Thou Shalt Not *Steele*: Reexamining the Extraterritorial Reach of the Lanham Act

ABSTRACT

US courts have applied domestic trademark law to actions taken outside of the United States's borders for years, but the US Supreme Court recently revamped the presumption against extraterritoriality, a canon of statutory interpretation. The presumption against extraterritoriality promotes a judicial means of respecting the sovereignty of foreign states by disallowing the application of domestic law to foreign acts. However, the Supreme Court interpreted the Lanham Act, the United States's domestic trademark law, to have extraterritorial reach in Bulova Watch Co. v. Steele. *This Note traces the recent evolution and strengthening of the presumption before analyzing how circuit courts have attempted to restrict the Lanham Act's reach. It concludes by recommending that the Supreme Court overturn* Steele*, and the executive branch negotiate a trademark treaty to ensure international respect for trademarks. Doing so will protect trademarks without infringing the sovereignty of other states.*

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Mike Hallatt has been thrown out of Trader Joe's over twenty times, and he is known at every Trader Joe's in the state of Washington.[1] He had to start wearing a disguise—from Clark Kent glasses and a fake mustache to drag.[2] This notoriety is the result of his "international grocery smuggling operation," as Mr. Hallatt described it in a Craigslist advertisement.[3] This smuggling operation—Pirate Joe's[4]—revolved around Mr. Hallatt and his associates driving south across the US-Canada border into Washington, buying a van full of Trader Joe's goods, and then reselling the goods at a grocery store located north of the border.[5]

The draw to Pirate Joe's is twofold. First, the majority of these goods are high-quality, branded goods exclusively available at Trader Joe's stores.[6] Second, Trader Joe's does not operate stores in Canada. While Canadians frequently drive south to shop at Trader Joe's, Pirate Joe's provides the convenience that modern consumers expect.[7]

Because of his actions, Trader Joe's sued Mr. Hallatt in a Washington federal court—claiming violations of the Lanham Act ("the Act"), the United States's trademark legislation.[8] Trader Joe's alleged that Mr. Hallatt (1) misled consumers into falsely believing that Trader Joe's authorized Pirate Joe's to display its trademarks, (2) mimicked Trader Joe's trade dress by using a similar font and color for the "Pirate Joe's" signs, and (3) resold Trader Joe's goods without adhering to quality-control practices.[9] Trader Joe's was able to sue because, even though the violative conduct occurred outside of the United States's jurisdiction, trademark law—unlike both patent law and copyright law—extends beyond the borders of the United States.[10] However, this

1. *See Pirate Needs Pirate*, GIMLET MEDIA (Apr. 28, 2016), https://gimletmedia.com/episode/pirate-needs-pirate-season-3-episode-3/ [https://perma.cc/CBF8-ZDUJ].

2. *See id.*

3. *Id.*

4. *See id.* This is an apt name for this Note, considering that pirates can be prosecuted under "the universal law of society" by any state as *hostis humani generis*. 4 WILLIAM BLACKSTONE, COMMENTARIES *71.

5. *See Pirate Needs Pirate*, *supra* note 1. During one smuggling operation, Mr. Hallatt declared $8,000 worth of Trader Joe's goods to border agents before reselling the goods in Canada, where Trader Joe's has no retail options. *See* Trader Joe's Co. v. Hallatt (*Trader Joe's I*), 981 F. Supp. 2d 972, 975 (W.D. Wash. 2013), *aff'd in part*, *rev'd in part*, *remanded*, 835 F.3d 960 (9th Cir. 2016); *Pirate Needs Pirate*, *supra* note 1.

6. *See* Trader Joe's Co. v. Hallatt (*Trader Joe's II*), 835 F.3d at 963.

7. *See id.*

8. *See id.*

9. *See id.* at 964–65.

10. *See* Tim W. Dornis, *Behind the* Steele *Curtain: An Empirical Study of Trademark Conflicts Law, 1952–2016*, 20 VAND. J. ENT. & TECH. L. 567, 569–70 (2018).

was the first time the US Court of Appeals for the Ninth Circuit extended the Act's scope to wholly foreign sales.[11] While many domestic statutes have extraterritorial reach, when a statute's text does not clearly indicate such range, courts are usually reluctant to provide it to them. Courts refer to this canon of statutory interpretation as the presumption against extraterritoriality.[12]

This Note explores whether the Act should continue to apply extraterritorially in light of the Supreme Court's modern approach to the presumption against extraterritoriality and the desire to maintain international comity with foreign states. In doing so, this Note suggests that domestic trademark law should not continue to apply outside of the United States's territory. Part I explains the background of the presumption against extraterritorial application—specifically its roots in sovereignty and how the Supreme Court has raised the standard used to overcome the presumption. Part I also considers the historical underpinnings of the Act's extraterritorial reach. Part II examines how circuit courts apply the Act—particularly through three-part tests and the Ninth Circuit's *Timberlane*[13] test—when confronted with a trademark case that has a foreign element. Furthermore, Part II considers the international trademark treaties as a resolution to this problem. Taking this analysis into account, Part III advocates for the judiciary to reexamine the Act's current reach by limiting it to domestic application; therefore aligning it with the rest of intellectual property law and thus overturning *Steele v. Bulova Watch Co.*[14] As a second, or possibly alternative, step, Part III promotes embracing international law through the creation of a new, universal treaty regime to prevent further animosity. Finally, Part IV concludes by reaffirming the importance of addressing this matter through consent to produce greater respect among sovereign states.

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11. *See Foreign Relations Law—Lanham Act Extraterritoriality—Ninth Circuit Applies Lanham Act to Wholly Foreign Sales.*—Trader Joe's Co. v. Hallatt*, 835 F.3d 960 (9th Cir. 2016).*, 130 HARV. L. REV. 1946, 1946 (2017) [hereinafter *Foreign Relations Law*].

12. *See infra* Section I.A.

13. *See* Timberlane Lumber Co. v. Bank of Am., N.T. & S.A., 549 F.2d 597, 615 (9th Cir. 1976).

14. *See* Steele v. Bulova Watch Co., 344 U.S. 280, 289 (1952) ("Where, as here, there can be no interference with the sovereignty of another nation, the District Court in exercising its equity powers may command persons properly before it to cease or perform acts outside its territorial jurisdiction.").

I. AN UNEASY COMPROMISE

A. The Presumption Against Extraterritorial Application: A Primer

Courts around the world frequently decide questions of national jurisdiction based on the territorial principle.[15] In the United States, the presumption against extraterritoriality ("the presumption") limits domestic courts' ability to find that a federal statute applies outside the United States's territorial jurisdiction.[16] The presumption against extraterritorial application is a canon of statutory construction whereby courts assume Congress legislates within the limits of its territory.[17] Simply put, "United States law governs domestically but does not rule the world."[18] Like other such presumptions, the judiciary requires Congress to make its intentions clear for each statute if it is to have an effect beyond US borders.[19] The Supreme Court has held that several statutes have no effect outside of the territorial boundaries of the United States by applying the presumption.[20] In order to overcome the presumption, Congress must give a clear statement of its intention for a statute to have such extended reach.[21] Some statutes satisfy this requirement by expressly extending jurisdiction,[22] while others depend on courts' interpretation of Congress's intention.[23]

15. *See* JEFFREY L. DUNOFF, STEVEN R. RATNER & DAVID WIPPMAN, INTERNATIONAL LAW: NORMS, ACTORS, PROCESS: A PROBLEM-ORIENTED APPROACH 279 (4th ed. 2015).

16. *See* RESTATEMENT (FOURTH) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, TENTATIVE DRAFT NO. 3, § 203 (AM. LAW INST. 2017).

17. *See id.* § 203 cmt. (b).

18. Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 454 (2007).

19. *See* LISA SCHULTZ BRESSMAN, EDWARD L. RUBIN & KEVIN M. STACK, THE REGULATORY STATE 330 (2d ed. 2013) (comparing the presumption against extraterritorial application to other judicial canons, such as the presumption against preemption and the presumption against retroactivity).

20. *See, e.g.*, Smith v. United States, 507 U.S. 197, 197 (1993) (deciding that the Federal Tort Claims Act does not apply to Antarctica); EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 244 (1991) (deciding that Title VII of the Civil Rights Act does not bind US companies' employment practices abroad).

21. BRESSMAN, RUBIN & STACK, *supra* note 19, at 330. However, the Court has resisted the notion that the presumption is strictly a "clear statement rule." *See* Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 265 (2010) (quoting *Morrison*, 561 U.S. at 278) (Stevens, J., concurring).

22. *See, e.g.*, Act for the Protection of Foreign Officials and Official Guests of the United States, Pub. L. No. 88-493, 62 Stat. 688 (1964) (codified as amended at 18 U.S.C. § 112(e) (2018)).

23. See, for example, 18 U.S.C. § 371, which—as interpreted by *United States v. Bowman*, 260 U.S. 94, 98–99 (1922)—was intended by Congress to address crimes occurring in a foreign country. Furthermore, the *Bowman* Court held that "the foreign country in which [the accused] discharges his official duty could not object to the trial in a United States court of a United States consul for crime of this sort committed within its borders." *Bowman*, 260 U.S. at 99.

The presumption stems from the Westphalian system in international law.[24] A state's internal sovereignty is a fundamental principle in international law, both in custom and in treaty law.[25] Because of this principle of internal sovereignty, a state's jurisdiction primarily applies to the persons and activities within its territory without any interference by a foreign state.[26] The internal sovereignty of a state is limited only through its voluntary consent to an agreement or a principle of customary international law.[27] This is why the presumption is so strong; it is the United States's domestic expression of the international community's interest to prevent states from interfering with each other's internal affairs without due cause.[28]

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24. *See* LOUIS HENKIN, HOW NATIONS BEHAVE: LAW AND FOREIGN POLICY 17 (2d ed. 1979) ("The concept of territory and territorial sovereignty is not prominent in foreign policy; but every foreign policy assumes the integrity and inviolability of the national territory, and any intentional violation would probably lead to major crisis."); *cf.* WILLIAM R. SLOMANSON, FUNDAMENTAL PERSPECTIVES ON INTERNATIONAL LAW 286 (6th ed. 2011) ("One attribute of the State-centric system inherited from the seventeenth century is that all land is subject to sovereign control.").

25. *See, e.g.*, Island of Palmas (U.S. v. Neth.), 2 R.I.A.A. 829, 838 (Perm. Ct. Arb. 1928) ("[I]t may be stated that territorial sovereignty belongs always to one . . . to the exclusion of all others."); Convention on Rights and Duties of States art. 1, Dec. 26, 1933, 49 Stat. 3097, 165 L.N.T.S. 19 ("The State as a person of international law should possess the following qualifications: (a) a permanent population; (b) *a defined territory*; (c) government; and (d) capacity to enter into relations with the other States." (emphasis added)).

