

## ESSAYS

# The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions Under the Lanham Act

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### INTRODUCTION

It has often been said that imitation is the sincerest form of flattery. Notwithstanding this platitude, it is not generally acceptable to claim another's idea as your own in order to make a profit.<sup>1</sup> In the United States, Congress protects proprietary names against unauthorized use through the Federal Trademark Act of 1946, more commonly referred to as the Lanham Act.<sup>2</sup> United States businesses have quickly realized that, given the current ease of global travel and communication, domestic laws alone are insufficient to

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1. See J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 5(1) (4th ed. 1996) (noting that symbols were used as far back as 4000 B.C. as a means of identification. In the fifteenth century, trade symbols were used to assure quality of workmanship such that defective goods could be traced back to the particular worker). By the early eighteenth century in England, trademark holders could receive legal protection against those who tried to "pass off" another's goods as their own. *Id.* at §5(2). See also PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK, AND RELATED STATE DOCTRINES, 21-25 (4th ed. 1997).

2. Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C.A. §§ 1051-1127 (West 1998 & Supp. 1999)) [hereinafter, "Lanham Act"]. The first federal statute was passed in 1870 but was held unconstitutional. See *United States v. Steffens*, 100 U.S. 82 (1879); MCCARTHY, *supra* note 1, at § 5(4). See also Erika M. Brown, *Extraterritorial Application of Trademark Law Under the Lanham Act: Recent Decisions From the Second Circuit*, 11 N.Y. INT'L L. REV. 55, 58 (Summer 1998) ("The Lanham Act imposes civil liability on any person who uses, in commerce, a registered trademark without the consent of the holder.").

protect their proprietary rights.<sup>3</sup> Most foreign countries do not uphold the United States standard against trademark infringement.<sup>4</sup> As a result, companies in the United States are petitioning domestic courts to protect their trademarks against infringement that has occurred beyond the borders of the United States.<sup>5</sup>

*Steele v. Bulova Watch Co.*,<sup>6</sup> the United States Supreme Court's first and only decision on the issue, addressed the extraterritorial application of the Lanham Act. Subsequently, the Second, Ninth, and Fifth Circuit Courts of Appeal have all had occasion to interpret *Bulova* in determining whether extraterritorial application of the Lanham Act is warranted.<sup>7</sup> Unfortunately, the application of the Supreme Court precedent has been inconsistent.<sup>8</sup> Despite this inconsistency, recent case law from the Second, Ninth, and Fifth Circuits reflects a trend toward a broadened application of the Lanham Act.

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3. See Neil A. Smith, *Obtaining Trademark and Copyright Enforcement in the United States for Infringement Abroad*, 6 J. PROPRIETARY RTS. 8 (Dec. 1994); Gary B. Born, *A Reappraisal of the Extraterritorial Reach of United States Law*, 24 L. & POL'Y INT'L BUS. 1 (Fall 1992) (arguing that the presumption of territoriality with respect to United States laws be abandoned).

4. See Samantha Slotkin, *Trademark Piracy in Latin America: A Case Study on Reebok International Ltd.*, 18 LOY. L.A. INT'L & COMP. L.J. 671 (1996) (discussing reasons behind the lax protection provided by intellectual property laws in developing countries).

5. See Lionel S. Sobel, *Pursuing the Home Court Advantage in International Trademark Litigation*, 19 ENT. L. REP. 4 (Aug. 1997) (stating that there are exceptions to the general rule that U.S. trademark law does not apply to activity that took place abroad); John S. Sweeney et al., *Using United States Courts and International Treaties to Protect Against Infringement Abroad and at Home*, 393 PLI/PATENTS 9, 15 (1994) (although the Lanham Act ordinarily supports injunctions against sales in the United States, the law may reach abroad and apply extraterritorially as well under certain circumstances).

6. 344 U.S. 280 (1952).

7. See, e.g., *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956); *Ocean Garden, Inc. v. Marktrade Co., Inc.*, 953 F.2d 500 (9th Cir. 1991); *American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983), discussed *infra* Part II.

