TRADEMARK LAW—THE EXTRATERRITORIAL APPLICATION OF THE LANHAM ACT: THE FIRST CIRCUIT CUTS THE FAT FROM THE VANITY FAIR TEST

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NOTES

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INTRODUCTION

A. The Hypothetical

Jimmy Collins is a professional baseball player who dreams of major league stardom as he toils away in the minors. The typical ten-hour bus trip to road games results in ample spare time, but he keeps himself busy by learning how to shape pieces of leather into baseball gloves. Eventually, his glove-making skills become so good that he starts using his custom gloves for games and practice. A struggling teammate looking for an edge asks Jimmy to custom-make him a glove, and Jimmy happily obliges. From this small beginning, word quickly spreads around the league that Jimmy Collins can make anyone a custom glove for a small fee.

Although Jimmy still has hopes of playing in the major leagues, his side business provides him with a steady stream of income. To help generate new business, Jimmy proudly places his own logo—an interlocked J and C set within a diamond—on all his custom gloves. Jimmy tells his agent about his glove business and the agent helps him to register the trademark. Before long, at least one player on every team in the league is using a Jimmy Collins Custom Glove.

After five years of long bus trips, small towns, and fast food, a torn rotator cuff ends Jimmy’s playing career. He turns his focus full-time to his glove-making venture and invests a substantial sum of money into his growing brand. Business takes off and his gloves are soon being used by many players throughout the minor and major leagues.

Looking to expand his business, Jimmy travels to the baseball hotbed of the Dominican Republic to promote his product. He is outraged when he discovers imitation Jimmy Collins Custom Gloves scattered around Dominican ballparks. Jimmy has never
sold a glove in the Dominican nor advertised his product there. He finds out from some young ballplayers that Major League Baseball games are broadcast in the Dominican and their favorite Dominican superstar wears a Jimmy Collins Custom Glove. They tell Jimmy of a salesman who comes around in a van selling what allegedly are Jimmy Collins Custom Gloves like the ones players wear on television. Jimmy informs the youths their gloves are actually poor-quality imitations and not authentic Jimmy Collins Custom Gloves.

Jimmy believes the sale of poor-quality imitation gloves will have a substantial negative impact on his business. In the short term, it will be difficult for Jimmy to expand his business into the Dominican with the imitation gloves on the market. In the long term, the consumers who purchased the imitation gloves will forever associate the Jimmy Collins trademark with an inferior product. Consequently, even if Jimmy is able to expand successfully into the Dominican, he has probably forever lost these potential customers.

When Jimmy gets back to the United States, he consults an intellectual-property attorney. The attorney suggests a suit for trademark infringement under the Lanham Act. However, since the infringement was done in a foreign country, a federal court will have to assert extraterritorial jurisdiction to hear the claim. Moreover, the attorney tells Jimmy that even though the trademark infringement has arguably had a substantial effect on U.S. commerce, federal courts probably have no jurisdiction over a claim of trademark infringement. Since the majority of jurisdictions do not permit claims when the infringer is a foreign citizen and the infringement occurred in a foreign country, Jimmy is probably out of luck.

B. Trademarks and the Law

As the hypothetical suggests, trademarks play a valuable role for consumers and producers alike. For consumers, trademarks are a shorthand way to distinguish products.¹ For producers, trademarks accumulate goodwill.² They surround us in all forms of ad-

¹. See Thomas D. Drescher, The Transformation and Evolution of Trademarks—From Signals to Symbols to Myth, 82 TRADEMARK REP. 301, 322-23 (1992); see infra note 52 and accompanying text.
². The goodwill associated with a trademark often becomes the centerpiece of a business. 1 J. THOMAS McCARTHY, TRADEMARKS AND UNFAIR COMPETITION 86 (Lawyers Co-Operative 1973) (describing four primary functions trademarks serve).
vertising, help us find what we are looking for at the grocery store, and sometimes even transcend their usual economic role and become a part of our common culture.³

The U.S. economy has undergone two major evolutions that have had a profound impact on U.S. trademark law.⁴ First, the many diverse regional economies that characterized this country before the Industrial Revolution have merged into a single, unified, national economy.⁵ In response to this first evolution, the Lanham Act⁶ was enacted to offer uniform trademark protection to national brands.⁷

The second evolution is ongoing. Our national economy is rapidly changing into an international economy where, in many respects, products and information move as freely from country to country as they do from state to state.⁸ U.S. courts are now continually faced with the task of protecting U.S. trademarks when they are infringed upon in a global economy. However, courts are hesitant to expand the reach of U.S. law to cover the seemingly limitless wrongs that are effectuated around the globe.⁹

An example of this phenomenon is the Coca-Cola Company and its COKE brand. The company hardly ever touts the taste of its COKE products, yet finds 60 percent of its company value in this brand. Megan Richardson, Trade Marks and Language, 26 Sydney L. Rev. 193, 194 & n.9 (2004) (citing Interbrand, World's Most Famous Brands Ranked by Interbrand 2001). Typically, companies that sell "consumer experience" goods like soft drinks find the trademark to be one of their most valuable assets. See Jerre B. Swann, Sr., Dilution Redefined for the Year 2002, 92 Trademark Rep. 585, 595 n.79 (2002) (defining consumer experience goods as "relatively inexpensive, frequently purchased products that a consumer typically will select by trial and error").

3. A single trademark may be used on a wide range of products, thus embedding the trademark's "symbolic importance" into the bedrock of our society. When BMW sells leather jackets and briefcases, or Coca-Cola sells t-shirts and Christmas ornaments, consumers are not purchasing solely for the product, but also for the "experience" associated with the brand. See Drescher, supra note 1, at 332-38 (defining this phenomenon as the "branded experience").

4. See infra notes 155-162 and accompanying text.

5. See infra note 156.


8. See generally Marshall A. Leaffer, The New World of International Trademark Law, 2 Marq. Intell. Prop. L. Rev. 1, 4 (1998) (discussing the effects of market globalization on trademark law and noting that e-commerce is "a forum that transcends national boundaries and bears no physical location on 'Main Street'").

9. As one commentator put it:

Experience shows that by the time the judicial machinery arrives at a place where the pirate was yesterday, ready to deal with him, that elusive person has moved forward and is still a little ahead—at a place where the courts will not
Courts have been forced to grapple with the issue of when it is proper to assert extraterritorial jurisdiction over a defendant when he infringes upon a trademark in a foreign country.\textsuperscript{10} The Supreme Court addressed the issue once, but has been silent on the issue for over fifty years.\textsuperscript{11} Since then, the landscape of business, both here and abroad, has drastically changed. Because of these changes, the courts of appeals have been left to formulate their own tests to determine when the assertion of extraterritorial jurisdiction is proper.\textsuperscript{12}

This Note argues that in light of an ever-changing economic backdrop, the "substantial effects test" adopted by the Court of Appeals for the First Circuit provides the necessary and proper standard for determining when extraterritorial jurisdiction is warranted. Furthermore, this Note demonstrates that establishing extraterritorial jurisdiction in a global marketplace should be dependent solely on the effects of the defendant's conduct, and not upon the citizenship of the infringer or other comity considerations. Part I of this Note explores the origins of trademark protection and the enactment of the Lanham Act. This section details the provisions of the Lanham Act pertaining to extraterritorial jurisdiction, as well as the Supreme Court's interpretation of those provisions. It also examines three extraterritorial jurisdiction tests which the first, second, and ninth circuits have developed. Part II of this Note analyzes the circuits' tests in light of the drastic changes in economic conditions that have taken place in the last fifty years. Part II then uses the Supreme Court's recent expansion of extraterritorial Sherman Act jurisdiction as a basis for expanding extraterritorial Lanham Act jurisdiction.

I. Background

A. Origins of Trademark Protection

Trademarks date back as far as 2000 B.C. and were prevalent in early Rome and throughout the Middle Ages.\textsuperscript{13} Trademarks in

\begin{itemize}
  \item See infra Part I.C.
  \item See infra Part I.B.3.
  \item See infra Part I.C.
  \item Although there is no precise date when the first trademark was used, the
the form of cattle brands and other crude geometric shapes were originally used as a method of identifying the owner of a particular piece of chattel.²⁴ As early economies evolved into trade-based economies, trademarks evolved into a means of identifying the producer of a particular good.²⁵

The economy of the American colonial era was nearly entirely based upon local and regional trade.²⁶ Federal regulation of trademarks was nonexistent because there was no national market in which to sell goods.²⁷ Therefore, regulation of marks used to identify goods was a matter handled on the local level.²⁸ A person wishing to use a specific mark would petition the local court, and the

practice presumably dates back to antiquity. ROGER E. SCHECHTER & JOHN R. THOMAS, INTELLECTUAL PROPERTY: THE LAW OF COPYRIGHTS, PATENTS AND TRADEMARKS 541-43 (2003); Sidney A. Diamond, The Historical Development of Trademarks, 65 TRADEMARK REP. 265, 268-69, 271 (1975), reprinted in 73 TRADEMARK REP. 222 (1983). Some of the earliest evidence of the use of trademarks are drawings originating from around 2000 B.C. that have been found on cave walls and depict the branding of cattle. Devils Rope Museum, http://www.barbwiremuseum.com/cattlebrandhistory.htm (last visited Dec. 30, 2006). The Bible also makes reference to branding, signifying that the practice was commonplace and well-known to the author of the verse. Genesis 4:15. However, until archeologists perform the necessary research and scientific dating, legal scholars will continue to differ on a precise date of the first use of trademarks. See Diamond, supra, at 265 (“Some day a cultural anthropologist may concentrate on this aspect of ancient life and develop a theory to help us understand how and why trademarks began.”).