26. *But see* United States v. Yousef, 327 F.3d 56, 106 (2d Cir. 2003) (holding that states have universal jurisdiction for universally condemned crimes such as piracy, war crimes, and crimes against humanity); United States v. Gonzalez, 776 F.2d 931, 938 (11th Cir. 1985) ("[T]he United States could persecute foreign nationals on foreign vessels under the 'protective principle' of international law . . . which permits a nation to assert jurisdiction over a person whose conduct outside the nation's territory threatens the nation's security or could potentially interfere with the operation of its governmental functions."); United States v. Bin Laden, 92 F. Supp. 2d 189, 196 (S.D.N.Y. 2000) ("The passive personality principle provides that 'a state may apply law—particularly criminal law—to an act committed outside its territory by a person not its national where the victim of the act was its national.'") (quoting *See* RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 402 cmt. (g) (AM. LAW INST. 1987)). Despite their application, historically both the protective principle and passive personality principle have been criticized. *See* DUNOFF, RATNER & WIPPMAN, *supra* note 15, at 293–94.

27. *See* Attorney General v. Eichmann, 36 I.L.R. 5, 6–7, 16 (Dist. Jerusalem 1961) (Isr.) (holding that while Israel had infringed Argentina's right of internal sovereignty by capturing Eichmann while he was inside Argentina's territory, the two states had agreed on a settlement that extinguished the violation of international law, and the case against Eichmann could continue), *aff'd*, 36 I.L.R. 277 (1962) (Isr.); S.S. "Lotus" (Fr. v. Turk.), Judgment, 1927 P.C.I.J. (Ser. A) No. 10, at 18–19 (Sept. 7) ("Now the first and foremost restriction imposed by international law upon a State is that—failing the existence of a permissive rule to the contrary—it may not exercise its power *in any form* in the territory of another State." (emphasis added)).

28. *See* Apollon, 22 U.S. 362, 370 (1824) ("The laws of no nation can justly extend beyond its own territories, except so far as regards its own citizens. They have no force to control the sovereignty or rights of any other nation, within its own jurisdiction. . . . [T]hey must always be restricted in construction, to places and persons, upon whom the Legislature have authority and jurisdiction.").

Another factor in the equation of international relations is that of international comity.[29] Comity is a judicial expression of one state's respect for another state's internal sovereignty because it prevents courts from interfering in the other state's internal affairs.[30] Classically, the US Supreme Court has interpreted comity as follows:

> [N]either a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens.[31]

By seeking to apply comity and avoid unreasonable interference in another state's affairs, a US court can place further limitations on the applicability of federal law.[32] International comity concerns may arise when the conduct at issue does not take place in the foreign state that provides the cause of action.[33] However, a court may find that international comity and a foreign state's interests do not prevent an action when such an action would serve a legitimate interest of the United States.[34]

However, the Supreme Court recently began analyzing statutory language more strictly before overcoming the presumption.[35] In *EEOC v. Arabian American Oil Co.*, the petitioner, a naturalized US citizen, brought a discrimination charge against his employer, Aramco, which is licensed to do business in Texas.[36] While the petitioner was hired in Houston, he transferred to work in Saudi Arabia, where he claimed he was harassed and improperly discharged on the bases of his race, religion, and national origin.[37] Aramco filed a motion for summary

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29. *See* RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 403 cmt. (a) (AM. LAW INST. 1987).

30. *See* Am. Banana Co. v. United Fruit Co., 213 U.S. 347, 356 (1909); RESTATEMENT (FOURTH) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, TENTATIVE DRAFT NO. 3, § 403 cmt. (a) (AM. LAW INST. 2017).

31. *See* Hilton v. Guyot, 159 U.S. 113, 163–64 (1895).

32. RESTATEMENT (FOURTH) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, TENTATIVE DRAFT NO. 3, § 204.

33. *See* Sosa v. Alvarez-Machain, 542 U.S. 692, 761 (2004) (Breyer, J., concurring). For example, in *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 260–61 (1981), the Supreme Court recognized that the strong interests of Scotland in hearing the case outweighed the American interests.

34. *See* RESTATEMENT (FOURTH) OF FOREIGN RELATIONS LAW OF THE UNITED STATES, TENTATIVE DRAFT NO. 3, § 204 cmt. (b).

35. *See* Andrew K. Woods, *"Extraterritorial" Is Not a Bad Word, Even on the Internet*, JUST SECURITY (Feb. 20, 2018), https://www.justsecurity.org/52755/extraterritorial-bad-word-internet/ [https://perma.cc/4QNZ-PM28].

36. *See generally* EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 247 (1991).

37. *Id.*

judgment for a lack of subject matter jurisdiction since Title VII did not apply in Saudi Arabia.[38] The district court and the US Court of Appeals for the Fifth Circuit agreed, dismissing the claim.[39]

Upon a grant of writ of certiorari, the petitioner argued that Title VII's language—including the terms "employer" and "commerce"—was broad enough to include US firms employing Americans abroad.[40] The Court rejected this argument because Title VII is limited to employers that are "engaged in an industry affecting commerce," but such commerce is tied to the definition within the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA).[41] The Supreme Court had previously held in *McCulloch v. Sociedad Nacional de Marineros de Honduras* that the LMRDA had "no basis for a construction which would exert United States jurisdiction over and apply its laws to . . . vessels . . . flying the Honduran flag."[42] The outcome in *McCulloch* was swayed by both international law's customary rule of the flag and Congress's more direct statement of nonextraterritorial application towards vessels flying the Honduran flag.[43] Nevertheless, even without the external constraints of *McCulloch*, the *Aramco* Court found that "commerce" in Title VII did not amount to a clear statement by Congress that the statute was to be applied extraterritorially.[44] The Court stated that "[i]f we were to permit possible, or even plausible, interpretations of language such as that involved here to override the presumption against extraterritorial application, there would be little left of the presumption."[45]

In 2010, the Supreme Court began truly tightening the presumption with a triad of cases—*Morrison v. National Australia Bank Ltd.*, *Kiobel v. Royal Dutch Petrleum Co.*, and *RJR Nabisco, Inc.*

38. *Id.*

39. *Id.*

40. *Id.* at 247–49.

41. Labor-Management Reporting and Disclosure Act, Pub. L. No. 86-257, 73 Stat. 519 (1959) (codified as amended at 29 U.S.C. §§ 401(a) (2018)); Public Health and Welfare Act, Pub. L. No. 88-352, 78 Stat. 253 (1964) (codified as amended at 42 U.S.C. § 2000e(h) (2018)); Arabian Am. Oil Co., 499 U.S. at 249; *see also* 29 U.S.C. § 402(a) ("'Commerce' means trade, traffic, commerce, transportation, transmission, or communication among the several States or between any State *and any place outside thereof*.") (emphasis added).

42. McCulloch v. Sociedad Nacional de Marineros de Honduras, 372 U.S. 10, 20 (1963).

43. *Id.* at 20–21; *see also* Treaty of Friendship, Commerce and Consular Rights, Hond.-U.S., art. X, Dec. 7, 1927, 45 Stat. 2618; Mali v. Keeper of the Common Jail, 120 U.S. 1, 12 (1887) ("And so by comity it came to be generally understood among civilized nations that all matters of discipline, and all things done on board, which affected only the vessel . . . should be left by the local government to be dealt with by the authorities of the nation to which the vessel belonged . . . .").

44. *See* Arabian Am. Oil Co., 499 U.S. at 259. *But see infra* Section I.B.

45. *See* Arabian Am. Oil Co., 499 U.S. at 253.

v. European Community.—narrowing the definition of what constitutes a clear statement.[46] The Court began with *Morrison v. National Australia Bank Ltd.*, a case concerning the jurisdictional reach of section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act").[47] The complaint revolved around litigation brought by Australian nationals against the National Australia Bank—which was listed on the New York Stock Exchange—alleging that the Bank performed a write-down of its assets, which plaintiffs had purchased.[48] The district court granted a Federal Rule of Civil Procedure 12(b)(1) motion and dismissed the case for lack of subject matter jurisdiction. The US Court of Appeals for the Second Circuit affirmed because the acts performed in the United States were not at the heart of the alleged fraud.[49] The Supreme Court found that the Second Circuit misconstrued the presumption to be an application of two questions: (1) whether the conduct resulted in a substantial effect in the United States or on its citizens, and (2) whether the conduct occurred in the United States.[50]

Justice Scalia, writing for the majority in *Morrison*, noted that as the Second Circuit's effects and conduct tests spread throughout the circuits, courts inconsistently applied section 10(b) to transnational cases and did so less predictably.[51] The Court clarified the presumption's emphasis on the text of the statute. Indeed, the "focus" of the text must be extraterritorial.[52] A reference to "foreign commerce . . . does not defeat the presumption against extraterritoriality."[53] The Court further found that the Exchange Act's "fleeting" reference to prices used throughout the United States and foreign countries does not overcome the presumption.[54] The focus of the Exchange Act is on the purchase and sale of securities within US borders.[55] Finally, the Court considered the explicit mention of extraterritorial application in section 78dd(b) of the Exchange Act,[56] but found that imposing a condition

46. *See* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2093–94 (2016); Kiobel v. Royal Dutch Petrol. Co., 569 U.S. 108, 108 (2013); Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 265 (2010).

47. *See Morrison*, 561 U.S. at 250–51.

48. *Id.* at 250–53.

49. *Id.* at 253.

50. *Id.* at 257 (citing SEC v. Berger, 322 F.3d 187, 192–93 (2d Cir. 2003)).

51. *See id.* at 259–61.

52. *See id.* at 266.

53. *Id.* at 263.

54. *Id.* (quoting Commerce and Trade Act, Pub. L. 94-29, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. § 78b (2018))).

55. *See id.* at 266.

56. 15 U.S.C. § 78dd(b) ("The provisions of this [act] shall not apply to any person insofar as he transacts a business in securities *without the jurisdiction of the United States*, unless he

precedent to the statute's application abroad would be an "odd" indication of the extraterritorial reach.[57] The Court conceded that it was possible that Congress intended for the Exchange Act to apply extraterritorially, but the Court found that section 78dd(b) seemed to be "directed at actions abroad" intending to "conceal a domestic violation."[58] The Court reaffirmed the principle that "possible interpretations of statutory language do not override the presumption against extraterritoriality."[59]

A few years later in *Kiobel v. Royal Dutch Petroleum Co.*,[60] the Supreme Court again applied the presumption to limit the reach of a statute. This time, the Court limited the Alien Torts Statute (ATS) that was used in international human rights cases like *Filartiga v. Pena-Irala*, which spearheaded the ATS's modern renaissance in 1980.[61] The ATS grants district courts "original jurisdiction of *any* civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States."[62] For three decades, there was a wave of litigation against foreign government officials and corporations for human rights violations like torture, assassination, arbitrary detention, extrajudicial killings, and apartheid.[63] Before this line of cases, the ATS was basically a dead letter—since its passage in 1789 it was only used twice in the eighteenth century, and then twice in the nineteenth.[64]

In *Kiobel*, plaintiffs from Nigeria's Niger Delta sued Royal Dutch Petroleum, which had been extracting oil in the area.[65] On behalf of the defendants, the Nigerian government had been violently suppressing the plaintiffs' environmental demonstrations.[66] The defendants

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[does so] in contravention of such rules and regulations [of the SEC] to prevent the evasion of this chapter." (emphasis added)).