8. Compare *Vanity Fair*, 234 F.2d 633 (establishing factors for extraterritorial application of the Lanham Act, discussed *infra* Part II), with *Ocean Garden*, 953 F.2d 500 (applying a Ninth Circuit construct called the jurisdictional Rule of Reason, discussed *infra* Part III), and *American Rice*, 701 F.2d 408 (rejecting the substantiality requirement used in *Vanity Fair* and developed a balancing test similar to the one utilized by the Ninth Circuit, discussed *infra* Part III).

This Essay reviews the extraterritorial reach of United States Trademark Law. Part I discusses the test for the extraterritorial application of the Lanham Act as articulated by the United States Supreme Court. Part II examines recent decisions by the Second, Ninth, and Fifth Circuits. Part III offers some conclusions about the circumstances in which United States companies may expect protection against trademark infringement that occurs abroad, based on the various judicial approaches by the circuit courts. This Essay concludes that United States corporate plaintiffs can expect to receive protection for their trademarks against infringement beyond United States borders on the basis of the increasingly liberal extraterritorial application of the Lanham Act by the Second, Fifth, and Ninth Circuit Courts.

### I. SUPREME COURT PRECEDENT

The United States Supreme Court has heard only one case involving the extraterritorial application of the Lanham Act. In *Steele v. Bulova Watch Co.*,<sup>9</sup> the plaintiff, the Bulova Watch Company (“Bulova”), sought to enjoin the use of its trademark name “Bulova” on watches sold in Mexico City.<sup>10</sup> The defendant, a United States citizen residing in Texas, purchased components from Switzerland and the United States and subsequently imported them to Mexico.<sup>11</sup> In Mexico, he assembled the watches, stamped them with the “Bulova” mark, and sold them without prior authorization from Bulova.<sup>12</sup> Although Steele did not import the watches to the United States, eventually these counterfeit watches were brought in for repair at Bulova shops in towns located in the United States near the Mexican border.<sup>13</sup>

In *Bulova*, the Supreme Court determined whether subject mat-

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9. 344 U.S. 280 (1952).

10. *See id.* at 281.

11. *See id.* at 284-85.

12. *See id.* The “Bulova” trademark had been properly registered in the U.S. *See id.* at 281. Upon discovering that the “Bulova” trademark had not been registered in Mexico and that the “Bulova” name was recognizable in the Mexican market, Steele attempted to register the trademark in Mexico. *See id.* at 284-85.

13. *See id.* at 285.

ter jurisdiction<sup>14</sup> could be exercised where trademark infringement by a United States citizen was consummated in a foreign country.<sup>15</sup> While acknowledging that the presumption of territoriality generally precludes the extraterritorial application of United States laws, the Court held that the broad jurisdictional language in the Lanham Act<sup>16</sup> indicated congressional intent to extend the Lanham Act to conduct beyond United States borders.<sup>17</sup> More broadly, the Court held that the Lanham Act applied to “all commerce which may lawfully be regulated by Congress.”<sup>18</sup>

On the basis of two factors, the Court construed the defendant’s conduct as within the extraterritorial reach of the Lanham Act. First, the Court found that the purchase of watch components in the United States constituted “essential steps” in an unlawful scheme; thus, it was deemed inapposite that the watches were ac-

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14. Subject matter jurisdiction in trademark cases is conferred upon district courts by 28 U.S.C. § 1338(a) (1998). “The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.” The Lanham Act, however, may not necessarily be given extraterritorial application. See *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 638-39 (2d Cir.); Sobel, *supra* note 5, at 6.

15. See *Bulova*, 344 U.S. at 281.

16. Section 45 of the Lanham Act, codified as amended at 15 U.S.C.A. § 1127 (West 1998), states in relevant part, “the intent of the Lanham Act is to regulate commerce within the control of Congress by making actionable, the deceptive and misleading use of marks in such commerce.”