14. See Devils Rope Museum, supra note 13 (providing a history of cattle branding). The marks found in ancient civilizations served a different function than the marks of today. Ancient marks were most likely used to signify ownership within a family unit, as these ancient civilizations were centered on family units and had very primitive, almost nonexistent, trade-based economies. SCHECHTER & THOMAS, supra note 13, at 541-43. Such proprietary marks can still be found today. “For example, horses and cattle are [still] branded with proprietary marks, and many bottles used for the distribution of milk . . . have the distributor’s mark blown into them.” LOUIS ALTMAN, CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 17.2 (May 2003) (noting that such marks on products can also be used to trace the goods back to the producer in the event of a defective product).

15. Early Rome was an early civilization that utilized trademarks for economic purposes. Diamond, supra note 13, at 270. Perhaps the most famous Roman mark was the FORTIS mark found on oil lamps. Id. at 271. The mark has been found in Italy, France, Germany, Holland, England, and Spain, leading scholars to believe that the widespread distribution was due to copying and counterfeiting which could have been the first instance of trademark infringement. Id. at 269.

16. SCHECHTER & THOMAS, supra note 13, at 543.

17. See id.

18. Id. Trademarks did not historically garner much judicial attention. Id. It took until 1837 for the first post-American-independence trademark decision to be reported. Id. It took until 1845 for the first state trademark statute to be adopted by New York. Id. at 543 n.6. Great Britain adopted its first statute on trademarks in 1862. H.R. REP. NO. 58-3147, at 3 (1904).
court would either grant or deny use of the mark.19 It was not until after the Civil War that trademark law became a matter of national concern.20

By the late nineteenth century, large-scale production capabilities allowed producers to nationally distribute products to a growing consumer economy.21 Along with national distribution came the first national advertising campaigns that, in turn, gave birth to the first nationally recognized brands.22 Up until 1870, trademark law was entirely state created, meaning no federal trademark protection was available for these national brands.23 A seller was forced to comply with multiple state regulations that acted as barriers to his selling products in multiple states.24 As a response to the diverse regulations among the states, the first congressional trademark Act was passed in 1870 to unify the protections afforded to consumers and businesses under a single, federal law.25

1. The 1870 Act

The 1870 Act relied on the Copyright and Patent Clause for power to establish a national means for the registration of trade-


20. SCHECHTER & THOMAS, supra note 13, at 544.


22. Merges, supra note 21, at 2207-08 (recognizing trademarks such as QUAKER OATS, CAMPBELL SOUP, HEINZ, LIBBY vegetables, PROCTOR & GAMBLE, COLGATE, SWIFT meats, PABST, SCHLITZ, and ANHEUSER BREWING). Swift forward integrated its slaughterhouse business by using refrigerated railcars to ship frozen meats from the Midwest to the East Coast. Id. at 2207 n.90 (citing PETER GEORGE, THE EMERGENCE OF INDUSTRIAL AMERICA 83 (1982)).

23. Merges, supra note 21, at 2208-09; see also Diggins, supra note 7, at 201 (noting that most states have had trademark registration laws).

24. See Merges, supra note 21, at 2208. The state regulations “would provide work for lawyers and state registration specialists but would be detrimental to trademark owners and to the public.” Diggins, supra note 7, at 201 (quoting Bulletin Regarding Circulars Recently Issued by Certain Self-Styled “Trade Mark Specialists”, reprinted in 17 J. PAT. & TRADEMARK OFF. SOC’y 740, 741 (1935)).

25. See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (“[T]he purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection.”) (citing S. REP. No. 79-1333 (1946)); Merges, supra note 21, at 2208-10. In 1870, there were only one hundred and twenty-one registered trademarks; in 1923, this number had ballooned to fifteen thousand. FRANK I. SCHECHTER, THE HISTORICAL FOUNDATION OF THE LAW RELATING TO TRADE-MARK LAW 134 (photo. reprint 1999) (1925).
Nine years after the law's inception, the United States Supreme Court held the 1870 Act unconstitutional in the *Trade-Mark Cases*. The Court held Congress could not regulate trademarks through the Copyright and Patent Clause, as trademarks were a separate and distinct form of intellectual property not included in the language of the Copyright and Patent Clause. The 1870 Act also usurped the states' control over purely intrastate commerce matters and, therefore, the Act amounted to an unconstitutional exercise of congressional power under the Commerce Clause. However, the Court did not foreclose the idea of a constitutional Act for the regulation of trademarks based on the Commerce Clause.

2. The 1881 Act

With the Supreme Court's decision in the *Trade-Mark Cases* as a backdrop, on March 3, 1881, Congress enacted the Act to Authorize the Registration of Trade-Marks, and Protect the Same. The scope of the 1881 Act was very narrow, allowing only the registration of marks used in trade with foreign nations or Indian tribes. Therefore, this statute offered no domestic federal trademark protection. The limited scope of the 1881 Act ultimately proved inefficient.
ffective at federally regulating trademarks. 33

3. The 1905 Act

The 1905 Trademark Act built upon the foundation laid in the 1881 Act by extending protection to include marks used in interstate commerce. 34 Although the 1905 Act added new sections while expanding the scope and applicability of earlier enacted sections, 35 the 1905 Act was still limited in its scope. 36 Congress attempted to rectify these limitations by amending or supplementing the 1905 Act a total of sixteen times. 37 Ultimately, the Lanham Trade-Mark Act of 1946 (Lanham Act) replaced the 1905 Trademark Act. 38

B. The Lanham Trade-Mark Act of 1946

Before the Lanham Act, 39 trademark law “threatened to result in ‘an intolerable mess, because [there were] 48 separate sovereignties to deal with, each legislating as it [saw] fit with respect to marks within its borders regardless of where those marks originate[d].’” 40 State legislatures aggressively promoted compulsory registration statutes as “an opportunity to make the outsider pay revenue,” rather than as a means of providing adequate trademark protec-

See Diggins, supra note 7, at 202-03 (noting that Congress had “a feeling of uncertainty as to its powers”).

33. See Pattishall, supra note 19, at 133-34 (noting that the 1881 Act did not provide substantive trademark rights, but merely granted access to the federal courts and provided prima facie evidence of ownership).


35. See generally H.R. REP. NO. 58-3147, at 6-10 (discussing the provisions of the 1905 Act).

36. See Diggins, supra note 7, at 202 (finding the Act to fall short of its objectives).


40. Diggins, supra note 7, at 202-03 (quoting Hearing Before Subcomm. on Trade-Marks of the H. Comm. on Patents on H. R. 9041, 75th Cong. 11-13 (1938) (statement of Edward S. Rogers)).
While many trademark infringement suits wound up in federal court, the absence of a federal common law forced federal courts to apply the law of the state in which they sat. Trademark protection, therefore, varied depending upon the state in which a claim was brought.

Congressman Fritz Lanham, Chairman of the Patent Committee in the U.S. House of Representatives, recognized the problems with state-based registrations and was persistent in his push for a trademark revision. However, opponents of Congressman Lanham’s proposed revisions argued that increasing trademark protection would hurt competition by granting the holder of the rights to the mark a monopoly in the mark itself. Consequently, the Act would promote monopolistic competition—a chief evil of unfair competition laws. The Justice Department was among the opponents of the Act because any expansion of the scope of then-existing trademark laws could effectively nullify fair competition among businesses. Congressman Lanham would not heed the

41. Id. at 202-03, 203 n.27 (quoting Hearing Before Subcomm. on Trade-Marks of the H. Comm. on Patents on H. R. 9041, 75th Cong. 11-13 (1938) (statement of Edward S. Rogers)).
42. Id. at 201-03 & n.27 (noting that the Erie doctrine required federal courts to apply the laws of the state where they sat).
45. Rogers, supra note 44, at 259-60; see also Lunney, supra note 44, at 485 (concluding that extending protection today “directly threatens competition”). Although a single-firm market by itself would have monopolistic control over price, it has been argued that a single-firm market will act as though the market is perfectly competitive if there is a threat of instantaneous entry by a second firm. Frank J. Easterbrook, Information and Antitrust, 2000 U. CHI. LEGAL. F. 1, 2 (2000) (citing William J. Baumol et al., Contestable Markets and the Theory of Industry Structure (1988)).
46. Rogers, supra note 44, at 259-60. It should be noted that the term “monopoly” carries with it a severely negative connotation. However, a healthy economy is a mixture of “competitive and monopolistic elements.” Ralph S. Brown, Jr., Advertising and the Public Interest: Legal Protection of Trade Symbols, 57 YALE L.J. 1165, 1171 (1948) (citing Clark, Toward a Concept of Workable Competition, 30 AM. ECON. REV. 241 (1940)). Trademarks are actually anti-monopolistic because they signify the presence of competing products. 1 MCCARTHY, supra note 2, at 50. If the market was monopolized by one producer, there would be no reason to promote the trademark because there would only be one product to choose from. Id. Trademarks therefore give the owner exclusive rights to that mark, not to the market. Id. But see Edward Chamberlin, The Theory of Monopolistic Competition 56-70, 204 (1938) (arguing that trademarks give control of entire markets to a single producer in much the same manner as a monopoly). Indeed, scholars have suggested that trademarks are so vitally important to economic well-being that they can be used to effectively gauge the
critics, and so, over an eight-year period, numerous bills were introduced to five different Congresses. Finally, President Harry S. Truman signed the Lanham Act into law on July 5, 1947.

The Lanham Act radically changed the face of trademark protection and "did indeed put federal trade-mark law upon a new footing." While the intricacies of the Act are outside the scope of this Note, a basic understanding of what the Act protects, as well as the Act's jurisdictional language and the Supreme Court's interpretation of that language is necessary to understand how the First Circuit's decision in McBee v. Delica Co. protects trademarks in a global economy.

