwill.

A fuller assessment of the linkage between trademark law

and the nation-state requires a broader understanding of why the principle of territoriality dominates trademark law. In particular, complementary objectives of trademark law, such as the promotion of economic expansion and the effective enforcement of rights, have also often been viewed through a territorial lens. But the devices used to pursue these objectives derive their territorial character from their grounding in economic policymaking or political institutions rather than social practices.

Thus, the resilience of the “principle of territoriality” can be properly assessed only by considering both those aspects of trademark law grounded in the intrinsic purposes of trademark law and those that assume their territorial character because of their connection to economic policy or political institutions.

In an era of global trade and digital communication, social and commercial practices are less territorially confined and less concordant with the nation-state. But economic policymaking and political institutions may prove more resistant to change than social behavior. Nationally rooted aspects of territoriality, such as enforcement, will make the transition from the nation-state only when the institutional structure allows it. Thus, under the UDRP, effective global relief can be obtained based upon territorial rights. But it is the technological control that ICANN exercises over the domain name system that enables the UDRP to move beyond the national enforcement model. It is one of the rare circumstances in which the policymaking and political structures, which normally sustain national models of enforcement, have evolved from the nation-state in ways that allow a loosening of nationally rooted notions of territoriality.

It might also be useful to think explicitly about the role of the nation-state in trademark law, especially in an era in which goodwill is geographically shapeless. It might be tempting to reflect socially driven, nonnational notions of territoriality in order to vindicate the basic purpose of trademark law, but ultimately the national political authorities will be important for the purposes of enforcement and will also have a legitimate role to play in interjecting concerns of industrial policy that might temper full commitment to socially constructed territories. Nation-states have not yet found a way, and are not likely in the near future to find a way, to create the global political institutions that are necessary for the formulation and enforcement of global trademark rights. Instead, the primary value of the state in this context lies in its adjudicatory and enforcement authority. This does not mean that the scope of rights that a state enforces need be coincident with its political

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authority, although to exceed that authority may create problems of enforcement. But it does mean that, whatever deviation from political authority in favor of social boundaries might be justified by the intrinsic purpose of trademark law, the continuing role of national authorities requires that attention also be paid to the national political objectives of economic expansion and commercial certainty. This was true in the shift from local to national markets, and it will also be true in a move toward global markets, regardless of the actual boundaries of goodwill.