17. See *Bulova*, 344 U.S. at 286. “Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States.” *Id.* (quoting *Branch v. FTC*, 141 F.2d 31, 35 (1944)). In *Bulova*, the Court stated: “In the light of the broad jurisdictional grant in the Lanham Act, we deem its scope to encompass petitioner’s activities here.” *Id.*

18. *Bulova*, 344 U.S. at 287. See also *Consolidated Gold Fields PLC v. Minorco, Savings Ass’n*, 871 F.2d 252, 261-62 (2d Cir. 1989) (holding that United States anti-fraud laws may be applied extraterritorially “whenever a predominantly foreign transaction has substantial effects within the United States.”); Pamela E. Kraven & Robert E. Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism*, 77 J. PAT & TRADEMARK OFF. SOC’Y 115, 135 (1995) (arguing that the issue in *Bulova* is not whether the Supreme Court failed to undertake a choice of law analysis to determine whether United States law or foreign law was appropriate; instead contending that Mexican law would have governed the dispute, had choice of law principles been applied correctly); but see Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT’L L. 505, 531 (arguing that the Supreme Court in *Bulova* improperly rejected the presumption against extraterritoriality).

tually stamped with the infringing mark in Mexico.<sup>19</sup> Second, the effects of the defendant's activities were not limited to Mexico. The Court noted that the filtration of watches back into the United States could have an adverse impact on Bulova's reputation both domestically and internationally.<sup>20</sup> The *Bulova* Court also found that there was no conflict with foreign laws, because Bulova had nullified the Mexico registration of the "Bulova" mark.<sup>21</sup>

## II. THE UNITED STATES COURTS OF APPEALS DECISIONS

### A. *The Second Circuit*

The Second Circuit Court of Appeals was the first circuit to interpret *Bulova*. In *Vanity Fair Mills, Inc. v. T. Eaton Co.*,<sup>22</sup> Judge Waterman applied the tripartite *Bulova* test to determine whether the extraterritorial application of the Lanham Act would be warranted.<sup>23</sup> Under the first prong of the test, the conduct of the defendant must have a substantial effect on United States commerce.<sup>24</sup> The second requirement mandates that the defendant be a

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19. *Bulova*, 344 U.S. at 287 (maintaining that actions which are legal when considered in isolation, lose legal protection when they become part of an illegal scheme). See also Robert Alpert, *The Export of Trademarked Goods from the United States: The Extraterritorial Reach of the Lanham Act*, 81 TRADEMARK REP. 125, 136 (1991) (contending that although not expressly stated, courts find exercise of jurisdiction under the Lanham Act appropriate whenever they believe the defendant's conduct to be "unfair" or "inequitable").

20. See *Bulova*, 344 U.S. at 284-86 (noting that Bulova was one of the largest watch manufacturers of watches in the world and had penetrated the Mexican market through advertising in Spanish and English).

21. See *id.* at 289. Although the defendant's registration of the "Bulova" mark had been negated by a proceeding that took place prior to the Supreme Court decision, it is notable that the lower court assumed that Steele's registration was valid under Mexican law, yet still gave the Lanham Act extraterritorial effect because there was a sufficient effect on United States commerce. See *Bulova Watch Co., Inc. v. Steele*, 194 F.2d 567, 577 (5th Cir. 1952), *aff'd*, 344 U.S. 280 (1952). That would suggest that the effect on United States commerce was considered more important than the absence of conflict with foreign law.

22. 234 F.2d 633 (2d Cir. 1956).