1. What is a Trademark?

Put simply, "trademarks . . . make possible a choice between competing articles by enabling the buyer to distinguish one from the other." They distinguish similar and competing products by economic conditions of a region. See Jay D. Gatrell & S.L. Brian Ceh, Trademark Data as Economic Indicator: The United States 1996-2000, 10 Great Lakes Geographer 46 (2003), available at http://www.ssc.uwo.ca/geog/research/great_lakes_geographer/GLG_volume10/Gatrell%20and%20Ceh.pdf.

47. Pattishall, supra note 19, at 136-37; Schechter & Thomas, supra note 13, at 545. The numerous bills that were introduced took the following path to become a law:

Hearings on the bill and the various forms in which it was re-introduced were held in March 1938, March 1939, June 1939, and passed the House and Senate in 1939 and 1940. However, the Senate moved to reconsider the bill on June 23, 1940 and it was returned to the calendar and died. In the 77th Congress a re-introduced bill passed the Senate in 1941 and the House in 1942, but the bill died upon being referred back to Committee in 1942. Hearings were held in the 78th Congress in 1943 and 1944, but the bill was not passed. Finally, the 1945 version of the bill (H.R. 1654) was passed by the 79th Congress. For details of legislative history, see S. Res. No. 1333, 79th Cong. 2d Sess. (1946), U.S.C.C.A.N. 1277-1278.


48. Schechter & Thomas, supra note 13, at 545.

49. S.C. Johnson & Son, Inc. v. Johnson, 175 F.2d 176, 178 (2d Cir. 1949); see also Pattishall, supra note 19, at 139-41. One result of the Lanham Act was to eliminate the effect of the Erie doctrine in trademark cases in federal courts. Diggins, supra note 7, at 213.

50. McBee v. Delica Co., 417 F.3d 107 (1st Cir. 2005). The McBee decision forms the basis of this Note and is explained in detail in Part I.C.3. McBee adopts a substantial effects test to determine when extraterritorial jurisdictional exists. Id. at 121.

51. S. Rep. No. 79-1333, at 4 (1946), reprinted in U.S.C.C.A.N. 1274, 1275. In the words of Edward S. Rogers, "[y]ou can't have competition unless you can distinguish the competing goods and choose between them. Trade-marks make this distinction and this choice possible." Edward S. Rogers, The Lanham Act and the Social Function of
providing the consumer with a visual stimulus that triggers the consumer's memory. The visual stimulus is often the basis by which a consumer is able to recall his past experience with the product, which in turn prompts him to make a current selection. In 1942, Justice Frankfurter described a trademark as a merchandising short-cut whose goal was "to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value." Whether the product is an American-made COKE or a Japanese-made TOYOTA, the trademark's vital role in a country's economy has led to some form of registration procedure in over 200 countries.

The Lanham Act defines a trademark as "any word, name, symbol, or device or any combination thereof used by a person ... to identify and distinguish his or her goods from those manufac-

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52. See Drescher, supra note 1, at 322-23 (comparing a consumer's perception of QUAKER OATS versus oats in a bin). According to Judge Posner:

A trademark conveys information that allows the consumer to say to himself, "I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier."


54. Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205 (1942); see also Restatement (Third) of UNFAIR COMPETITION ch. 3, § 9 (1995) (defining trademark as "a word, name, symbol, device, or other designation, or a combination of such designations, that is distinctive of a person's goods or services and that is used in a manner that identifies those goods or services and distinguishes them from the goods or services of others").

tured or sold by others.”56 This easy-to-understand definition describes what “thing” is being protected by the law. However, the “thing’s” role in commerce goes beyond such a simplistic definition and warrants far-reaching protection.

2. Jurisdictional Language of the Lanham Act

Before a court can reach the merits of any infringement claim, there must be a basis for the court to assert jurisdiction over the matter. Typically, plaintiffs prefer to litigate in the United States where trademark laws are more protective than the laws of other countries.57 In addition, U.S. courts are more appealing because of favorable procedural rules and standards.58 As such, plaintiffs will often seek to establish extraterritorial jurisdiction under the Lanham Act, rather than bring a matter in a foreign judicial system.

The Lanham Act’s broad jurisdictional grant rests in its stated intent “to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce.”59 The Act defines “commerce” as “all commerce which may lawfully be regulated by Congress”60 and holds liable “any person who shall . . . in commerce” infringe on the mark of another.61 Although there is nothing in the Constitution preventing Congress from passing laws that reach beyond the U.S. border, there exists a presumption that U.S. laws are meant to only have territorial application.62 Thus, the question of whether the Lanham

57. Curtis A. Bradley, Territorial Intellectual Property Rights in an Age of Globalism, 37 Va. J. Int’l L. 505, 506 (1997). As evidence of this, the U.S. government has been attempting to force foreign countries to expand or better enforce their existing intellectual property laws. Id.
58. Gary B. Born, International Civil Litigation in United States Courts 4 (1996) (noting that U.S. courts permit contingent fee agreements, have broad discovery practices, do not usually hold litigants responsible for the adversary’s attorney’s fees, and tend to award larger damages when compared to other countries). As one English court remarked: “As a moth is drawn to the light, so is a litigant drawn to the United States. If he can only get his case into their courts, he stands to win a fortune.” Id. at 4 (quoting Smith Kline & French Labs. v. Bloch, 2 All E.R. 72, 74 (1983)).
60. Id.
62. See William S. Dodge, Understanding the Presumption Against Extraterritoriality, 16 Berkeley J. Int’l L. 85 (1998). Justice Holmes found it “surprising to hear it argued that [acts done outside the United States] were governed by the act of Congress,” and found such a notion to be a “startling proposition.” Am. Banana Co. v. United Fruit Co., 213 U.S. 347, 355 (1909). Since Congress “is primarily concerned with
Act could be applied extraterritorially was a matter of statutory intent that was largely unresolved until the 1952 decision in Steele v. Bulova Watch Co.63


Steele was the first, and only, Supreme Court decision interpreting the jurisdictional language of the Lanham Act for purposes of extraterritorial application.64 In Steele, the defendant was a U.S. citizen operating a watch business in Mexico, where he applied for a Mexican trademark for BULOVA.65 The plaintiff watch manufacturer had already properly registered the BULOVA mark for use on its watches in the United States.66 The defendant imported watch components to Mexico from Switzerland and the United States, and stamped BULOVA on the assembled watches.67 Although the defendant did not sell his counterfeit BULOVA watches in the United States, they were often purchased by American citizens in Mexico and brought back to the United States.68

The plaintiff filed suit when he was alerted to the defendant’s infringing acts by upset consumers whose watches had broken.69 The defendant asserted that the Court lacked subject-matter jurisdiction over the case because the Lanham Act could not extend to acts of infringement that occur in Mexico.70 Therefore, the question before the Court was whether Congress intended the Lanham Act to be applied to the facts in this case.71

The Court acknowledged this was a case of statutory interpretation, as the laws of the United States do not extend beyond the territorial boundaries of the country unless Congress clearly intends
otherwise.72 Since the Lanham Act's plain language reaches "all commerce which may lawfully be regulated by Congress,"73 the Court found that the Act shows Congressional intent to confer a "broad jurisdictional grant" to the federal courts.74 The Court thereby held the Lanham Act could be applied extraterritorially.

C. Extraterritorial Application of the Lanham Act after Steele

In Steele, the Supreme Court acknowledged congressional intent for the extraterritorial application of the Lanham Act when both parties to the action are American citizens.75 However, since the infringer in Steele was a citizen of the United States, the Court did not address whether the Lanham Act could be applied when the infringer is not a U.S. citizen and the infringement occurs outside the United States. Consequently, the ability of the Lanham Act to protect domestic registrants against infringements by foreign infringers is not entirely clear from the text of the Lanham Act or from the Supreme Court's interpretation of the Act in Steele.76

The U.S. Courts of Appeals have subsequently interpreted Steele as granting subject-matter jurisdiction contingent upon three factors.77 First, the defendant's conduct must have an effect on domestic commerce.78 Second, the defendant must be a citizen of the United States.79 Finally, there must be no conflict with the trademark rights conferred by foreign law.80 These factors provide a framework for analyzing specific factual circumstances, but "[do] not define the outer limits of Congressional power."81

The three factors do not amount to a bright-line test for determining when to apply the Lanham Act extraterritorially. Thus, courts have differed on the proper weight and interpretation to give each factor when confronted with variations from the facts of Steele.82 The United States Court of Appeals for the Second Cir-

72. Id.
73. Id. at 284 (quoting Lanham Act, 15 U.S.C. § 1114 (2000)).
75. Id. at 284-86; see also 15 U.S.C. § 1114(1).
76. See 15 U.S.C. § 1127; Steele, 344 U.S. at 283-87 (acknowledging that the Lanham Act reaches "all commerce which may lawfully be regulated by Congress").
77. See Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956); Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 428 (9th Cir. 1977).
78. Vanity Fair, 234 F.2d at 642; Wells Fargo, 556 F.2d at 428.
79. Vanity Fair, 234 F.2d at 642; Wells Fargo, 556 F.2d at 428.
80. Vanity Fair, 234 F.2d at 642; Wells Fargo, 556 F.2d at 428.
82. See id. at 121 (using "the substantial effects test as the sole touchstone to determine jurisdiction"); Wells Fargo, 556 F.2d at 428 (finding "each factor is just one
circuit was the first court of appeals to interpret Steele, which it did in Vanity Fair Mills, Inc. v. T. Eaton Co. \(^83\) In that case, it adopted what is now known as the Vanity Fair test. \(^84\) The Vanity Fair test has formed the basis for other circuits' analyses of extraterritorial Lanham Act jurisdiction. \(^85\) Interestingly, district courts within the Second Circuit have relaxed the Vanity Fair criteria so as to permit a wider extraterritorial application. \(^86\)

The Ninth Circuit chose to diverge from the Vanity Fair test and to analogize trademark law with antitrust law. \(^87\) The court adopted an interpretation of Steele involving a balancing test of several comity factors similar to its prior antitrust jurisprudence. \(^88\) The Fifth Circuit uses a similar approach, but notes that the Vanity Fair factors will be the "primary elements in any balancing analysis." \(^89\)

Contrary to the multi-prong tests of the Second and Ninth Circuits, the First Circuit has adopted a "substantial effects" test as the sole jurisdictional factor. \(^90\) In doing so, the First Circuit expressly rejected the other circuits' approaches to determining when extraterritorial jurisdiction is proper. \(^91\) To understand why the single-prong approach adopted by the First Circuit best protects consumers and businesses, it is necessary to first analyze the Second Circuit's Vanity Fair test and the Ninth Circuit's balancing test.