57. *Morrison*, 561 U.S. at 263–64.

58. *Id.* at 264.

59. *Id.*

60. *See* Kiobel v. Royal Dutch Petrol. Co., 569 U.S. 108, 117 (2013).

61. *See id.*; Filartiga v. Pena-Irala, 630 F.2d 876, 879, 890 (2d Cir. 1980) (awarding a non-US national civil damages for the actions of another alien in a foreign state, stating that "the torturer has become like the pirate and slave trader before him *hostis humani generis*, an enemy of all mankind"); John B. Bellinger III, *Shortening the Long Arm of the Law*, N.Y. TIMES (Oct. 8, 2010), http://www.nytimes.com/2010/10/09/opinion/09iht-edbellinger.html?ref=supreme_court [https://perma.cc/ZZR3-ZDT9].

62. Judiciary and Judicial Procedure Act, Pub. L. No. 102-256, 62 Stat. 934 (1948) (codified as amended at 28 U.S.C. § 1350 (2018)) (emphasis added).

63. *See* Bellinger, *supra* note 61.

64. *See* O'Reilly de Camara v. Brooke, 209 U.S. 45, 48 (1908); Khedivial Line, S.A.E. v. Seafarers' Int'l Union, 278 F.2d 49, 52–53 (2d Cir. 1960); Bolchos v. Darrel, 3 F. Cas. 810, 810 (D.S.C. 1795); Moxon v. Fanny, 17 F. Cas. 942, 948–49 (D. Pa. 1793).

65. *Kiobel*, 569 U.S. at 111–13.

66. *Id.*

allegedly aided and abetted these atrocities by "providing the Nigerian forces with food, transportation, . . . compensation, [and] allowing the Nigerian military to use [defendants'] property as a staging ground for attacks."[67] Since they did not give rise to violations of international law, the district court dismissed over half of the claims before allowing an interlocutory appeal.[68] The Second Circuit dismissed the whole case because international law does not recognize corporate liability.[69] The Supreme Court granted certiorari to determine the corporate liability question, but decided instead to rule on the extraterritorial reach of the ATS.[70]

The *Kiobel* Court began by affirming that the ATS is a jurisdictional statute and does not create its own cause of action; instead, it depends on the norms of international law to provide causes of action. Even so, the ATS must be constrained by the presumption.[71] The Court's reasoning was animated by a worry of judicial overreach: "[I]n light of foreign policy concerns[,] . . . [t]hese concerns . . . are all the more pressing when the question is whether a cause of action under the ATS reaches conduct within the territory of another sovereign."[72] The Court then went further by stating that "nothing in the text of the statute suggests that Congress intended causes of action recognized under it to have extraterritorial reach."[73] The reasoning was that while the statute covers actions violating international law by non-US nationals, it does not necessarily follow that such violations occurring outside the United States would fall under the ATS's jurisdiction.[74] Even the phrase "any civil action" does not suggest extraterritorial violations, since under other precedent, "generic terms like 'any' or

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67. *Id.*

68. *Id.* at 114.

69. *Id. But see, e.g.*, Prosecutor v. Nahimana, Case No. ICTR-99-52-T, Judgment and Sentence, ¶ 950 (Dec. 3, 2003) (finding the members of the steering committee for a radio station guilty of genocide for running a media campaign that incited the murder of the Tutsi population in Rwanda); David Scheffer, *Corporate Liability Under the Rome Statute*, HARV. INT'L L.J. (July 7, 2016), http://www.harvardilj.org/2016/07/corporate-liability-under-the-rome-statute/ [https://perma.cc/F28P-J7WL].

70. *Kiobel*, 569 U.S. at 114. The Supreme Court has since ruled that the ATS does not impose corporate liability on foreign corporations for violations of international law. *See* Jesner v. Arab Bank, PLC., 138 S. Ct. 1386, 1408 (2018). For a discussion on the intersection of international intellectual property law and corporate social responsibility, see J. Janewa OseiTutu, *Socially Responsible Corporate IP*, 21 VAND. J. ENT. & TECH. L. 483, 483 (2019).

71. *See Kiobel*, 569 U.S. at 116.

72. *Id.* at 117.

73. *Id.* at 118.

74. *Id.*

'every' do not rebut the presumption."[75] Furthermore, the broad term "torts" does not necessarily imply that the First Congress meant for the statute to reach outside the United States and into a foreign state.[76]

Finally, the *Kiobel* Court turned to the context in which the ATS was adopted—France, a rare ally in the eighteenth century, was incensed at a delict[77] dealt to France's Consul General to the United States.[78] The ATS was intended to redress the inability to provide relief to such foreign officials who were injured in the United States, and to prevent political conflict.[79] The Court recognized that in its current state, the ATS was causing more diplomatic strife than it was preventing.[80] Thus, even the context of the ATS's passage does not rebut the presumption.

Lastly, in 2016 the Supreme Court concluded its reexamination of the presumption with *RJR Nabisco, Inc. v. European Community*, a case involving allegations of global money laundering in association with organized crime. The European Community and twenty-six of its constituent states brought a lawsuit under the Racketeer Influenced and Corrupt Organizations Act[81] (RICO) against RJR Nabisco and other related entities.[82] Among other schemes, RJR Nabisco and its associates were accused of engaging in money laundering, providing material support to foreign terrorist organizations, taking part in mail fraud, partaking in wire fraud, violating the Travel Act, and smuggling narcotics into Europe.[83] Altogether, the alleged acts violated all four of RICO's specific prohibitions: (1) investing income derived from racketeering in an enterprise,[84] (2) acquiring or maintaining an interest in an enterprise through racketeering,[85] (3) conducting the enterprise's

75. *Id.*; *see, e.g.*, Small v. United State, 544 U.S. 385, 388 (2005) ("[E]ven though the word 'any' demands a broad interpretation . . . we must look beyond the word itself.") (citation omitted).

76. *See Kiobel*, 569 U.S. at 119.

77. Another Frenchman verbally assaulted the Consul General in his house in Pennsylvania, exclaiming, "*Je vous deshonnerera, Policon [sic], Coquin*," ("I will dishonor you, laughable rogue") and then later calling him a "Blackguard." Respublica v. De Longchamps, 1 U.S. 111, 111 (1784).

78. *Kiobel*, 569 U.S. at 120–21.

79. *Id.* at 124.

80. *Id.* (citing Doe v. Exxon Mobile Corp., 654 F.3d 11, 77–78 (D.C. Cir. 2011) (providing a list of states that have objected to ATS litigation on sovereignty and foreign relations grounds), *vacated*, 527 F. App'x 7 (D.C. Cir. 2013).

81. *See* 18 U.S.C. §§ 1961–68 (2018).

82. *See* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2098 (2016). In total, the litigation lasted over sixteen years with multiple separate actions, multiple complaints, and several cycles through the federal court system. *See id.*

83. *Id.*

84. 18 U.S.C. § 1962(a).

85. § 1962(b).

affairs through racketeering,[86] and (4) conspiring to violate any of the other prohibitions.[87] The district court dismissed the RICO claims as extraterritorial. The Second Circuit, however, reinstated them, stating that Congress indicated a manifest intent to have RICO apply extraterritorially.[88]

The Supreme Court, turning to answer the question of whether RICO has extraterritorial reach, divided the question into two parts. First, do the substantive prohibitions apply to extraterritorial conduct? Second, does RICO's cause of action also apply to extraterritorial injuries?[89] Before answering either question, the Court once again reformulated the presumption to ask "whether Congress has *affirmatively and unmistakably* instructed that the statute will [apply to foreign conduct]."[90] The Court, analyzing *Morrison* and *Kiobel*, observed a two-step framework.[91] The first step asks whether the presumption has been rebutted.[92] If not, then the second step asks whether the conduct relevant to the statute's focus occurred domestically.[93] If it was domestic, then the extraterritorial application is permissible.[94] If the statute rebuts the presumption in step one, then the scope of the statute is only limited by Congress and not by the statute's focus.[95]

Returning to the first question regarding RICO's substantive prohibitions, the Court decided that the definition of racketeering activity does include multiple provisions that expressly include extraterritorial application.[96] In support of its conclusion, the Court cited phrases within the RICO statute such as: offenses that "tak[e] place outside the United States,"[97] "[t]here is extraterritorial jurisdiction over the conduct prohibited in this section,"[98] conduct that "occurred outside the United States,"[99] and "while such national is

86. § 1962(c).
87. § 1962(d).
88. *RJR Nabisco*, 136 S. Ct. at 2099 (quoting European Cmty. v. RJR Nabisco, Inc., 764 F.3d 129, 133 (2d Cir. 2014)).
89. *Id.*
90. *Id.* at 2100 (emphasis added).
91. *Id.* at 2101.
92. *See id.*
93. *See id.*
94. *See id.*
95. *See id.*
96. *Id.*
97. *Id.* at 2101 (quoting 18 U.S.C. § 1957(d)(2) (2018)).
98. *Id.* (quoting 18 U.S.C. § 351(i)).
99. *Id.* (quoting 18 U.S.C. § 1203(b)).

outside the United States."[100] These provisions all express the manifest intent necessary. While RICO as a whole does not contain such an express statement, the context of including these predicate provisions shows that Congress intended RICO to have extraterritorial reach in some circumstances of foreign racketeering activity.[101] Because it answered the first question in the affirmative, the Court did not need to proceed to the focus step.[102]

The two-step test from *RJR Nabisco*, which combines *Morrison* and *Kiobel*, remains the current standard for the presumption.[103] While some have argued that the updated presumption does not actually clarify the test, *RJR Nabisco* set the standard and solidified that the presumption applies to all statutes.[104]

B. The Lanham Act and Steele*'s Grant of Extraterritorial Application*

The Lanham Act[105] is the federal trademark and unfair competition statute. The Act sought to update the Federal Trademark Act of 1905, which had "not kept pace with the commercial development."[106] It creates a federal cause of action against persons who "use in commerce any . . . colorable imitation of a registered mark in connection with the sale . . . of any goods" without consent.[107] For the purposes of the Act, "commerce" encompasses "all commerce which may

100. *Id.* at 2102 (quoting 18 U.S.C. § 2332(a)).

101. *Id.* at 2102 ("Although a number of RICO predicates have extraterritorial effect, many do not. The inclusion of *some* extraterritorial predicates does not mean that *all* RICO predicates extend to foreign conduct. . . . Context is dispositive here. Congress has not expressly said that § 1962(c) applies to patterns of racketeering activity in foreign countries, but it has defined 'racketeering activity'—and by extension a 'pattern of racketeering activity'—to encompass violations of predicate statutes that *do* expressly apply extraterritorially.").

102. *See id.* at 2103–04.