23. See *id.* at 642.

24. See *id.* See Robert Butts, *Trademark Law: Interpreting the Congressional Intent of the Extraterritorial Application of the Lanham Trademark Act*, 8 FLA. J. INT'L L. 447, 452-53 (1993) (arguing that since *Bulova* only required the effect on United States commerce to be adverse, the "substantial" effect language in *Vanity Fair* constituted

United States citizen.<sup>25</sup> Third, there must be an absence of conflict with foreign law.<sup>26</sup> In *Vanity Fair*, the defendant, T. Eaton Company, was a Canadian corporation that secured registration of the “Vanity Fair” trademark approximately one year after the plaintiff, Vanity Fair Mills, Inc., had registered the same mark in the United States.<sup>27</sup> Consequently, the plaintiff sought to enjoin the defendant from using the “Vanity Fair” mark in both Canada and the United States.<sup>28</sup>

Applying the tripartite test, the court found that there was a substantial effect on commerce, but that the remaining two prongs of the test were not satisfied since the defendant was a Canadian corporation that held a valid trademark under Canadian law.<sup>29</sup> The Second Circuit interpreted the test as giving critical importance to the citizenship of the defendant, describing the *Bulova* rationale as “thoroughly based on the power of the United States to govern the conduct of *its own citizens* upon the high seas or even in foreign countries *when the rights of other nations or their nationals are not infringed.*”<sup>30</sup> According to the court, *Bulova* signaled that while the failure to satisfy one prong may preclude the Lanham Act from being applied extraterritorially, the failure to satisfy two of the three prongs was fatal to the extraterritorial application of the Lanham Act.<sup>31</sup>

Since *Vanity Fair*, courts within the Second Circuit have had several opportunities to apply this test. Subsequent courts that applied the *Vanity Fair* factors have shifted the relative weight of the prongs. Unlike *Vanity Fair*’s emphasis on the citizenship and comity requirements, recent decisions emphasize the effect on

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dicta).

25. See *Vanity Fair*, 234 F.2d at 642.

26. See *id.*

27. See *id.* at 637.

28. See *id.* at 638. Plaintiff alleged that for a period of nine years, defendant ceased to use the “Vanity Fair” mark, instead purchasing merchandise from the plaintiff. Subsequently, defendant resumed selling cheaper merchandise, made in Canada, under the “Vanity Fair” mark. See *id.*

29. See *id.* at 642-43.

30. *Id.* (emphasis added)

31. See *id.* at 643 n.13.

United States commerce.<sup>32</sup> Moreover, recent decisions interpret the third prong of *Bulova* more broadly, and thereby extend the application of the Lanham Act extraterritorially.

A recent example of the more liberal application of the *Vanity Fair* factors may be found in *Aerogroup International, Inc. v. Marlboro Footworks, Ltd.*<sup>33</sup> In *Aerogroup*, the plaintiff sued a United States buying agent, Marlboro Footworks (“Marlboro”), for infringement of Aerogroup’s trade dress, which included a valid trademark registration for the name “Aerosoles.”<sup>34</sup> Headquartered in Massachusetts, Marlboro was a company which sold shoes that were “knock offs” of other shoe designers.<sup>35</sup> Aerogroup successfully obtained an injunction against this practice, barring Marlboro from selling “knock off” shoes in Canada.<sup>36</sup> Affirming the district court’s application of the *Vanity Fair* factors, the Federal Circuit applied the law of the Second Circuit, noting that the test had not been mechanically applied in previous Second Circuit decisions.<sup>37</sup>

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32. See *Atlantic Richfield Co. v. Arco Globus Int’l Co.*, 150 F.3d 189, 192 (2d Cir. 1998) (stating that the issue is whether the defendant’s activities had a substantial effect on United States commerce); *Gap, Inc. v. Stone Int’l Trading, Inc.*, 125 F.3d 845 (2d Cir. 1997) (holding that the district court had not abused its discretion in determining that the Gap held a reasonable belief that the Lanham Act would have some extraterritorial application for alleged acts of a foreign company in New York); *Aerogroup Int’l, Inc. v. Marlboro Footworks, Ltd.*, 955 F. Supp. 220, 229-30 (S.D.N.Y. 1997), *aff’d*, 152 F.3d 948 (Fed. Cir. 1998), *cert. den.*, \_\_\_ U.S. \_\_\_, 119 S. Ct. 373 (discussing how the Second Circuit has recently reaffirmed that there must be a substantial effect, not merely some effect, on United States commerce); *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*, 945 F. Supp. 563, 567 (S.D.N.Y. 1996) (“A substantial effect on United States commerce may arise from a defendant’s activities that are supported by or related to conduct in United States commerce, harm to a plaintiff’s reputation, sales, or adverse impact on foreign licensees.”).