1. Second Circuit: The Vanity Fair Test

Shortly after Steele was decided, the Second Circuit had an op-

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portunity to interpret the Supreme Court’s decision. In *Vanity Fair Mills, Inc. v. T. Eaton Co.*, the plaintiff sued for trademark infringement stemming from the defendant’s unauthorized use of the VANITY FAIR name. The plaintiff was a Pennsylvania corporation that had sold women’s undergarments under the name VANITY FAIR in the United States since 1914 and in Canada since 1917. The defendant was a Canadian corporation doing business throughout Canada, and which, in 1915, was granted Canadian registration of VANITY FAIR for use in connection with “wearing apparel.”

In 1919, the plaintiff attempted to register the trademark VANITY FAIR in Canada for its undergarments, but was rejected because of the prior registration by the defendant. The defendant modified its registration in 1933 to specifically include “women's underwear, corsets, girdles and other foundation garments.” In 1953, the defendant began selling the plaintiff’s branded merchandise while simultaneously selling its own Canadian-manufactured undergarments under the same VANITY FAIR mark. The plaintiff’s complaint sought an injunction against the defendant’s use of the VANITY FAIR trademark in association with the sale of undergarments in the United States and Canada.

The Second Circuit developed a three-prong test based on the Supreme Court’s decision in *Steele*. For a court to assert extraterritorial jurisdiction, (1) the conduct of the defendant must have a “substantial” effect on U.S. commerce; (2) the defendant must be a U.S. citizen; and (3) there can be no conflict with foreign law. Failing to satisfy one of the factors “might well be determinative,” and “the absence of [two] is certainly fatal.”

93. *Id.* at 637.
94. *Id.*
95. *Id.*
96. *Id.* at 638.
97. *Id.* (quoting defendant’s modification to registration).
98. *Id.*
99. *Id.*
100. *Id.* at 642-43.
102. *Vanity Fair*, 234 F.2d at 642-43.
103. *Id.* at 643.
After developing its three-prong test, the Second Circuit found that extraterritorial application of the Lanham Act was improper in this case because only one part of the test was satisfied. While there were substantial effects on U.S. commerce, the other two prongs of the test could not be satisfied. Although the defendant employed American citizens in its New York office, the employees did not exert enough control over the company to consider it a U.S. citizen. In addition, there was a valid Canadian trademark creating an unavoidable conflict between U.S. and foreign law. Thus, two prongs of the test failed and extraterritorial application of the Lanham Act was not proper.

Although the prongs of the Vanity Fair test appear to be unequivocal, courts have not applied them in a strict fashion. In the years following the establishment of the Vanity Fair test, district courts have continually relaxed the components of the three-pronged test. Two specific cases are especially relevant.

a. Calvin Klein Industries, Inc. v. BFK Hong Kong, Ltd. In Calvin Klein Industries, Inc. v. BFK Hong Kong, Ltd., the district court relaxed the substantial-effects requirement from Vanity Fair to include a foreign citizen who resided in New York and ran a New York corporation whose actions were causing a diversion of the plaintiff’s sales overseas. The defendant used the CALVIN KLEIN trademark on jeans sold outside the United States. The court found the defendant had “constructive citizenship” due to his ties to the United States and therefore found it proper to treat him as though he were a U.S. citizen. The court also determined that the substantial-effects requirement was satisfied, as long as the infringing activity was “supported by or related to conduct in

104. Id.
105. Id. at 642.
106. Id. at 643. In fact, the court found it “abundantly clear” that the American employees did not direct the affairs of the company. Id. Such direction was provided by Canadian citizens. Id.
107. Id.
108. Id.
109. Popov, supra note 101, at 711.
111. Id. at 80.
112. Id.
113. Id. As the phrase “constructive citizenship” suggests, the individual defendant was not actually a citizen of the United States. However, the court found his ties to the U.S. sufficient to make it equitable to subject him to U.S. jurisdiction. Id.
United States commerce." The diversion of sales from a foreign licensee was sufficient to have a substantial effect on commerce.

b. Warnaco, Inc. v. VF Corp.

In Warnaco, Inc. v. VF Corp., a district court further expanded the extraterritorial reach of the Lanham Act by finding that a wholly owned Spanish subsidiary of a U.S. corporation could satisfy the citizenship requirement, while harm to the plaintiff's reputation was sufficient to satisfy the substantial-effects prong of the Vanity Fair test. In Warnaco, the parties were competitors, and the defendant sold the plaintiff's WARNER merchandise in a disparaging manner, which weakened the WARNER trademark in Europe. The court found that sales were diverted from the plaintiff by the negative impact on the plaintiff's income, reputation, and licensees. This led to a direct effect in the United States on the competitive positions of the two firms. Warnaco expanded the Vanity Fair test by granting jurisdiction even though the harm was not caused by a U.S. citizen, but rather, was caused by a Spanish subsidiary corporation. In addition, the harm to income, reputation, and licensees was confined to Europe because the consumers who might have been confused were Europeans, not Americans.

2. Ninth Circuit: Balancing Test

In 1977, more than twenty years after the Second Circuit established the extraterritorial reach of the Lanham Act, the Ninth Circuit adopted a balancing test to determine whether the Lanham Act could apply to noncitizen defendants. This test considered whether the defendant's conduct had a substantial effect on United States commerce. The Ninth Circuit reasoned that the Lanham Act was designed to protect the goodwill and reputation of American businesses and that this purpose would be frustrated if the Act did not apply to foreign defendants whose conduct had a substantial effect on American commerce.

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lished the *Vanity Fair* test, the Ninth Circuit adopted a "jurisdictional rule of reason" to govern the extraterritorial application of the Lanham Act. In *Wells Fargo & Co. v. Wells Fargo Express Co.*, the plaintiff engaged in numerous business endeavors using its properly registered trademark WELLS FARGO. The defendant was a Liechtenstein corporation which was using the WELLS FARGO trademark in the United States and Europe. After the district court used the Second Circuit's *Vanity Fair* test as the basis for rejecting subject-matter jurisdiction over the plaintiff's claim, the Ninth Circuit vacated the district court's decision and adopted a balancing test based on the "jurisdictional rule of reason," which the Ninth Circuit had established in the antitrust case *Timberlane Lumber Co. v. Bank of America*. The balancing test requires (1) an effect on U.S. commerce, and (2) an analysis of several comity factors. The comity analysis the Ninth Circuit adopted from its *Timberlane* decision requires the court to weigh

the degree of conflict with foreign law or policy, the nationality or allegiance of the parties and the locations or principle places of business of corporations, the extent to which enforcement by either state can be expected to achieve compliance, the relative significance of effects on the United States as compared with those elsewhere, the extent to which there is explicit purpose to harm or affect American commerce, the foreseeability of such effect, and the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.

The balancing features of the *Wells Fargo* test are in stark con-

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124. *Id.* at 411.
125. *Id.*
126. *Id.* at 427-28; see *Timberlane Lumber Co. v. Bank of Am.*, 549 F.2d 597 (9th Cir. 1976).
128. *Wells Fargo*, 556 F.2d at 428. The court did not interpret *Steele* as requiring a substantial effect on commerce. *Id.* The court reasoned that the substantial effects requirement is a tool to preserve federalism and state autonomy and is, therefore, the way to distinguish intrastate commerce from interstate commerce. *Id.* (citing *Timberlane Lumber*, 549 F.2d at 612). While the substantial effects requirement limits the ability of Congress to regulate intrastate commerce, such a limitation is not needed with foreign commerce because the Constitution gives Congress exclusive authority over it. *Id.*
129. *Id.*
130. *Id.* at 428-29 (citing *Timberlane Lumber*, 549 F.2d at 614-15).
trast to *Vanity Fair*'s bright-line tripartite test. *Vanity Fair* only requires an analysis of three factors, while *Wells Fargo* permits the court to take into account and afford different weights to a number of factual criteria.\(^{131}\) This fundamental difference between the approaches has allowed courts to give the *Wells Fargo* test a wider range of interpretations, because they are permitted to give varying weight to different factors.\(^{132}\) The wide range of interpretations gives courts the ability to manipulate facts in order to see justice done.\(^{133}\) As a result, district courts have not been forced to modify the *Wells Fargo* test to reach just results.