103. *See* Lea Haber Kuck & Timothy G. Nelson, *US Supreme Court Continues to Limit Extraterritorial Application of US Laws*, SKADDEN (June 21, 2016), https://www.skadden.com/insights/publications/2016/06/us-supreme-court-continues-to-limit-extraterritori [https://perma.cc/A3NA-FGU6]. However, as recent oral arguments suggest, the Justices might be considering reformulating the presumption yet again. *See* Transcript of Oral Argument at 42, United States v. Microsoft Corp., 138 S. Ct. 1186 (2018) (No. 17-2); Andrew Keane Woods, *Recap: Oral Arguments in Microsoft-Ireland*, LAWFARE (Feb. 27, 2018, 2:35 PM), https://www.lawfareblog.com/recap-oral-arguments-microsoft-ireland [https://perma.cc/M8GV-T9V4]. This case was made moot by the passage of a new § 2703. *See Microsoft Corp.*, 138 S. Ct. at 1188.

104. *See* Pamela Bookman, *Microsoft Ireland: Extraterritoriality Step Zero*, JUST SEC. (Feb. 16, 2018), https://www.justsecurity.org/52478/extraterritoriality-step/ [https://perma.cc/WK7R-UJW8].

105. 15 U.S.C. §§ 1051 (2018).

106. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:4 (5th ed. 2017) (citing S. Res. 1333, 79th Cong. (1946)).

107. 15 U.S.C. § 1114(1)(a).

lawfully be regulated by Congress."[108] The enactment included a congressional statement of intent that expressed a similar purpose of regulating "commerce within the control of Congress." [109] By including the statement addressing commerce, Congress set the stage for a question regarding the Act's extraterritorial reach, which the Supreme Court answered in *Steele v. Bulova Watch Co*.[110]

In *Steele*, the Court was presented with a trademark infringement claim under the Act.[111] The defendant, Sidney Steele, was a US citizen who lived in Texas and ran a foreign watch business in Mexico.[112] Without Bulova's authorization, Steele's watch business assembled and sold counterfeit watches stamped with the US registered trademark "Bulova Watch Co.".[113] Bulova has been using the mark to identify its watches since 1875, and the mark was registered in the United States in 1927.[114] However, the Bulova mark was not registered in Mexico, even though—as the world's largest watch manufacturer at the time—it distributed much of its advertising in Mexico.[115] Steele registered the Bulova mark in Mexico in 1933 and began selling the watches with the mark there.[116] As retail jewelers in Texas began to receive complaints about these defective watches, Bulova brought suit against Steele in both Mexico and the US District Court for the Western District of Texas for the right to use the mark, despite a prior unsuccessful lawsuit between Bulova and Mexico's Department of National Economy concerning the same mark.[117] While the district court dismissed for a lack of subject matter jurisdiction, the Fifth Circuit reversed in 1952.[118]

The Supreme Court was spared from dealing with a question of international comity because Mexico's Supreme Court nullified Steele's trademark registration, eliminating the impending conflict between

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108. 15 U.S.C. § 1127.

109. *Id.* ("The intent of this chapter is to regulate *commerce within the control of Congress* by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition." (emphasis added)).

110. *See* Steele v. Bulova Watch Co., 344 U.S. 280, 286 (1952).

111. *Id.* at 282.

112. *Id.* at 281.

113. *Id.*

114. *See* Bulova Watch Co. v. Steele, 194 F.2d 567, 568 (5th Cir. 1952), *aff'd*, 344 U.S. 280 (1952).

115. *Id.*

116. *Id.*

117. *Id.* at 568, 571.

118. *See Steele*, 344 U.S. at 282.

sovereigns.[119] Without any issue of international comity, the Court was free to consider the full breadth of Congress's grant in the Act.[120] The Court considered the presumption, finding that Congress's intent regarding commerce created a broad jurisdictional reach.[121] Because the Act defined commerce as "all commerce which may lawfully be regulated by Congress," and because the United States has the ability to regulate trade practices by US nationals abroad, the Court reasoned that Congress must have intended for the Act to have extraterritorial reach.[122]

The Court further found that the effects of Steele's actions were not confined to a foreign state since consumers purchased the watches in Mexico and brought them back into the United States, adversely affecting the petitioner's trade reputation of high-quality watches.[123] By extending the Act's reach beyond its domestic borders, the Court weakened the presumption.[124] But by expressly considering that the counterfeit watches "filtered" into domestic trade, the Court made domestic effects on commerce an element of trademark regulation.[125]

The extraterritorial enforcement of US trademark law is significantly broader than that of patent and copyright laws.[126] The Supreme Court even explicitly narrowed what foreign acts create infringement liability for patents—further limiting an already limited territorial approach to patents.[127] The Court did this in two recent cases

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119. *See id.* at 289 (finding that the district court could award injunctive relief for acts outside its territory where there is no "interference with the sovereignty of another nation").

120. *See id.* at 285–86.

121. *Id.*

122. 15 U.S.C. § 1127 (2018); *see Steele*, 344 U.S. at 285–86.

123. *Steele*, 344 U.S. at 286 ("He bought component parts of his wares in the United States, and spurious 'Bulovas' filtered through the Mexican border into this country; his competing goods could well reflect adversely on Bulova Watch Company's trade reputation in markets cultivated by advertising here as well as abroad."). This has been interpreted as creating two grounds for extraterritoriality: (1) the "essential steps" "consummated abroad" adding up to be unlawful, and (2) the filtering of infringing goods back into the United States adversely affecting the trademark owner. Dornis, *supra* note 10, at 575.

124. *See* Dornis, *supra* note 10, at 573.

125. *Id.* at 575.

126. *See* MCCARTHY, *supra* note 106, § 29:57.

127. *See* David Hricik, *Will Patenting Make as Much Sense in the New Regime of Weakened Patent Rights and Shorter Product Life Cycles?*, 20 VAND. J. ENT. & TECH. L. 457, 476 (2017). *But see* WesternGeco LLC v. ION Geophysical Corp., 138 S. Ct. 2129, 2139 (2018) (finding that domestic infringement can be the basis for extraterritorial damages under the patent law); Andrew Chung, *Schlumberger Oil Services Wins in U.S. Supreme Court on Patent Damages*, REUTERS (June 22, 2018, 9:21 AM), https://www.reuters.com/article/us-usa-court-schlumberger/u-s-supreme-court-backs-schlumberger-on-overseas-patent-damages-idUSKBN1JI1W8 [https://perma.cc/5S24-V4DY]. Despite this outcome, Justices Gorsuch and Breyer were concerned about the effects of such a ruling. *See WesternGeco*, 138 S. Ct. at 2139 (Gorsuch, J., dissenting) ("Permitting damages of this sort would effectively allow U.S. patent owners to use American

by narrowing the scope of patent infringement and making it more difficult for a patent holder to establish infringement.[128] Nevertheless, the Supreme Court has affirmed trademark law's extraterritoriality by tying the Act's application to Congress's constitutional power "[t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes."[129] Still, lower courts have developed their own tests in order to determine just how far beyond national borders the Act extends and how tenuous the link to the United States can be.[130]

II. PROBLEMS WITH THE CURRENT STATE OF AFFAIRS

RJR Nabisco provides the current interpretation of the presumption and shows that the presumption is relevant to all statutes.[131] Step one examines the text of the statute.[132] The Act's text creates a cause of action against persons who "use in commerce any . . . colorable imitation of a registered mark in connection with the sale . . . of any goods" without the owner's consent.[133] The Act defines "commerce" to include "all commerce which may lawfully be regulated by Congress."[134] As applied in *Kiobel*, a plaintiff cannot overcome the presumption by identifying generic terms in a statute like "all" or "any."[135] While the term "commerce" could be interpreted as being more specific than *Kiobel*'s "torts," it does not necessarily imply that the First

courts to extend their monopolies to foreign markets. That, in turn, would invite other countries to use their own patent laws and courts to assert control over our economy.").

128. *See* Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734, 743 (2017) (holding that "substantial portion" in 35 U.S.C. § 271(f)(1) requires a quantitative assessment rather than a qualitative assessment and that a supplier of one component in a multicomponent invention could never be liable for infringement under this provision); Microsoft Corp. v. AT&T Corp., 550 U.S. 437, 442 (2007) (holding that because Microsoft only exported a master disk of software, and not the actual copies installed by the manufacturers, Microsoft did not supply a "component"—which is necessary for 35 U.S.C. § 271(f)(1) liability).

129. U.S. CONST. art. I, § 8, cl. 3; EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 252 (1991) (finding unpersuasive the EEOC's analogy between the Act and Title VII because "Title VII's definition of 'commerce' was derived expressly from the [Labor-Management Reporting and Disclosure Act of 1959], a statute that [the Supreme Court] has held . . . did not apply abroad.").

130. *See, e.g.*, McBee v. Delica Co., 417 F.3d 107, 121 (1st Cir. 2005); Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n, 701 F.2d 408, 414 (5th Cir. 1983); Wells Fargo & Co. v. Wells Fargo Express Co. (*Wells Fargo II*), 556 F.2d 406, 428 (9th Cir. 1977); Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 639 (2d Cir. 1956).

131. *See supra* Section I.A.

132. *See* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2099 (2016).

133. 15 U.S.C. § 1114(1)(a) (2018).

134. § 1127.

135. *See* §§ 1114(1)(a), 1127; Kiobel v. Royal Dutch Petrol. Co., 569 U.S. 108, 118 (2013).

Congress meant for the statute to reach into foreign states,[136] since "boilerplate language" like "commerce" is not enough.[137]

Furthermore, as the Court held in *Aramco* and *Morrison*, even statutes that define "commerce" broadly do not necessarily have extraterritorial reach as discussed above.[138] Overall, this language is a far cry from the unquestionably clear language cited in *RJR Nabisco*, which gave provisions in RICO their extraterritorial reach.[139] Since the presumption questions "whether Congress has *affirmatively and unmistakably* instructed that the statute will [apply to foreign conduct]," the Act would likely fail the presumption's first step without *Steele* as precedent.[140]

A. Circuit Solutions

In order to limit extraterritorial application of US trademark law, most circuits, starting with the Second in *Vanity Fair Mills, Inc. v. T. Eaton Co.*, have interpreted *Steele* as establishing a three-factor test that analyzes: (1) the defendant's nationality, (2) the conduct's effects on domestic commerce, and (3) conflicts or potential conflicts with foreign law.[141] Other circuits have introduced some variations to *Vanity Fair*'s three-factor test.[142] Most of the variations are based on the correct weights to give each factor and the method of application.[143] The various three-part tests include the Second Circuit's *Vanity Fair* test, the Fifth Circuit's *American Rice* test, and the First Circuit's *McBee*

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136. *See* §§ 1114(1)(a), 1127; *Kiobel*, 569 U.S. at 119.

137. *See* EEOC v. Arabian Am. Oil Co., 499 U.S. 244, 250–51 (1991).

138. *See* Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247, 262–63 (2010); Arabian Am. Oil Co., 499 U.S. at 250–51; McCulloch v. Sociedad Nacional de Marineros de Honduras, 372 U.S. 10, 19 (1963); *supra* Section I.A.