33. 955 F. Supp. 220 (S.D.N.Y. 1997), *aff’d*, 152 F.3d 948 (Fed. Cir. 1998), *cert. den.*, \_\_\_ U.S. \_\_\_, 119 S. Ct. 373.

34. See *Aerogroup*, 955 F. Supp. at 222.

35. See *id.* at 223.

36. See *id.* at 230.

37. See *Aerogroup*, 152 F.3d 948 (Fed Cir. 1998) (per curiam) (unpublished table decision), available in LEXIS, 1998 U.S. App. LEXIS 7733, at \*7-8. The court referred to *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733 (2d Cir. 1994), which involved a suit by a United States corporation that owned the trademark rights to the “Bayer” name in the United States against a German company which held valid trademark rights to the same name in several other countries. See *Sterling Drug*, 14 F.3d at 737. Although the defendant was a foreign citizen operating in accordance with valid foreign trademarks, the court stated that failure to extend extraterritorial application to the Lanham Act in such

Rather, the Federal Circuit held that the test protected the United States public against confusion, while safeguarding trademark holders from the misappropriation of their marks.<sup>38</sup> Given the latitude of Second Circuit case law, the Federal Circuit found the district court's analysis of the *Vanity Fair* factors proper.<sup>39</sup>

In contrast, the dissent in the *Aerogroup* appeal disagreed with the majority's disposition regarding the extraterritorial reach of the Lanham Act.<sup>40</sup> Specifically, the dissent found the district court's application of two of the factors to be incorrect. First, the dissent pointed out that the district court found the factor that requires the absence of conflict with foreign law to "not clearly weigh either way" in its decision.<sup>41</sup> The dissent found that holding unacceptable because the district court failed to reach a conclusion regarding the factor.<sup>42</sup> Second, the dissent noted that the district court found the effect of Marlboro's activities on commerce greater than *de minimus*. The district court also acknowledged that the defen-

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circumstances would contradict the purpose of the statute. *See id.* at 746. Thus, although the *Sterling* court refused to provide a blanket injunction barring the American company from using its trademark outside of United States borders, it specifically endorsed an injunction that would prohibit a foreign corporation from using its own mark in a manner likely to reach the United States. *See id.*

38. *See Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*3.

39. *See id.* at \*8. The Federal Circuit noted that the injunction was consistent with *George W. Luft Co. v. Zande Cosmetic Co.*, 142 F.2d 536 (2d Cir. 1944). *See id.* In *Luft*, a pre-Lanham Act case involving the extraterritorial reach of United States trademark law, the court created three categories of foreign countries: (1) countries in which both parties sold goods and the defendant had established its right to use its mark under local law; (2) countries in which both parties sold goods but defendant had not established a right to use its mark; and (3) countries in which the defendant was selling goods but the plaintiff had not proven that it had sold goods under its mark or that it was likely to do so. *See Luft*, 142 F.2d at 540. Under *Luft*, the exercise of jurisdiction was appropriate only if the nation fell into the second category. *See id.* at 541. In *Aerogroup*, both Marlboro and Aerogroup were selling goods in Canada, but Marlboro had not established trademark rights to do so under Canadian law. *See Aerogroup*, 955 F. Supp. at 230. Therefore, Marlboro's activities in Canada fell into the second category and the exercise of jurisdiction was justified. *See id.*

40. *See Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*9 (Gajarsa, dissenting in part).

41. *Id.* at \*12 (quoting *Aerogroup*, 955 F. Supp. at 230). Even assuming that its application were granted under Canadian law, it remained unclear whether Marlboro could piggyback on the application filed by its customer. *See Aerogroup*, 955 F. Supp. at 230-31. Thus, the district court found the circumstances inconclusive and omitted the *Vanity Fair* factor from the extraterritorial application of the Lanham Act. *See id.* at 230.