3. First Circuit: Substantial Effects Test

The latest circuit to weigh in on the issue of extraterritorial application of the Lanham Act is the First Circuit in its decision in *McBee v. Delica Co.*\(^{134}\) Cecil McBee (McBee) was a well-known American jazz musician, whose forty-five year music career included world-wide performances of over 200 albums, including six albums recorded under his own name.\(^{135}\) He toured Japan several times throughout his career and, at the time of litigation, continued to do so.\(^{136}\) Due to his desire to "have [his] name associated only with musical excellence," McBee limited the licensing of his name to items with a direct connection to his music.\(^{137}\)

In 1984, the defendant, Delica Company (Delica), adopted the name CECIL MCBEE for its young women's clothing line in Japan and obtained a Japanese trademark for the CECIL MCBEE name.\(^{138}\) Delica owned and operated Japanese retail stores, but did not sell its clothing line outside of Japan, nor have retail shops outside of Japan.\(^{139}\) In 2002, the company sold about $112 million worth of CECIL MCBEE products.\(^{140}\)

Delica used two forms of media to advertise its products. First, the company produced a "style book," which contained pictures of

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131. *Compare* *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 643 (2d Cir. 1956), *with Wells Fargo*, 556 F.2d at 428.
132. *See* *Popov*, *supra* note 101, at 717 (citing numerous Ninth Circuit decisions).
133. *Id.*
134. *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2005); *see also* *Lewis R. Clayton*, *Extraterritorial Reach*, NAT'L L.J., Sept. 26, 2005, at 13 (analyzing the *McBee* decision).
135. *McBee*, 417 F.3d at 112.
136. *Id.*
137. *Id.*
138. *Id.*
139. *Id.*
140. *Id.*
its latest clothing designs, and was embedded almost exclusively with Japanese text.\textsuperscript{141} While the style book allowed a customer to order by telephone or fax, a third-party company handled any orders placed in this manner.\textsuperscript{142} Delica also used a website that was created and hosted in Japan, but was viewable from any Internet-connected device.\textsuperscript{143} The website’s content was similar to that contained in the printed “style book,” but also contained locations and telephone numbers of CECIL MCBEE retail stores.\textsuperscript{144} Consumers could not order products directly from the website.\textsuperscript{145}

After learning of Delica’s use of his name in 1995, McBee unsuccessfully attempted to have the company’s Japanese trademark invalidated by the Japanese Patent Office.\textsuperscript{146} In 2002, McBee filed a complaint in the United States District Court for the District of Maine, asserting trademark dilution and unfair competition under the Lanham Act.\textsuperscript{147} In dismissing the complaint, the district court applied the \textit{Vanity Fair} test and found that the court lacked subject-matter jurisdiction over all of the plaintiff’s Lanham Act claims.\textsuperscript{148}

The United States Court of Appeals for the First Circuit rejected the district court’s application of the \textit{Vanity Fair} test.\textsuperscript{149} The Court instead found that the “sole touchstone to determine jurisdiction” over foreign defendants is whether the defendant’s acts have a substantial effect upon U.S. commerce.\textsuperscript{150} The proper analysis of extraterritorial-application questions is to “first ask whether the defendant is an American citizen, and if he is not, then [to] use the substantial effects test as the sole touchstone to determine jurisdic-

\begin{itemize}
\item \textsuperscript{141} Id.
\item \textsuperscript{142} Id.
\item \textsuperscript{143} Id.; see also Cecil McBee Web Magazine, http://www.cecilmcbee.net (last visited Dec. 30, 2006).
\item \textsuperscript{144} McBee, 417 F.3d at 112.
\item \textsuperscript{145} Id.
\item \textsuperscript{146} Id. at 113.
\item \textsuperscript{147} Id. at 115.
\item \textsuperscript{148} Id. at 116; see also McBee v. Delica Co., No. 02-198-P-C, 2004 U.S. Dist. LEXIS 23415 (D. Me. Aug. 19, 2004) (applying the \textit{Vanity Fair} test to determine the Lanham Act does not grant subject-matter jurisdiction). The district court found that the defendant was obviously not an American citizen and the “relief sought would be in conflict with the defendant’s trademark rights under Japanese law, as it currently stands.” Id. at *9-11. Therefore, dismissal was proper without even determining whether the effects on commerce were substantial. Id. at *11 (“[F]ailure to satisfy two of the three is sufficient to deprive the United States courts of subject-matter jurisdiction.”).
\item \textsuperscript{149} McBee, 417 F.3d at 121.
\item \textsuperscript{150} Id. at 118-21.
\end{itemize}
tion.”151 The substantial effects test requires compelling evidence that is sufficient to “give the United States a reasonably strong interest in the litigation.”152 The substantial effects test must also be applied in line with the underlying core purposes of the Lanham Act, namely to prevent the confusion of U.S. consumers and to protect the trademark owner’s financial interest in the mark.153 Even if there is a substantial effect on U.S. commerce that permits jurisdiction, the court may decline to exercise its jurisdiction based on a separate comity analysis.154

II. Analysis—Trademarks in a Global Economy

Ever-present changes in economic conditions are the driving force behind the evolution of trademark law.155 National trademark protection was essential to the merger of the state and regional economies of the early 1900s into a unified, national economy.156 While the Lanham Act was the result of a major wave of change in the American business landscape, the Act remains true to the core purposes of trademark law.157 Specifically, the Lanham

151. Id. at 121.
152. Id. at 120.
153. Id. at 121.
154. Id. The court here did not refuse to adopt the Wells Fargo framework for the comity analysis; rather, the court chose to look at comity after asserting jurisdiction.
155. Swann, supra note 2, at 587 (noting that cultural and economic changes had outpaced trademark law at the turn of the twentieth century); Robert W. Sacoff, Trademark Law in the Technology-Driven Global Marketplace, 4 YALE SYMPOSIUM ON L. & TECH. 8 (2001) (discussing how European Union member countries have harmonized their trademark laws to keep pace with technology-driven global commerce).
156. Swann, supra note 2, at 586. The state and regional economies could even be characterized as local economies, as they were principally agrarian. Because the guarantor of purchased products was typically located close to the product itself, the need for identification marks was minimal. See id. For example, in many communities “the country store owner, not Nabisco (or then ‘Uneed’), stood behind the crackers in the barrel.” Id. (citing Juliann Sivulka, Soap, Sex, and Cigarettes: A Cultural History of American Advertising 20 (1998)).
157. Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., 916 F.2d 76, 78 (2d Cir. 1990) (finding the core purpose of trademark law is to prevent copying of the identification features of a product, thereby protecting the investment made by the trademark owner); S. REP. NO. 79-1333, at 3 (1946). The Senate Committee on Patents reported two basic purposes of trademark legislation:

One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

Id.
Act ensures that consumers get the product they want, while a trademark owner's financial investment in the trademark is protected.\footnote{S. REP. No. 79-1333, at 3. "The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second." Yale Elec. Corp. v. Robertson, 26 F.2d 972, 973 (2d Cir. 1928).} Although the Lanham Act was enacted to unify national trademark protection, it would be a mistake to believe the evolution of trademark law ended with the passage of the Act. The functionality of trademarks will continue to evolve as economic practices continue to evolve. The Lanham Act must therefore evolve in step with the economy in order to continue to protect the core purposes of trademark law.

The global popularity of the Internet has accelerated the economic evolution which began in the late nineteenth century with the advent of the electric motor.\footnote{See Swann, supra note 2, at 586-87 (recognizing gains in productivity due to the invention of the electric motor and railroads); Nicholas Khadder, National Basketball Association v. Motorola, Inc., 13 BERKELEY TECH. L.J. 3, 3 (1998) (citing Michael W. Carroll, Garbage In: Emerging Media and Regulation of Unsolicited Commercial Solicitations, 11 BERKELEY TECH. L.J. 233, 234 (1996)) ("[T]he Internet has enabled users to distribute and sell information very widely at a negligible marginal cost to the distributor.")} The ability of consumers to instantaneously and inexpensively access a nearly unlimited supply of information has created a new wave of change in business.\footnote{Swann, supra note 2, at 591 (finding that the past thirty years has resulted in the production of more information than the previous 5,000); Leaffer, supra note 8, at 4 ("Significant changes in the production and marketing of consumer goods have occurred since the 1970s.").} Shipping goods east and west no longer means shipping across the Mississippi River, but is more likely referring to exports destined for East Asia or West Africa.\footnote{Between 1947 and 2004, U.S. exports rose from $14.4 billion to $807.5 billion. U.S. DEP'T OF COMMERCE, HISTORICAL STATISTICS OF THE UNITED STATES, COLONIAL TIMES TO 1970, Part 2, at 884 (1975) (U.S. export data from 1947); U.S. DEP'T OF COMMERCE, U.S. TRADE IN GOODS—BALANCE OF PAYMENTS (BOP) BASIS VS. CENSUS BASIS 1 (2006), available at http://www.census.gov/foreign-trade/statistics/historical/goods.pdf (U.S. export data from 2004); see also Richard J. Ansson, Jr., International Intellectual Property Rights, the United States, and the People's Republic of China, 13 TEMP. INT'L. & COMP. L.J. 1, 1-4 (1999) (discussing the position of intellectual property rights in international trade); Kenichi Ohmae, Managing in a Borderless World, HARVARD BUS. REV., May-June 1989, at 153 (noting that the boundaries between countries only exist on political maps).} The rapid growth of international trade has forced American courts to confront this second economic evolution head-on.\footnote{Swann, supra note 2, at 587 (noting that cultural and economic changes had outpaced trademark law at the turn of the twentieth century).}
The adage "it takes a life-time to build a good reputation but only a second to destroy one" applies with equal force to trademarks. Justice Holmes recognized this when he stated, "[a trademark] deals with a delicate matter that may be of great value but that easily is destroyed, and therefore should be protected with corresponding care." \(^{163}\) The delicate nature of trademarks demands a level of protection that is available wherever a trademark serves its function.