139. *See* RJR Nabisco, Inc. v. European Cmty., 136 S. Ct. 2090, 2101–02 (2016).

140. *See id.* at 2100 (emphasis added).

141. *See, e.g.*, Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 642 (2d Cir. 1956) ("(1) the defendant's conduct had a *substantial* effect on United States commerce; (2) the defendant was a United States citizen and the United States has a broad power to regulate the conduct of its citizens in foreign countries; and (3) there was no conflict with trade-mark rights established under the foreign law." (emphasis added)).

142. *See* MCCARTHY, *supra* note 106, § 29:58.

143. *See* McBee v. Delica Co., 417 F.3d 107, 121 (1st Cir. 2005) ("We differ from the Vanity Fair court in that we disaggregate the elements of its test: we first ask whether the defendant is an American citizen, and if he is not, then we use the substantial effects test as the sole touchstone to determine jurisdiction. If the substantial effects test is met, then the court should proceed . . . to consider comity."); *Wells Fargo II*, 556 F.2d 406, 428 (9th Cir. 1977) ("[T]he absence of one of the factors is not necessarily determinative of the issue. Rather, each factor is just one consideration to be balanced."); *Vanity Fair Mills*, 234 F.2d at 643 ("[T]he absence of one of the above factors might well be determinative and that the absence of both is certainly fatal.").

test.[144] The Ninth Circuit's *Timberlane* test is also notable because it includes a "rule of reason" imported from its antitrust extraterritoriality jurisprudence.[145]

1. Three-Part Balancing Tests

The Second Circuit was the first US court of appeals to apply *Steele*. In *Vanity Fair*, the plaintiff was a corporation that sold underwear with the US trademark "Vanity Fair" since 1914.[146] The defendant was a Canadian corporation that held a Canadian trademark "Vanity Fair" for use on various outer garments.[147] The defendant began selling goods in Canada under its trademark in 1915.[148] The plaintiff extended its sales base by moving into the Canadian market in 1919.[149] However, the Canadian trademark office denied the plaintiff's application to protect its Vanity Fair mark in Canada due to the defendant's existing registration.[150] In 1933, the defendant informally amended its mark to include underwear and then, from 1945–1953, the defendant sold the plaintiff's merchandise.[151] In 1953, the defendant resumed using its own trademark to sell both the plaintiff's American underwear and its cheaper Canadian underwear.[152] Finally, the plaintiff, seeking injunctive relief, brought a lawsuit against the Canadian company, alleging unfair competition and infringement of the US trademark.[153]

The court found that the Act did not have extraterritorial effect for "acts committed by a foreign national in his home country under a presumably valid trademark registration in that country."[154] The Second Circuit determined that the *Steele* Court stressed three factors: (1) whether the defendant was a US citizen, (2) whether the defendant's actions had a "substantial effect" on US commerce, and (3) whether there was a conflict with foreign trademark law.[155]

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144. *See* TIM W. DORNIS, TRADEMARK AND UNFAIR COMPETITION CONFLICTS: HISTORICAL-COMPARATIVE, DOCTRINAL, AND ECONOMIC PERSPECTIVES 161 (2017); *see also infra* Section II.A.1.

145. DORNIS, *supra* note 144, at 161; *see also infra* Section II.A.2.

146. *Vanity Fair Mills*, 234 F.2d at 637.

147. *Id.*

148. *Id.*

149. *Id.* at 638.

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.* at 636.

154. *Id.* at 642.

155. *Id.*

Applying its three-part test, the court found that since two factors were absent—namely, the defendant's Canadian corporation and possession of a valid Canadian trademark—the Act could not reach the defendant.[156] While one missing factor would not necessarily prevent the Act's application, the absence of two factors was dispositive.[157] Because of this, the Second Circuit did not fully explain what would constitute a substantial effect on US commerce. However, this is an overall stricter test than *Steele* requires since it requires a substantial effect and the defendant must be a US citizen.[158] Despite this, recent decisions applying the *Vanity Fair* test have watered the factors down, giving the Act a broader scope once more.[159]

The Fifth Circuit relaxed the factors when it weighed in with its similar three-part test in *American Rice v. Arkansas Rice Growers Cooperative Association*.[160] In this 1983 case, both parties were US farmers' marketing cooperatives that sold rice in both the United States and Saudi Arabia.[161] While neither party held a Saudi Arabian trademark, the plaintiff had a valid US trademark for "Abu Bint"—"of the girl" or "girl brand."[162] The plaintiff alleged that the defendant's labeling for its "Bint al-Arab" (daughter of the Arabs) and "Gulf Girl" rice brands were too similar to the plaintiff's label and was therefore confusing to Saudi Arabian consumers.[163]

The Fifth Circuit applied the *Vanity Fair* factors as a nonexclusive balancing test.[164] The citizenship factor was easily satisfied since both parties were US corporations.[165] The court lessened

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156. *Id.* at 642–43.

157. *Id.* at 643.

158. *See* Anna R. Popov, Note, *Watering Down* Steele v. Bulova Watch Co. *to Reach E-Commerce Overseas: Analyzing the Lanham Act's Extraterritorial Reach Under International Law*, 77 S. CAL. L. REV. 705, 711 (2004).

159. *See id.* at 711–15 (discussing C-Cure Chemical Co. v. Secure Adhesives Corp., 571 F. Supp. 808 (W.D.N.Y. 1983), Calvin Klein Indus. v. BFK H.K., Ltd., 714 F. Supp. 78 (S.D.N.Y. 1989), Warnaco Inc. v. VF Corp., 844 F. Supp. 940 (S.D.N.Y. 1994), Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino, 945 F. Supp. 563 (S.D.N.Y. 1996), and Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733 (2d Cir. 1994)). In *Sterling Drug, Inc. v. Bayer AG*, the Second Circuit advocated that the *Vanity Fair* test could be too strict, saying that applying the test "mechanically" would "fail to preserve the Lanham Act's goals of protecting American consumers against confusion." *Sterling Drug*, 14 F.3d at 746.

160. *See* Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n, 701 F.2d 408, 414 (5th Cir. 1983).

161. *Id.* at 410.

162. *See id.* at 410–11. While the plaintiff and the court accept this translation, the defendant contended the proper translation should be "father of a girl" or "father of a daughter." *Id.* at 411 n.2.

163. *Id.* at 412.

164. *Id.* at 414.

165. *Id.* at 416.

the effects requirement from "substantial" to "some" effect on US commerce.[166] Even though the sales using the infringing trademark only happened in Saudi Arabia and none of the defendant's goods entered the United States, the court found enough effect on US commerce to meet the some-effect factor.[167] Finally, the third factor, conflict with foreign law, weighed in favor of overcoming the presumption and allowing suit since the defendant had not established the right to use its mark in Saudi Arabia.[168] By effectively reducing the requirements of the three-part test, the Fifth Circuit's interpretation allows the Act to reach further beyond US borders than the Second Circuit's interpretation.[169]

In 2005, the US Court of Appeals for the First Circuit developed its own test in *McBee v. Delica Co.*[170] Grammy Award-winning jazz musician Cecil McBee sued a clothing retailer in Japan that was using the Japanese trademark "Cecil McBee" for its women's line.[171] While McBee had toured in Japan several times, he had never licensed the use of his name except in direct connection with his musical performances.[172] While the defendant did not directly market the Cecil McBee clothing line outside of Japan, it did host and operate a website using the trademark for the line.[173] McBee was unsuccessful in his attempt to have the defendant's trademark invalidated by the Japanese Patent Office.[174] Japanese law protects a person's full name, but "Cecil McBee" was not his full name—it omitted his middle name, Leroy.[175] Following this suit, the defendant instituted a company policy not to sell or ship any "Cecil McBee" goods to the United States in order to prevent McBee from suing in the United States.[176]

McBee began trying to get the defendant to ship goods to the United States, hiring investigators that would convince the owners of

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166. *Id.* at 414 n.8.

167. *Id.* at 414–15 ("Each of Riceland's activities, from the processing and packaging of the rice to the transportation and distribution of it, are activities within commerce. And by unlawfully selling its products under infringing marks in Saudi Arabia, Riceland diverted sales from ARI, whose rice products are also processed, packaged, transported, and distributed in commerce regulated by Congress.").

168. *Id.* at 415.

169. *See* Robert Butts, Note, *Trademark Law: Interpreting the Congressional Intent of the Extraterritorial Application of the Lanham Trademark Act*, 8 FLA. J. INT'L L. 447, 462 (1993).

170. *See* McBee v. Delica Co., 417 F.3d 107, 111 (1st Cir. 2005).

171. *Id.* at 112.

172. *Id.* ("[H]e has sought to 'have [his] name associated only with musical excellence.'").

173. *Id.*

174. *Id.* at 113.

175. *Id.* at 113 n.1.

176. *Id.* at 113.

the retail shops to overlook the company's policy.[177] Despite these attempts to manufacture domestic effects, there was "virtually no evidence of 'Cecil McBee' brand goods entering the United States."[178] Nevertheless, McBee sued, and the district court, applying the *Vanity Fair* test, dismissed the trademark claims.[179] On appeal, the First Circuit disaggregated the three factors into individual steps.[180] Step one asks about the defendant's citizenship.[181] When the defendant is not a US citizen, the First Circuit then turns to the antitrust framework in step two and requires a substantial effect on US commerce because Congress is relying solely on the foreign commerce power.[182] These two steps determine subject matter jurisdiction, and only after they are decided does the First Circuit's test turn to comity—asking whether the court should exercise that jurisdiction.[183] The court ultimately found that because US consumers were not exposed to the goods, there was no substantial effect; furthermore, there was no US interest in protecting Japanese consumers from confusion.[184]

As can be seen in the discussion above, the reach of trademark law can vary wildly depending on the litigant's choice of circuit even among the circuits that apply the three factors from *Vanity Fair*. In the Second Circuit, courts follow the *Vanity Fair* three-part test, generally applying the elements strictly, but less so more recently. The Fifth Circuit uses the same elements, but as nonexclusive factors to be balanced. And the First Circuit uses them as distinct steps, and even reaches into its antitrust precedent to analyze the effects on domestic commerce.

2. The Ninth Circuit's *Timberlane* Test

For its test, the Ninth Circuit—like the First Circuit—looked to its antitrust precedent, *Timberlane Lumber Co. v. Bank of America*.[185] But rather than determining the degree of an action's effects, *Timberlane* provided an additional seven factors to balance when considering international comity:

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177. *Id.*
178. *Id.* at 113–14.
179. *Id.* at 116.
180. *Id.* at 121.
181. *See id.*
182. *Id.* at 119–20 ("[T]hese impacts must be of a sufficient character and magnitude to give the United States a reasonably strong interest in the litigation.").
183. *Id.* at 121.
184. *Id.* at 125–26.
185. *See* Timberlane Lumber Co. v. Bank of Am., 549 F.2d 597, 614–15 (9th Cir. 1976).