The Lanham Act attempts to protect a consumer's reliance on a trademark while simultaneously protecting a company's financial interest in the goodwill a trademark represents. \(^{164}\) These two objectives are interdependent—you cannot protect consumers without protecting business and you cannot protect business without protecting consumers. When an infringing trademark misleads a consumer, two harms actually occur: one to the consumer who purchased a product he did not want, and one to the registrant for the loss of goodwill associated with his mark. \(^{165}\) Unlike tests developed by other circuits, the *McBee* substantial effects test confronts extra-territorial infringement by protecting the core objectives that the Lanham Act is designed to promote.

The *McBee* test focuses the jurisdictional question on the effects of the misappropriation of the trademark and not on the local-
tion of the infringement.\footnote{See McBee v. Delica Co., 417 F.3d 107, 121 (1st Cir. 2005) (finding that jurisdiction rests solely on a substantial effect being felt in the United States).} McBee properly recognizes that in a global economy, "absent a certain degree of extraterritorial enforcement, [trademark] violators will either take advantage of international coordination problems or hide in countries without efficacious antitrust or trademark laws."\footnote{Id. at 119.} The McBee test appropriately shifts the focus of the analysis from the location of the infringement to whether the conduct has a substantial effect on U.S. commerce by disregarding the citizenship and conflict of laws prongs that other circuits consider.\footnote{See id. at 121.}

This analysis will demonstrate that the McBee substantial effects test is the necessary and proper method for determining extraterritorial jurisdiction of the Lanham Act in a global economy where products and information are not confined to limited territorial regions, but rather are produced, marketed, and sold in a global arena. Courts applying the McBee substantial effects test would not consider the citizenship of the infringer as a component of their analysis.\footnote{See supra Part I.C.3.} Moreover, the McBee test eliminates the comity analysis from the initial inquiry, while still permitting courts to subsequently use comity as a basis to decline jurisdiction.\footnote{Id.} By reducing the jurisdictional test to the single factor of substantial effect on commerce, McBee ensures that the Lanham Act's objectives of preventing consumer confusion and protecting the financial investment of the trademark owner are fulfilled in light of an ever-changing global economy.\footnote{The McBee test leaves unchanged the "substantial effects" prong of the Vanity Fair test. Compare Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d Cir. 1956) (finding that there must be a substantial effect on U.S. commerce), with McBee, 417 F.3d at 121 (finding that jurisdiction rests solely on a substantial effect being felt in the United States). The question of what level of activity amounts to a "substantial effect" is outside the scope of this Note. Whatever that level of activity may be, it is presumably the same under both approaches. See, e.g., Roger E. Schechter, The Case for Limited Extraterritorial Reach of the Lanham Act, 37 VA. J. Int'l L. 619, 628-31 (1997) (offering an example of what might amount to a substantial effect).}

A. Citizenship of an Infringer is Irrelevant in a Global Economy Because Products and Information Move Freely Between Nations

A major flaw with the approaches of both the Second Circuit
and the Ninth Circuit is the weight given to the citizenship of the infringer.\textsuperscript{172} Using the citizenship of the infringer as an element in the jurisdictional analysis places an artificial limitation on the assertion of jurisdiction that is based solely on geography. However, the Lanham Act contains no such geographical limitation in its jurisdictional language, nor can one be inferred from the Act’s stated purpose.\textsuperscript{173} The Act specifically provides that it is to be applied to “all commerce” that may be regulated by Congress.\textsuperscript{174} McBee properly extends the current extraterritorial reach of the Lanham Act, despite the fact that trademark protection has traditionally been limited to territorial regions.\textsuperscript{175}

While “[t]he law of trademarks rests upon territoriality,” the territoriality upon which it rests is not defined by the political boundaries upon which nations are divided.\textsuperscript{176} Trademark rights have only been limited territorially to the extent that the goodwill generated by the trademark has been limited territorially.\textsuperscript{177} For example, before the Lanham Act, a Boston producer of brand X only received trademark protection in Massachusetts because the products bearing the brand X mark were essentially confined to Massachusetts. If the producer were to sell its goods in multiple states, it would have to individually apply for trademark protection in each state because brand X would be accumulating goodwill in those states. Over time, technology enabled the maker of brand X to profitably ship its goods to states located great distances from Massachusetts.\textsuperscript{178} When multiple brands began accumulating good-
will nationally, federal trademark protection was needed. The Lan-
ham Act was the result of the need for national trademark
protection.

Similar to the expansion of goodwill on a national level, tech­
nology has permitted the inexpensive global accumulation of good­
will on a large scale. In today’s world economy, trademark
protections premised on geographical constraints are ineffective at
protecting a trademark’s goodwill because goodwill is no longer
confined by geography. Anyone with a computer and Internet
access can view the latest trends from London to New York City
with a few simple clicks of the mouse. In addition, modern ad­
vertising media has eliminated a company’s need to have a physical
presence in a country before information about the company’s
products reaches consumers located in that country. In light of
the Internet and modern media, the McBee substantial effects test
furthers the core purposes of the Lanham Act by disregarding
the citizenship of an infringer.

1. The Internet Knows No Citizenship

The Internet has had two significant impacts on trademarks. First,
information can instantaneously be spread without regard to
geographic boundaries. A website thereby allows consumers
around the world to quickly and inexpensively see a trademark.

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179. Sacoff, supra note 155, at 8.
180. Schechter, supra note 171, at 628-30 (explaining that foreign consumers will
have heard of American products long before the products are sold there); David R.
Johnson & David Post, Law and Borders—The Rise of Law in Cyberspace, 48 STAN.
L. REV. 1367, 1370-71 (1996) (finding information moves quickly and inexpensively re­
gardless of physical location).
181. Some commentators even view trademark law to be “a central, if not the
central, intellectual property issue in electronic commerce.” Burk, supra note 178, at
696.
182. 4 J. THOMAS McCARTHY, McCARTHY ON TRADEMARKS AND UNFAIR COM­
PETITION [hereinafter McCARTHY ON TRADEMARKS] § 26:18 (West 2002) (“Modern ad­
vertising media lend credence to applying the truism, ‘It’s a small world.’”); Ohmoe,
supra note 161, at 155 (stating that geographic barriers become irrelevant when infor­
mation is easily accessible); see also Swann, supra note 2, at 591 (finding that the past
thirty years have resulted in the production of more information than the previous
5,000).
183. Johnson & Post, supra note 180, at 1370-71 (finding the cost and speed of
information exchange to be independent of physical location).
way to establish a presence on the Internet is by placing a web page, which is, ulti­
For businesses, this is both beneficial and detrimental. The business receives the benefit of advertising to a large population at a low cost, but must cede control as to where and when the consumer sees the trademark. 185 Foreign infringers can take advantage of the Internet's lack of geographic borders by selling counterfeit products before authentic products actually enter the market. When low-quality counterfeits end up in consumers' hands, the trademark suffers substantial harm. Consequently, by the time authentic products enter the market, goodwill associated with the trademark may be severely tarnished.

Second, the Internet has transformed the method by which consumers purchase their goods. Electronic commerce has turned the Internet into what can best be described as a gigantic mail-order catalog, with buyers and sellers from all corners of the globe being seamlessly connected. 186 However, since consumers are unable to physically inspect a potential purchase, the trademark is the only piece of information upon which a consumer can place his or her reliance. 187 In this environment, trademarks assure product quality for consumers. 188 For the Lanham Act to protect a consumer's reliance in trademarks when purchasing goods in cyberspace, the Act must ignore the citizenship of the infringer and focus solely on the

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185. Recognized trademarks can use target marketing to focus advertising on a specific market segment. See, e.g., Ross D. Petty et al., Regulating Target Marketing and Other Race-Based Advertising Practices, 8 MICH. J. RACE & L. 335, 434 (2003) (finding that target marketing encourages campaigns that appeal to a specific group).


187. Burk, supra note 178, at 702-03 (calling trademark reputation “critical” to online commerce). There are three basic classifications of goods that consumers purchase both on- and off-line: inspection goods, experience goods, and credence goods. See William M. Landes & Richard A. Posner, The Economic Structure of Tort Law 284-85 (1987) [hereinafter Landes & Posner, Tort Law]. “Inspection” goods are items that a consumer will quickly determine the quality of through inspection; an example would be fresh fruit. Id. at 284. “Experience” goods are items where quality is determined through use rather than touch; an example would be a sealed box of cereal. Id. “Credence” goods are items that have hidden attributes of quality that may take a while to become known; an example would be an automobile. Id. at 284-85. Trademarks tend to be most important for credence goods as these goods typically have a higher degree of complexity. Burk, supra note 178, at 702-03. Experience goods are bought based on trademarks because of the efficiency of doing so. Id.

188. See Burk, supra note 178, at 703. Between 1967 and 1992, worldwide trademark registrations grew from 400,000 to 1,200,000. Leaffer, supra note 8, at 5.
effects of the infringing act. The McBee substantial effects test, therefore, properly disregards citizenship as a basis for asserting extraterritorial jurisdiction while the other tests incorrectly rely on citizenship as a factor in determining jurisdiction.

2. Modern Media

The Internet is not the only way trademarks find their way into the minds of foreign consumers. Corporate marketers pay huge fees to have products advertised during sporting events like the Olympics and the games of major American professional leagues. These events are taking on a decidedly international feel, mainly due to the influx of international superstars to the American sports of baseball, basketball, and hockey.

Consumers in foreign countries undoubtedly see their favorite players on television and in print. In addition, they see the mastery of American advertising at work. Trademarks grace everything from the shoes the athletes wear, to the beverages they drink. Because of this internationalization of media, it is nearly impossible to confine trademarks to territorial boundaries. Goodwill associated with a trademark is being built up or destroyed long before the product ever reaches the foreign market. McBee provides registrants with the ability to bring suit against foreign infringers who destroy that goodwill.


District courts have attempted to alleviate the harsh effects of

189. See S. REP. NO. 79-1333, at 3 (1946). "The law of unfair trade comes down very nearly to this—as judges have repeated again and again—that one merchant shall not divert customers from another by representing what he sells as emanating from the second." Yale Elec. Corp. v. Robertson, 26 F.2d 972, 973 (2d Cir. 1928).


192. See Swann, supra note 2, at 605-06 (citing KEVIN LANE KELLER, STRATEGIC BRAND MANAGEMENT: BUILDING, MEASURING, AND MANAGING BRAND EQUITY 32 (1998)) (stating that brand proliferation has forced advertisers to turn to nontraditional advertising like event sponsorship).

193. See Schechter, supra note 171, at 628; Leaffer, supra note 8, at 4.

194. Schechter, supra note 171, at 628-29 (stating that such harm to goodwill results in lost foreign sales and lost domestic sales).
the *Vanity Fair* citizenship prong by extending the traditional notion of citizenship.\textsuperscript{195} Courts have created the fiction of "constructive citizenship" as a means to avoid the mechanical application of the test's citizenship prong.\textsuperscript{196} In addition, courts have also used domestic subsidiaries as an illusory means to satisfy *Vanity Fair*’s citizenship requirement.\textsuperscript{197} These actions, however, amount to a legal fiction that is nothing more than a guise for the erosion of the citizenship prong. *McBee* better serves the judiciary by eliminating the need for courts to mold and shape facts in order to reach a just outcome. Under *McBee*, a court can focus on whether the effects were substantial rather than looking to who the infringer is. In other words, by removing the citizenship of the infringer from the analysis, the *McBee* test focuses on protecting the goodwill associated with a trademark wherever that goodwill might go.

B. *McBee* Conforms with the General Expansion of the Extraterritorial Application of U.S. Law in Light of a Global Economy

The *McBee* substantial effects test provides the Lanham Act with the same level of extraterritorial jurisdiction that is afforded to other unfair competition statutes.\textsuperscript{198} The current trend in the judiciary is to give so-called "market statutes" increasing extraterritorial application, while limiting the extraterritorial effect of so-called "nonmarket statutes."\textsuperscript{199} Market statutes are primarily concerned with the protection of market interests and ensuring a level playing field.\textsuperscript{200} Examples include unfair competition laws and securities law.\textsuperscript{201} Nonmarket statutes, such as environmental protection stat-

\textsuperscript{195} Indeed, citizenship takes on less importance in this era of frequent fliers where individuals are encouraged to move freely around the globe. Chuck Y. Gee, *Aviation and Tourism: The Traveling Public*, 20 Transp. L.J. 1, 2 (1991) ("The growth of travel and tourism has generally reflected economic, social, and political trends favoring travel consumption . . . .").

\textsuperscript{196} See, e.g., Calvin Klein Indus. v. BFK Hong Kong, Ltd., 714 F. Supp. 78, 80 (S.D.N.Y. 1989).


\textsuperscript{198} See Diggins, supra note 7, at 205 (recognizing that uniformity in unfair competition laws is essential to preserve commerce).

\textsuperscript{199} Turley, supra note 62, at 601.

\textsuperscript{200} See id. (noting that market statutes like antitrust and securities law consistently get extraterritorial application). Market statutes ensure a level playing field by providing fair competition between businesses and consumers. See id. and accompanying note.

\textsuperscript{201} Id.
utes and employment regulations, protect other rights and interests.\textsuperscript{202} The McBee test eliminates comity considerations from the jurisdictional analysis in a manner consistent with other market statues.

1. Nonmarket Statutes are \textit{Not} Applied Extraterritorially

Trademarks are a form of intellectual property because they are often conceived deep in the minds of their creators, in much the same manner as writings and inventions. However, trademarks differ from other forms of intellectual property because of the function trademarks serve in society.\textsuperscript{203} Writings and inventions are protected by copyrights and patents through statute,\textsuperscript{204} and benefit society by “promoting the progress of science and the useful arts.”\textsuperscript{205} Copyrights and patents—traditional non-market statues—receive protection which is limited territorially because the society those laws are designed to benefit is limited to the territorial United States.\textsuperscript{206} Trademarks, on the other hand, receive statutory protection because of the economic function they serve.\textsuperscript{207} While

\begin{itemize}
\item 202. \textit{Id.}
\item 203. \textit{Landes \& Posner, Intellectual Property Law, supra} note 52, at 166.
\item 204. The statutory protection for authors and inventors is under authority granted by the Patent and Copyright Clause. U.S. Const. art. I, § 8, cl. 8.
\item 205. Peter A. Alces \& Harold F. See, \textit{The Commercial Law of Intellectual Property} 36, 110-11 (1994) (stating patents are governed by the Patent Act of 1952 and copyrights are governed by the Copyright Act of 1976); see also U.S. Const. art. I, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).
\item 206. See Leaffer, \textit{supra} note 8, at 4 (justifying poor patent enforcement as a means of economic growth); David R. Toraya, Note, \textit{Federal Jurisdiction over Foreign Copyright Infringement Actions—An Unsolicited Reply to Professor Nimmer}, 70 Cornell L. Rev. 1165, 1171-72 n.41 (1985) (noting that patents and copyrights serve a compelling public interest by providing the marketplace with “artistic expression and technological innovation” while trademarks simply provide a product identifier). See generally Subafilms, Ltd. v. MGM-Pathe Commc’n Co., 24 F.3d 1088, 1097 (9th Cir. 1994) (noting that the United States is member to two international treaties that afford “national treatment” to American copyright holders in member countries).
\item 207. See Turley, \textit{supra} note 62, at 601 (labeling the Lanham Act a “market statute”). Trademarks also allow businesses to command premium prices for trademarked products. See James J. Wheaton, \textit{Generic Competition and Pharmaceutical Innovation: The Drug Price Competition and Patent Term Restoration Act of 1984}, 35 Cath. U. L. Rev. 433, 437-39 (1986). This phenomenon is probably most prevalent in the health care industry where brand-name drugs are heavily advertised and priced significantly higher than their generic, unadvertised counterparts. \textit{Id.} (examining the effects of generic drugs on the pharmaceutical industry); Brown, \textit{supra} note 46, at 1173 (comparing the price of advertised brands of aspirin with wholesale prices). \textit{But see Landes \& Posner, Intellectual Property Law, supra} note 52, at 173-74 (arguing that con-
copyrights and patents enhance our cultural well-being, trademarks serve to differentiate competing products and prevent confusion among consumers.\textsuperscript{208} Thus, unlike copyrights and patents, trademark protection should transcend the invisible borders of our country and protect the interests of the mark holder in relation to an economic market, not a political territory.\textsuperscript{209}

The Supreme Court has consistently been unwilling to give nonmarket statutes extraterritorial application.\textsuperscript{210} This reluctance is founded on the idea that the rights and social policies that nonmarket statutes further are limited in geographic scope to the political borders of the policy makers.\textsuperscript{211} The Court has held that statutes making general references to foreign commerce, which lack "any specific language" expressly allowing extraterritorial application, cannot be applied to foreign conduct.\textsuperscript{212} In addition, "limited, boilerplate 'commerce' language" is insufficient to evidence congressional intent for extraterritorial application.\textsuperscript{213} However noble it would be to impose U.S. employment law on third world consumers pay a premium price for the assurance that the brand name product will be properly manufactured).

\textsuperscript{208} Although trademarks' main benefit is realized though lower search costs, trademarks do have the ability to enhance our culture in a way similar to that of an author or inventor. LANDES & POSNER, INTELLECTUAL PROPERTY LAW, supra note 52, at 168-69. Trademarks, similar to writings and inventions, are often made by creating new words or symbols, or creating a unique shape that becomes associated with your product. \textit{Id.} This benefits society by enlarging the overall "stock" of words and designs. \textit{Id.} Many trademarks also provide consumers with an internal benefit though the "intrinsic pleasingness" of saying or hearing the mark. Landes, \textit{The Economics of Trademark Law}, supra note 53, at 273 (1988).

\textsuperscript{209} I CALLMAN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES (West Group) § 4.31 (May 2005) (stating the "relevant market" for unfair competition purposes is dictated by where the harm is felt); Burk, \textit{supra} note 178, at 711-12 (discussing the determination of the relevant market, which must be based on consumers, not geography).

\textsuperscript{210} \textit{See}, e.g., EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 252-53 (1991); McCulloch v. Sociedad Nacional de Marineros de Honduras, 372 U.S. 10, 19 (1963) (finding the National Labor Relations Act was not intended to apply overseas).

\textsuperscript{211} Turkley, \textit{supra} note 62, at 601.

\textsuperscript{212} \textit{McCulloch}, 372 U.S. at 19-20 (finding the National Labor Relations Act was not intended to apply overseas). The National Labor Relations Act provides, in part: The term 'commerce' means trade, traffic, commerce, transportation, or communication among the several States, or between the District of Columbia or any Territory of the United States and any State or other Territory, or between \textit{any foreign country} and any State, Territory, or the District of Columbia, or within the District of Columbia or any Territory, or between points in the same State but through any other State or any Territory or the District of Columbia or \textit{any foreign country}.


\textsuperscript{213} EEOC, 499 U.S. at 252-53 (quoting New York Cent. R.R. Co. v. Chisholm,
tries, doing so would violate all traditional notions of sovereignty. It is for policy makers in those countries to determine the social policies of those countries.