> [1] the degree of conflict with foreign law or policy, [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations, [3] the extent to which enforcement by either state can be expected to achieve compliance, [4] the relative significance of effects on the United States as compared with those elsewhere, [5] the extent to which there is explicit purpose to harm or affect American commerce, [6] the foreseeability of such effect, and [7] the relative importance to the violations charged of conduct within the United States as compared with conduct abroad.[186]

The Ninth Circuit applied these factors to formulate a rule of reason for assessing the Act's extraterritorial reach in its 1977 case, *Wells Fargo & Co. v. Wells Fargo Express Co.*[187] In that case, the plaintiff used its trademark, "Wells Fargo," in the United States, and the foreign defendant used the same mark in both the United States and Europe.[188] The district court used the Second Circuit's *Vanity Fair* factors to reject the subject matter jurisdiction of the lawsuit.[189] The Ninth Circuit vacated the opinion below, and developed the "jurisdictional rule of reason."[190]

The Ninth Circuit applies this seven-part balancing test as the third part of its own three-part test.[191] The first factor is that the action have "some" effect on commerce within the United States.[192] The second is that the effect must be sufficiently great to be a violation of federal law.[193] Third, applying the seven-part balancing test, a court considers whether the impact on US commerce is sufficient when compared to the links to the foreign state.[194] This balancing approach in the third factor creates a test that has been considered less bright line than the *Steele* and the *Vanity Fair* tests, which require the court to consider the three factors.[195] The Ninth Circuit does not state how many factors can be

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186. *Id.* at 614.

187. *Wells Fargo II*, 556 F.2d 406, 428–29 (9th Cir. 1977).

188. *Id.* at 411.

189. Wells Fargo & Co. v. Wells Fargo Express Co. (*Wells Fargo I*), 358 F. Supp. 1065, 1077 (D. Nev. 1973), *vacated*, 556 F.2d 406 (9th Cir. 1977).

190. *Wells Fargo II*, 566 F.2d at 428.

191. *See* Reebok Int'l, Ltd. v. Marnatech Enters., 970 F.2d 552, 555 (9th Cir. 1992).

192. *See Wells Fargo II*, 566 F.2d at 428.

193. *See Reebok Int'l*, 970 F.2d at 554.

194. *See id.* at 555.

195. *See, e.g.*, Brendan J. Witherell, *Trademark Law—The Extraterritorial Application of the Lanham Act: The First Circuit Cuts the Fat from the Vanity Fair Test*, 29 W. NEW ENG. L. REV. 193, 211–12 (2006).

absent before application is prevented.[196] This ambiguity makes this test the most flexible in both theory and in practice.[197]

A comparison between the lower court and appellate decisions in *Trader Joe's Co. v. Hallatt*[198] shows the difficulty in applying this doctrine. When the US District Court for the Western District of Washington applied the *Wells Fargo* test, it found that Mr. Hallatt's actions—buying Trader Joe's goods at full price and then reselling them in Canada—had no effect on US commerce.[199] All of the alleged infringement took place in Canada—none of the commercial activity occurred in the United States and Trader Joe's does not conduct business internationally—and Trader Joe's was unable show economic harm since the goods were purchased at Trader Joe's for retail price.[200] The court even rejected the idea of "goodwill" harm since it would be too tenuous.[201]

Having found the first two *Wells Fargo* factors absent, the district court analyzed the *Timberlane* factors.[202] Only the nationality factor came out supporting extraterritorial jurisdiction, because even though Pirate Joe's did not operate outside of Canada, Mr. Hallatt made frequent trips to the United States.[203] The explicit intent to harm or affect US commerce factor was neutral, since the goods were purchased at retail price from the plaintiff, potentially mitigating the economic harm.[204] All of the remaining factors ran counter to the extraterritorial application of the Act.[205] For the degree of conflict with foreign law, the pending trademark applications Trader Joe's had in Canada, and the wholly foreign nature of the infringement weighed against jurisdiction.[206] The likelihood of enforcement was low since the defendant's presence in the United States was weak.[207] Since the impact of the infringing sales would affect Canadian consumers and Mr. Hallatt was paying retail price, the impact was stronger in Canada,

196. *See Wells Fargo II*, 566 F.2d at 428.

197. *See* Erika M. Brown, *The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions Under the Lanham Act*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 863, 882 (1999).

198. *See Trader Joe's I*, 981 F. Supp. 2d 972, 975 (W.D. Wash. 2013), *aff'd in part, rev'd in part, remanded*, 835 F.3d 960 (9th Cir. 2016).

199. *Trader Joe's I*, 981 F. Supp. 2d at 977.

200. *Id.*

201. *Id.*

202. *Id.* at 978–80.

203. *Id.* at 979.

204. *Id.* at 979–80.

205. *Id.* at 978–80.

206. *Id.* at 979.

207. *Id.*

even assuming a negative effect on Trader Joe's reputation.[208] Since the intent to harm was unclear, the harm was not necessarily foreseeable.[209] The district court found that the final factor—comparing domestic actions with foreign actions—weighed against extraterritoriality because the alleged infringement occurred when Mr. Hallatt resold the goods in Canada.[210]

However, the Ninth Circuit reversed the district court's decision to dismiss the federal trademark claims.[211] For the first two prongs of its analysis, the Ninth Circuit was persuaded that there was some effect on US commerce because of the risk of reputational harm with Canadian shoppers, even though no goods were trickling back into the United States.[212] Trader Joe's alleged that Mr. Hallatt was raising prices and had inferior customer service.[213] Furthermore, the domestic commercial activity that Mr. Hallatt did engage in—the buying of goods and hiring of third parties in Washington—showed some effect on US commerce.[214]

Turning to the *Timberlane* factors, the Ninth Circuit found that all but one of the factors weighed in favor of applying the Act extraterritorially.[215] Only the relative importance of conduct factor weighed against applying the Act extraterritorially since the most important conduct—displaying Trader Joe's trademarks and reselling the goods—happened in Canada.[216] For the degree of conflict factor, the circuit court required a pending or ongoing proceeding in Canada rather than just the registration of a Canadian trademark.[217] The fact that Mr. Hallatt holds Lawful Permanent Resident[218] status (a "green card") was enough to overcome his Canadian citizenship because it showed that he had chosen to subject himself to US laws.[219] Since a domestic court can enforce an injunction or damages in the United States against Mr. Hallatt, the enforcement factor weighed in favor of

208. *Id.*
209. *Id.* at 980.
210. *Id.*
211. *Trader Joe's II*, 835 F.3d 960, 975 (9th Cir. 2016).
212. *Id.* at 971.
213. *Id.*
214. *Id.* at 971–72.
215. *Id.* at 973–75.
216. *Id.* at 975.
217. *Id.* at 973.
218. *See* Immigration and Nationality Act, Pub. L. No. 82-414, 66 Stat. 166 (1952) (codified as amended at 8 U.S.C. § 1101(a)(27)(A) (2018)).
219. *Trader Joe's II*, 835 F.3d at 973.

extraterritoriality.[220] For the relative significance of effects factor, the well-known Trader Joe's trademark and the potential for Mr. Hallatt to mislead Canadian customers swayed the court.[221] Finally, the Court believed that the name "Pirate Joe's" and Mr. Hallatt's resort to disguise himself were enough to suggest that he knew he was treading on the goodwill and intellectual property of Trader Joe's.[222]

The stark difference between the district court's and the appellate court's opinions in the *Trader Joe's* litigation shows the clear difficulty in applying this doctrine.[223] They further highlight the unpredictable nature of the various circuits' responses to *Steele*.[224] The compromise between judicial flexibility in balancing tests and the presumption has created inconsistent applications of the Act.[225]

B. International Trademark: WIPO and EUIPO

Looking internationally, governments have attempted to create a framework for trademark law to promote unity in trademarks.[226] One of the principal treaties governing intellectual property—the Paris Convention for the Protection of Industrial Property[227]—was opened for signature in 1883, but was last revised in 1967.[228] It established two important principles that support the primacy of territoriality in trademark law: the national treatment principle[229] and minimum rights, such as protecting "well-known" marks.[230] Since then, subsequent treaties focus on creating a trademark registration system rather than substantive international law.[231]

In the Madrid System, the applicant first registers the trademark in their domestic office—the "office of origin"—and then the

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220. *Id.* at 974 ("Hallatt is an LPR and Trader Joe's argues he holds assets here.").

221. *Id.*

222. *Id.*; *see also supra* text accompanying notes 1–2.

223. *See Foreign Relations Law*, *supra* note 11, at 1950.

224. *See id.* at 1953.

225. *See id.*

226. *See* Popov, *supra* note 158, at 725–26.

227. *See generally* Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

228. *See generally id.*; Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT'L L. 505, 546–47 (1997).

229. *See* Paris Convention, *supra* note 227, art. 2 ("Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals.").

230. *See id.* art. 6bis (prohibiting the registration of a trademark that copies an already well-known mark in that state).

231. *See* Popov, *supra* note 158, at 726.

applicant may seek registration with the International Bureau of the World Intellectual Property Origin (WIPO).[232] The office of origin certifies and forwards the registration application to WIPO, which conducts a formal examination of the application before approving it for publication in the WIPO Gazette of International Marks.[233] WIPO then notifies the IP Offices in all the territories where the applicant wishes to have the mark protected.[234] In turn, the territories will make a decision whether to accept or refuse the registration on the basis of the applicable domestic legislation.[235] If granted, the protections and rights attached to the registered trademark last for ten years with a conditional option for renewal.[236]

More regionally, the European Union Intellectual Property Office (EUIPO) and Regulation 2017/1001 protect marks registered in the European Union equally throughout its member states.[237] Once registered, an EU trademark is effective throughout the European Union—all twenty-eight states—and dealt with in the same manner as a national trademark of the member state where the holder is domiciled, "has his seat," or has an establishment.[238] However, third parties may challenge the validity of the trademark through a notice of opposition on the basis of owning an earlier trademark.[239] Such an opposition must be filed before the "expiry of the opposition period,"[240] but the opposition party may obtain an extension of the time limit.[241] Through the opposition procedure, a trademark can be invalidated (having retroactive effect), or be revoked (having effect from a set date onward).[242]

232. *See* Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks art. 2, June 27, 1989, WIPO Lex No. TRT/MADRIDP-GP/001 (amended Nov. 12, 2007).

233. *Id.* art. 3.

234. *Id.* arts. 3, 3ter.

235. *Id.* art. 5.

236. *Id.* art. 7.

237. *See* Regulation 2017/1001, of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark, art. 1(2), 2017 O.J. (L 154) 1, 7.

238. *Id.* art. 19(1).

239. *See* Commission Delegated Regulation 2018/625, of 5 March 2018 Supplementing Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union Trade Mark, and Repealing Delegated Regulation (EU) 2017/1430, art. 2, 2018 O.J. (L 104) 1, 4.

240. *Id.* art. 5(2).

241. *See id.* art. 68.

242. *See* Regulation 2017/1001, *supra* note 237, art. 62.

However, EUIPO is only responsible for the registration status of EU trademarks and is not responsible for enforcement.[243] It is the trademark holder's responsibility to monitor the market and register for infringing applications.[244] If the trademark holder finds infringers, EUIPO recommends filing an infringement suit within their national courts system.[245]

A trademark applied for within the EUIPO system can also be submitted to the WIPO and via the Madrid System reach beyond the European Union's members.[246] Nevertheless, even with WIPO's further reach, the Madrid System currently only has one hundred members.[247]

Even if these registration treaties had broader membership, one problem with using international treaty law to create a broad trademark regime comes from the infamous third footnote of *Medellín v. Texas*.[248] This footnote created a "background presumption" that treaties do not generally create private rights or provide private causes of action, even when the treaty is self-executing.[249] Even though US courts are hesitant to enforce Article II treaty obligations, there are still valid ways for treaties to be used.[250]

III. A SOLUTION THROUGH SOVEREIGN CONSENT

Extraterritorial application of domestic laws causes undeniable tensions in the international arena.[251] By unilaterally applying US

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243. *See Looking After Your Rights*, EUIPO (July 31, 2017), https://euipo.europa.eu/ohimportal/en/looking-after-your-rights [https://perma.cc/6KC7-S45S].

244. *Id.*

245. *Id.*

246. *See Strategy: Developing Your Brand*, EUIPO (July 31, 2017), https://euipo.europa.eu/ohimportal/en/strategy [https://perma.cc/47GA-Z58W].

247. *See* WORLD INTELLECTUAL PROP. ORG., MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARK AND PROTOCOL RELATING TO THE MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARKS: STATUS ON JANUARY 15, 2019, at 16–17 (2019), http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf [https://perma.cc/5JAX-9PCR] (listing members, including both intergovernmental organizations and states).

248. *See* Medellin v. Texas, 552 U.S. 491, 506 (2008).

249. *Id.* at 506 n.3.

250. *See* Oona A. Hathaway, Sabria McElroy & Sara Aronchick Solow, *International Law at Home: Enforcing Treaties in U.S. Courts*, 37 YALE J. INT'L L. 51, 90 (2012).

251. See, for example, the Resolutions the United Nations General Assembly pass each year condemning the United States' continued use of unilateral sanctions against Cuba. *See* G.A. Res. 72/4, (Nov. 10, 2017); G.A. Res. 71/5, (Oct. 26, 2016); G.A. Res. 70/5, (Oct. 27, 2015); G.A. Res. 69/5, (Oct. 28, 2014); G.A. Res. 68/8, (Oct. 29, 2013); G.A. Res. 67/4, (Nov. 13, 2012); G.A. Res. 66/6, (Oct. 25, 2011); G.A. Res. 65/6, (Oct. 26, 2010); G.A. Res. 64/6, (Oct. 28, 2009); G.A. Res. 63/7, (Oct. 29, 2008); G.A. Res. 62/3, (Oct. 30, 2007); G.A. Res. 61/11, (Nov. 8, 2006); G.A. Res. 60/12, (Nov. 8, 2005); G.A. Res. 59/11, (Oct. 28, 2004); G.A. Res. 58/7, (Nov. 4, 2003); G.A.

domestic law to the nondomestic actions and conduct of non-US nationals, courts create a threat to the bases of international relations and international law—democratic sovereignty of the state and the role of consent.[252] Unlike treaties or customary international law—the two primary sources of international legal obligations—applying domestic trademark law extraterritorially without some recognized source of jurisdiction does not require the consent of the foreign state.[253] This kind of "legal imperialism" redefines jurisdictional constraints.[254] And by not worrying about the constraints of international law, US courts exert US influence and US foreign policy in a particularly strong form of American exceptionalism.[255] Courts ignore protests by foreign governments about the United States's violation of their foreign sovereignty.[256]

Some scholars, promoting this US exceptionalism, have argued that this is a preferable result;[257] moreover, some practitioners recommend taking advantage of the Act's broadening scope in global enforcement.[258] But recently, more and more foreign states are adopting laws with extraterritorial application.[259] As is the case in international law, widespread and consistent practice will have ripple effects. The United States's long arm has begun to set a precedent for other states that would apply their laws to Americans whose actions

Res. 57/11, (Nov. 12, 2002); G.A. Res. 56/9, (Nov. 27, 2001); G.A. Res. 55/20, (Nov. 9, 2000); G.A. Res. 54/21, (Nov. 9, 1999); G.A. Res. 53/4, (Oct. 14, 1998); G.A. Res. 52/10, (Nov. 5, 1997); G.A. Res. 51/17, (Nov. 12, 1996); G.A. Res. 50/10, (Nov. 2, 1995); G.A. Res. 49/9, (Oct. 26, 1994); G.A. Res. 48/16, (Nov. 3, 1993); G.A. Res. 47/19, (Nov. 24, 1992).

252. *See* Austen L. Parrish, *Reclaiming International Law from Extraterritoriality*, 93 MINN. L. REV. 815, 820, 859–60 (2009).

253. *See id.*

254. *See* Ugo Mattei & Jeffrey Lena, *U.S. Jurisdiction Over Conflicts Arising Outside of the United States: Some Hegemonic Implications*, 24 HASTINGS INT'L & COMP. L. REV. 381, 382–83 (2001) ("[T]he expansionist thrust of the jurisdiction of the United States over such claims may be viewed as a sort of 'legal imperialism' in which the United States (and some of its member states) asserts itself upon the rest of the world.").

255. *See* Parrish, *supra* note 252, at 846–49.

256. *See* Kenneth W. Dam, *Extraterritoriality in an Age of Globalization: The Hartford Fire Case*, 1993 SUP. CT. REV. 289, 324 (1993).

257. *See, e.g.*, John O. McGinnis & Ilya Somin, *Should International Law be Part of Our Law?*, 59 STAN. L. REV. 1175, 1182 (2007). McGinnis and Somin argue that US domestic law is preferable to international law, because, *inter alia*, "the ethnic quilt of America . . . makes its laws more likely to be good for the rest the world." *Id.* at 1246.

258. *See, e.g.*, Lawrence R. Robins & Kelly Donahue, *Extraterritorial Reach of the Lanham Act: A Viable Option*, WORLD TRADEMARK REV., Sept. 2013, at 106, 106–07.

259. *See* Int'l Law Comm'n, Rep. on the Work of Its Fifty-Eighth Session, U.N. Doc. A/61/10, at 527 (2006) ("While the United States remains the most active promulgator of extraterritorial measures in this field, other States and regional organizations such as the European Union, France, Germany and, most recently, the Republic of Korea have also adopted laws with extraterritorial application.").

they do not like.[260] Other states are using this opportunity for their own courts advance their foreign policy.[261] Retaliation such as this impacts US regulatory objectives by interfering with US law enforcement and by "destroying a spirit of cooperation and common purpose in solving international economic problems."[262] Foreign states could use domestic suits to meet their political needs rather than the pursuit of justice.[263]

Such foreign court litigation might be a moot point. Even if the courts of an economically weak state behave in this manner, most US defendants could choose to default.[264] However, this is an untenable equilibrium both for US corporations and for US foreign policy. Even if a foreign judgement is found unenforceable, the cost of litigation and even the slim chance for enforcement of the liability verdicts will cause economic damage.[265] In addition to this cost, foreign states are resisting such US judicial action through diplomatic protests,[266] nonrecognition

260. *See* Alfred P. Rubin, *Can the United States Police the World?*, 13 FLETCHER F. WORLD AFF. 371, 374 (1989).

261. *See, e.g.*, *Dow Jones & Co. v Gutnick* [2002] HCA 56, ¶ 54 (Austl.) (allowing Australian libel laws to apply to activity in the United States).

262. Dam, *supra* note 256, at 324 ("The four options (diplomacy, negotiations, sanctions and extraterritorial application of U.S. law) constitute a hierarchy of increasing confrontation. Option three, the threat of sanctions, is often called aggressive unilateralism, but the hope behind the strategy is an amicable bilateral solution. Sometimes, of course, the sanctions strategy backfires and the foreign government counter-retaliates. Option four, the unilateral imposition of U.S. law, is still more aggressive and makes no effort to achieve either amicable relations or a change in foreign law. The conflicting national philosophies remain in place, laying the foundation for future discord and misunderstanding and perhaps more retaliation.").

263. *See* Anthony J. Colangelo, *Constitutional Limits on Extraterritorial Jurisdiction: Terrorism and the Intersection of National and International Law*, 48 HARV. INT'L L.J. 121, 134 (2007).

264. *See* Mattei & Lena, *supra* note 254, at 399–400. In transnational litigation such as this, "the door to defaulting is always open, and foreign judgments are not easy to collect." *Id.* at 399.

265. *See* Brief of Amicus Curiae Chamber of Commerce of the United States of America in Support of Defendant-Appellant Supporting Reversal at 4, Pakootas v. Teck Cominco Metals, Ltd., 452 F.3d 1066 (9th Cir. 2006) (No. 05-35153) ("The prospect of protracted lawsuits[,] enforcement actions and potential liability verdicts will inflict considerable economic damage upon U.S. businesses. Moreover, the possibility of foreign interference with U.S. environmental laws would undermine business confidence by denying U.S. companies the benefits of a stable regulatory regime."); Mark D. Rosen, *Should "Un-American" Foreign Judgments Be Enforced?*, 88 MINN. L. REV. 783, 787 (2004) ("[U]n-American judgments should be enforced at least some of the time.").

266. *See* Pamela K. Bookman, *Litigation Isolationism*, 67 STAN. L. REV. 1081, 1101, 1144 (2015); Kristen E. Eichensehr, *Foreign Sovereigns as Friends of the Court*, 102 VA. L. REV. 289, 308 fig. 2 (2016).

of US judgments,[267] and blocking[268] or clawback statutes.[269] This has become a self-perpetuating cycle, and it undermines international relations and international law.[270] Use of extraterritoriality in such a manner will lead to a patchwork of inconsistent judgments.[271]

US courts that apply the Act broadly with far-reaching extraterritorial application, like the Ninth Circuit in *Hallatt*, are creating negative externalities.[272] Under the current extraterritorial regime, it is unlikely that the court will ever internalize those effects;[273] corporations reliant on US trademarks will experience the negative effects as more states resist US judgments, and US foreign policy will feel the effects as foreign states become retaliatory.[274]

Rather than continuing to withdraw from international law and multilateralism, which leads to greater use of domestic law in violation of sovereignty,[275] a much stronger solution to this problem is to build global respect for trademark law among foreign states.[276] It would be more effective to build cooperation consistent with the international legal order instead of through unilateral action.[277] The United States

267. *See, e.g.*, Samuel P. Baumgartner, *Understanding the Obstacles to the Recognition and Enforcement of U.S. Judgments Abroad*, 45 N.Y.U. J. INT'L L. & POL. 965, 981–83 (2013) ("[F]or example the German Bundesgerichtshof has indicated . . . that U.S. discovery in violation of the recognition state's notions of sovereignty may lead to the non-recognition of the emanating U.S. judgment.").