2. Market Statutes like the Lanham Act Receive Far-Reaching Extraterritorial Application

Unlike non-market statutes, market statutes are only effective if they can regulate the entire relevant market and therefore receive extraterritorial application to the extent the relevant market is affected.²¹⁴ For example, unfair-competition laws have consistently been applied to conduct occurring abroad because harms and wrongs committed in far-away places that go unchecked can have a profound impact on domestic activity.²¹⁵ Therefore, the Court reads the jurisdictional language of market statutes like the Lanham Act broadly in order to provide the protections Congress intended in light of an ever-changing economic market.²¹⁶

3. McBee Eliminates Comity Because it is No Longer Applicable to Trademark Infringement in a Global Market

In formulating the McBee test, the First Circuit drew strong analogies between the policies and objectives underlying antitrust

²⁶⁸ U.S. 29, 31 (1925). The boilerplate commerce language in dispute in Chisholm was from the Federal Employers’ Liability Act, which provides that

[e]very common carrier by railroad while engaging in commerce between any of the several States or Territories, or between any of the States and Territories, or between the District of Columbia and any of the States or Territories, or between the District of Columbia or any of the States or Territories and any foreign nation or nations, shall be liable in damages to any person suffering injury while he is employed by such carrier in such commerce.


²¹⁴ Senator Metzenbaum clearly explained the purpose behind extraterritorial application of unfair competition laws when he introduced the International Fair Competition Act of 1993. The Senator stated, “[u]nfortunately, we cannot impose our high regard for fair competition on the rest of the world. However, [w]e can help encourage fairness and strong competition in international markets by preventing foreign companies based in countries that do not foster free and open competition from exploiting American consumers and producers.” 139 Cong. Rec. 936 (1993) (statement of Sen. Metzenbaum).

²¹⁵ See United States v. Aluminum Co. of Am., 148 F.2d 416 (2d Cir. 1945) (applying the Sherman Act extraterritorially). The Second Circuit was sitting as the last court of appeals because the United States Supreme Court did not have the required quorum. Id. at 421; see also Turley, supra note 62, at 601.

²¹⁶ See Miller, supra note 162, at 409-16. “Evolutionary statutory interpretation [keeps] the [whole] statutory application system . . . vital and healthy.” Id. at 415.
laws and trademark laws.\textsuperscript{217} Antitrust and trademark laws are both based on unfair-competition principles and are, therefore, both considered market statutes.\textsuperscript{218} As market statutes, the same justifications exist for giving each extraterritorial application.\textsuperscript{219} While the Supreme Court has not examined the extraterritorial reach of the Lanham Act for nearly sixty years, it recently revisited the extraterritorial reach of the Sherman Antitrust Act in light of changing economic conditions.

In \textit{Hartford Fire Insurance Co. v. California}, the Supreme Court affirmed and modified long-standing precedent on the extraterritorial application of the Sherman Act.\textsuperscript{220} First, the Court reiterated the well-established principle that the Sherman Act applies to foreign conduct "that was meant to produce and did in fact produce some substantial effect in the United States."\textsuperscript{221} Next, the Court noted that "Congress expressed no view on the question whether a court with Sherman Act jurisdiction should ever decline to exercise such jurisdiction on grounds of international comity."\textsuperscript{222} The Court, however, remarked that, while not at issue in this case, applying comity as a part of the initial jurisdictional question rather than as a basis to decline to exercise the jurisdiction that it possessed would be against prior Sherman Act jurisprudence.\textsuperscript{223} The Supreme Court's elimination of comity from extraterritorial Sher-

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\bibitem{218} Turley, \textit{supra} note 62, at 601. As one commentator noted, "[r]ather than siblings sharing a room, the two bodies of law are more like parents running a household. As with parents looking out for the best interest of the children, the guiding principle is the best interest of consumers." Willard K. Tom, Deputy Dir., Bureau of Competition, Fed. Trade Comm'n, Licensing and Antitrust: Common Goals and Uncommon Problems, Address Before the American Conference Institute, 9th National Conference on Licensing Intellectual Property (Oct. 12, 1998) (transcript available at http://www.ftc.gov/speeches/other/aclippub.htm) (discussing the similarities between intellectual property and antitrust laws).
\bibitem{219} McBee, 417 F.3d at 119 (finding antitrust decisions to be a useful guide).
\bibitem{221} \textit{Hartford Fire Ins. Co.}, 509 U.S. at 796; \textit{see also} United States \textit{v. Aluminum Co. of Am.}, 148 F.2d 416, 444 (2d Cir. 1945) (establishing the principle that there must be "some effect" on imports or exports).
\bibitem{222} \textit{See} Hartford Fire Ins. Co., 509 U.S. at 798 (citing H.R. REP. NO. 97-686, at 13 (1982)) (stating that if a court has subject-matter jurisdiction it could then look to comity).
\bibitem{223} \textit{Id.} at 797 n.24. The Court did not directly address this question because the parties conceded jurisdiction. \textit{Id.}
man Act analysis supports McBee’s elimination of comity from extraterritorial Lanham Act analysis.

As stated in McBee, the problem with using comity as a factor in determining jurisdiction is that it causes “the scope of Congressional intent and power . . . [to] turn on the existence and meaning of foreign law.”224 However, as the Supreme Court has noted, lower courts lack the necessary information and are generally “ill equipped” for balancing sovereign interests.225 Just as lower courts are ill equipped to balance comity factors for Sherman Act purposes, they are also ill equipped to balance comity factors for Lanham Act purposes.

Indeed, even the Second Circuit has moved away from the mechanical application of its Vanity Fair comity prong in order to allow for greater extraterritorial application of the Lanham Act.226 The court found that Congress intended the Lanham Act “to be used as a shield against foreign uses that have significant trademark-impairing effects upon American commerce.”227 A comity analysis will, in most instances, deny protection to trademark holders against misappropriation of their marks in foreign countries.228

The McBee substantial effects test properly eliminates any type of comity balancing from the jurisdictional analysis. In an era when the world is moving towards “more open, procompetitive trade,”229 vehicles for fair competition like trademarks must be given far-reaching application.230 The range of protections afforded in different countries represents a wide spectrum of political and economic

224. McBee, 417 F.3d at 121.
226. Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733, 746 (2d Cir. 1994) (finding that if the Vanity Fair test was mechanically applied to the facts before the court, the Lanham Act could not be applied and American consumers would be harmed).
227. Id.
228. Id.
230. Id. (stating that developing nations must modify their intellectual property laws to keep up with the move toward procompetitive trade); see also Keith E. Maskus, Intellectual Property Rights and Economic Development, 32 CASE W. RES. J. INT’L L. 471, 478 (2000) [hereinafter Maskus, Economic Development] (finding that developing countries provide insufficient resources to enforcement).
influences.\textsuperscript{231} In addition, foreign nations may be “unwilling[ ] to pay the high costs of administering an effective [statutory] system and [unable] to manage the complex legal and technical issues such a system entails.”\textsuperscript{232}

4. \textit{McBee} Protects Foreign Interests by Only Asserting Jurisdiction When There Is a Substantial Effect on U.S. Commerce

Critics of far-reaching U.S. trademark laws argue that the United States is not “the global court of commerce” and the extra-territorial application of the Lanham Act must respect foreign interests.\textsuperscript{233} However, \textit{McBee} recognizes that Congress has little interest in protecting foreign or American consumers from trademark infringement where there are not substantial effects felt in the United States.\textsuperscript{234} It is only when a substantial effect is felt in the United States that a court may assert jurisdiction. Until foreign nations provide necessary protections through regulation and enforcement, far-reaching extraterritorial enforcement is necessary to prevent violators from “hid[ing] in countries without efficacious . . . trademark laws, thereby avoiding legal authority.”\textsuperscript{235} When a substantial effect is felt in the United States, and “there is in fact a true conflict between domestic and foreign law,” courts may use comity considerations as a means to decline to exercise jurisdiction.\textsuperscript{236}

\textbf{Conclusion}

When the Lanham Act was passed, “trade [was] no longer local, but [was] national.”\textsuperscript{237} Today, trade is no longer national, but is international. The evolution of the law must continue to reflect the

\begin{itemize}
  \item \textsuperscript{231} Maskus, \textit{Economic Development}, supra note 230, at 478.
  \item \textsuperscript{232} \textit{Id.} (finding that developing countries provide insufficient resources for enforcement and that the “[l]east-developed countries . . . have little intellectual property to protect”).
  \item \textsuperscript{233} 4 \textit{McCarthy on Trademarks}, supra note 182, at § 29:58.
  \item \textsuperscript{234} \textit{McBee v. Delica Co.}, 417 F.3d 107, 120 (1st Cir. 2005).
  \item \textsuperscript{235} \textit{Id.} at 119.
  \item \textsuperscript{237} \textit{S. Rep. No.} 79-1333, at 5 (1946).
\end{itemize}
The fundamental purposes behind protecting fair competition are thwarted if infringements that occur abroad and create a substantial effect in the United States but is not remedied. The *Vanity Fair* test was sufficient when international trade was still in its infancy and not commonplace. However, international commerce has matured into an everyday reality, causing the *Vanity Fair* test to outlive its usefulness. The *McBee* substantial effects test represents a better form of trademark protection for an international economy. With global, international trade must come the ability of U.S. courts to regulate on a global, international level. *McBee* permits such regulation, while simultaneously limiting the reach of the Lanham Act to those instances where the United States has a substantial interest.

Finally, the *McBee* substantial effects test mirrors the Supreme Court's analysis for extraterritorial application of the Sherman Antitrust Act. Just like the Sherman Act, the Lanham Act requires use of a substantial effects test to determine subject-matter jurisdiction in order to promote the goals of the Act. By eliminating the citizenship and conflict with foreign law prongs, *McBee* eliminates the need for courts to resolve matters of unfamiliar foreign law. When foreign trademark infringement causes a substantial effect in the United States, the Lanham Act's protections should be triggered and a remedy should be available, regardless of the citizenship of the infringer or comity considerations.

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