268. *See, e.g.*, Noëlle Lenoir, *Le droit de la preuve à l'heure de l'extraterritorialité* [*The Law of Evidence in the Time of Extraterritoriality*], REVUE FRANÇAISE DE DROIT ADMINISTRATIF [R.F.D.A.], May–June 2014, at 487, 488 (Fr.), http://www.ceuropeens.org/sites/default/files/le_droit_de_la_preuve_a_lheure_de_lextraterritorialite.pdf [https://perma.cc/8Z2V-F3JT] ("L'extraterritorialité de la législation américaine a été le facteur déclenchant des lois de blocage." [The extraterritoriality of the US law has been the factor triggering the blocking laws.]).

269. *See, e.g.*, Joseph E. Neuhaus, Note, *Power to Reverse Foreign Judgements: The British Clawback Statute Under International Law*, 81 COLUM. L. REV. 1097, 1133 (1981) (arguing that the British clawback statute "is based solely on the desire to protect British nationals and businesses from what the United Kingdom regards as America's excessive assertions of jurisdiction").

270. *See* Peter G. Danchin, *U.S. Unilateralism and the International Protection of Religious Freedom: The Multilateral Alternative*, 41 COLUM. J. TRANSNAT'L L. 33, 73 (2002).

271. *See* Parrish, *supra* note 252, at 866.

272. *See* Baumgartner, *supra* note 267, at 986 ("[W]hen U.S. courts and lawmakers refuse to incur sovereignty costs to the United States by seriously considering the sovereignty concerns of other nations in cross-border cases, they may often assume, perhaps because of U.S. power, that this can be done without consequences. Courts indulging in such an assumption forget that power is a two-edged sword, and that by ignoring foreign sovereignty concerns, they unwittingly impose costs on future litigants who attempt to enforce U.S. judgments abroad.").

273. *See id.*

274. *See id.*

275. *See* Rubin, *supra* note 260, at 374.

276. *See* Neuhaus, *supra* note 269, at 1133.

277. *See* Rubin, *supra* note 260, at 374.

can build respect through both judicial restraint and executive action on trademarks.

Even though separation of powers arguments exist against the continued extraterritorial reach of the Act,[278] there are times when the judiciary should step into foreign policy.[279] Ideally, the Supreme Court should overturn *Steele* and rule that the now stronger presumption prevents trademark actions for conduct foreign to the United States. Alternatively, lower courts should begin exercising greater restraint by applying greater deference to international comity. However, as seen in the ruling in *Hallatt*, a stricter rule of international comity would need to be developed.[280] Such an undertaking could have disastrous effects if not carefully done—eliminating comity's utility as a gap-filler between public international law and national policies.[281]

In deciding to overturn *Steele*, the Supreme Court will have to confront stare decisis. Even though stare decisis can promote the evenhanded, predictable, and consistent development of legal principles,[282] the Court may depart from precedent for special justification.[283] However, the Court often refuses to reverse precedent of statutory interpretation even when it was wrongly decided, proposing that the ball is in Congress's court to fix.[284] Nevertheless, the Court has recognized several reasons that each warrant reversing such statutory interpretation: (1) when decisions are "unworkable or are badly reasoned," (2) when "the theoretical underpinnings . . . are called into serious question," (3) when subsequent developments make the decisions "irreconcilable," and (4) when the decisions are a "detriment to coherence and consistency in the law."[285] As discussed in Part I, all of these rationales seem clearly applicable in this context due to the

278. *See* Bradley, *supra* note 228, at 562 (arguing that since the political branches have been active in the area of international, intellectual property law, the judiciary's extraterritorial reach would be problematic).

279. *See, e.g.*, Baker v. Carr, 369 U.S. 186, 211–12 (1962) ("[I]t is error to suppose that every case or controversy which touches foreign relations lies beyond judicial cognizance. . . . [Thus,] if there has been no conclusive 'governmental action' then a court can construe a treaty and may find it provides the answer.").

280. *See supra* Section II.A.2.

281. *See* Tim W. Dornis, *Comity*, *in* ENCYCLOPEDIA OF PRIVATE INTERNATIONAL LAW 19–21 (Jürgen Basedow et al. eds., 2017).

282. *See* Payne v. Tennessee, 501 U.S. 808, 827 (1991); Randy J. Kozel, *Precedent and Reliance*, 62 EMORY L.J. 1459, 1460 (2013) (questioning the wisdom of an ex ante facing principle of stare decisis).

283. *See* Kimble v. Marvel Entm't, LLC, 135 S. Ct. 2401, 2409 (2015).

284. *See id.*

285. Halliburton Co. v. Erica P. John Fund, Inc., 134 S. Ct. 2398, 2425 (2014) (Ginsburg, J., dissenting) (compiling a list of prior circumstances justifying overturning statutory interpretations with example decisions).

Court's subsequent interpretations of the term "commerce" and understanding of extraterritoriality as directly contrary to *Steele*.[286]

Regardless of whether the judiciary decides to overturn *Steele* and internalize its externalities, the executive branch should consider creating an international treaty regime that would allow companies to better enforce their trademarks. Consensus-based international law is best suited to meet international challenges.[287] One possible treaty type would create a universal trademark law and court system—entirely removing the issue from the domestic sphere and from domestic judges. While some authors suggest that an effective international trademark law would be deficient, the international system is not as Hobbesian[288] as they paint it to be.[289]

As the *McBee* court stated, Congress can preclude the exercise of extraterritorial jurisdiction for the Act by ratifying a treaty.[290] While WIPO- and EUIPO-style treaties are not substantively sufficient, they show a desire for global trademark registration.[291] A more robust system is needed and could be used by corporations to overcome China's first-to-file system when registering a new mark. For WIPO, the registrations in other states should be automatic. For EUIPO, there should be enforcement mechanisms beyond just delisting, and these could include injunctive relief and an accounting of profits or an award based on damages.

Alternatively, the trademarks treaty could function like the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.[292] Under article III, all states party to the New York

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286. *See supra* Part I.

287. *See* Parrish, *supra* note 252, at 874.

288. For a discussion on Hobbesian theory in international relations, see David Singh Grewal, *The Domestic Analogy Revisited: Hobbes on International Order*, 125 YALE L.J. 618, 620 (2016). According to realists, such as Hans Morgenthau, international relations should be typified by states seeking only their own individual self-interests and greater power in a Hobbesian "state of nature." *Id.*; *see also* THOMAS HOBBES, LEVIATHAN: OR THE MATTER, FORME AND POWER OF A COMMONWEALTH ECCLESIASTICALL AND CIVIL 80 (Michael Oakeshott ed., Touchstone 1997) (1651) ("So that in the first place, I put for a general inclination of all mankind, a perpetual and restless desire of power after power, that ceaseth only in death. And the cause of this, is . . . because he cannot assure the power and means to live well, which he hath present, without the acquisition of more. And from hence it is, that kings, whose power is greatest, turn their endeavors to the assuring it at home by laws, or abroad by wars."); HANS J. MORGENTHAU & KENNETH W. THOMPSON, POLITICS AMONG NATIONS: THE STRUGGLE FOR POWER AND PEACE 3–5, 27 (5th ed. 1978).

289. *See, e.g.*, DORNIS, *supra* note 144, at 486.

290. *See* McBee v. Delica Co., 417 F.3d 107, 121 (1st Cir. 2005).

291. *See supra* Section II.B.

292. *See generally* Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 38 [hereinafter New York Convention].

Convention must "recognize arbitral awards as binding and enforce them"; movever, under article IV, in order "to obtain the recognition and enforcement . . . the party applying for recognition and enforcement shall, at the time of the application, supply: (a) [t]he duly authenticated original award or a duly certified copy thereof; (b) [t]he original [arbitration agreement] or a duly certified copy thereof."[293] The New York Convention has near-universal acceptance with 159 states party and twenty-four signatories, with Sudan being the most recent accession in 2018.[294] Of course, in order to best ensure effectiveness in the United States, Congress would have to enact an implementation statute to overcome *Medellín*. Like the New York Convention, this new treaty could come prepackaged with a model law for all states to enact and ensure unitary protections.[295] Thus, under this new trademark treaty regime, successful litigants would have their trademarks recognized universally, and be able to obtain a judgment that may be recognized and enforced broadly.

This treaty-based solution sidesteps the problems highlighted above by requiring courts—even if they continue to apply domestic trademark law extraterritorially—to honor the trademark verdicts of foreign courts.[296] This will ensure uniformity across US federal jurisdictions and internationally to prevent endless rounds of litigation.[297] Such duplication is wasteful and needlessly punishes litigants, chilling international commerce.[298] Thus, not only does a treaty solution level the playing field for corporations holding trademarks, it also originates from state consent; a treaty will be negotiated and then willingly accepted, reducing the potential for animosity in the international arena.[299]

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293. *Id.* arts. III & IV.

294. *See Commercial Arbitration*, *in* MULTILATERAL TREATIES DEPOSITED WITH THE SECRETARY-GENERAL 1, 1–3 (2018), https://treaties.un.org/doc/Publication/MTDSG/Volume%20II/Chapter%20XXII/XXII-1.en.pdf [https://perma.cc/YD8J-BDA2] (listing the participants of the New York Convention).

295. *See* U.N. COMMISSION ON INTERNATIONAL TRADE LAW, UNCITRAL MODEL LAW ON INTERNATIONAL COMMERCIAL ARBITRATION 1985 WITH AMENDMENTS AS ADOPTED IN 2006, at vii, U.N. Sales No. E.08.V.4 (2008).

296. *See* New York Convention, *supra* note 292, art. III.

297. *See* Linda Silberman, *Enforcement and Recognition of Foreign Country Judgments in the United States*, *in* INTERNATIONAL BUSINESS LITIGATION & ARBITRATION § VII.C (John Fellas ed., 2005). For further discussion of recognition and enforcement of foreign judgments generally, see VED P. NANDA, DAVID K. PANSIUS & BRYAN NEIHART, 2 LITIGATION OF INTERNATIONAL DISPUTES IN U.S. COURTS § 20:1 (2018).

298. *See* Friedrich K. Juenger, *The Recognition of Money Judgments in Civil and Commercial Matters*, 36 AM. J. COMP. L. 1, 4 (1988).

299. *See* Dam, *supra* note 256, at 324.

IV. CONCLUSION

Maintaining respect between sovereign states is essential to preserving strong foreign relations and preserving the United States's role in the international arena. Unilaterally applying domestic laws to conduct that is foreign to the United States has a negative effect on governmental relations and transnational businesses. The Supreme Court has recognized this issue and has strengthened the presumption against extraterritoriality to limit judicial missteps. The solutions advocated by the circuit courts have been ineffective in properly limiting the extraterritorial application of the Lanham Act. And while the Supreme Court should overturn its precedent giving trademark law extraterritorial reach to align it with the updated presumption, the political branches should also begin negotiating a stronger treaty basis for global trademark recognition and enforcement. These two steps will facilitate greater enforcement of trademark decisions and allow them to be based in consent and sovereignty.

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