42. *See Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*12.

dant's activities fell short of the "substantial" effect previously required, yet it concluded that this *Vanity Fair* factor was equivocal.<sup>43</sup> The dissent argued that such a holding contradicted *Vanity Fair*, which specifically mandated that there be a substantial effect on United States commerce.<sup>44</sup> According to the dissent, the district court's decision represented an extraterritorial application of the Lanham Act under standards far less stringent than those required under Second Circuit case law.<sup>45</sup> Furthermore, the district court holding would give the Lanham Act extraterritorial effect where only one factor had been established, in that case, the United States citizenship of the defendant.<sup>46</sup>

The willingness of courts within the Second Circuit to accept less than full compliance with the *Vanity Fair* factors may also be seen in *Gordon & Breach Science Publishers S.A., STBS, Ltd. v. American Institute of Physics*.<sup>47</sup> *Gordon & Breach Science* involved the dissemination of information in promotional letters that were mailed both domestically and abroad in violation of the Lanham Act.<sup>48</sup> The district court applied only one of the three *Vanity Fair* factors because all parties were United States citizens and there was no conflict with foreign law.<sup>49</sup>

The district court's analysis of the commerce factor of the *Van-*

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43. See *Aerogroup*, 955 F. Supp. at 230.

44. See *Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*16-18. In calculating the damages, the district court noted that the damages were far less than the lost sales noted by the court in *Warnaco, Inc. v. Vanity Fair Corp.*, 844 F. Supp. 940 (S.D.N.Y. 1994), but speculated that *Aerogroup's* losses would have been greater if they had not acted promptly in filing the lawsuit. See *Aerogroup*, 955 F. Supp. at 230. However, Judge Gajarsa's dissent to the appellate decision argued that the damages were inaccurately calculated. See *Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*15-16. According to the dissent, had the court damages been based on what Marlboro actually received, as opposed to the total retail value of shoes sold in Canada, the effect on commerce would have been even less than that determined by the district court. See *id.* Thus, it would not have satisfied the substantiality requirement. See *id.*

45. See *Aerogroup*, 1998 U.S. App. LEXIS 7733, at \*16-17.

46. *Id.* (contending that the district court erroneously used the citizenship of the defendant to satisfy the substantiality requirement); cf. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956) (holding that the absence of two of the factors was fatal to the extraterritorial application of the Lanham Act).

47. 905 F. Supp. 169 (S.D.N.Y. 1995).

48. See *id.* at 172.

49. See *id.* at 181.

ity *Fair* test is remarkable on two bases. First, the court substituted the word “significant” for the word “substantial” with respect to the necessary effect on United States commerce.<sup>50</sup> Second, the court found that the mailing of a single letter from the United States to England satisfied the element requiring a “significant” effect on commerce.<sup>51</sup> Holding that the degree of the infringement was more important than the breadth of discrimination, the court concluded that the extraterritorial application of the Lanham Act was warranted.<sup>52</sup> The district court’s citation to *Bulova* underscores its subtle shift to a less strict standard for the extraterritorial reach of the Lanham Act.<sup>53</sup>

In *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*,<sup>54</sup> the district court was petitioned to enjoin infringement that allegedly occurred in the United States and Japan. Les Ballets Trockadero (“Trocks”), the plaintiff, was an all-male satirical ballet troupe.<sup>55</sup> Although Trocks was incorporated in New York and performed in the United States, the troupe derived the majority of its income from performances in Japan.<sup>56</sup> The defendant, also a New York corporation, attempted to use the name “Les Ballets Torokka de Russia” in connection with another all-male satirical ballet that would also perform in Japan.<sup>57</sup>

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50. *See id.* This language is closer to the effect on commerce required by the Fifth Circuit. *See American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n*, 701 F.2d 408, 414 (5th Cir. 1983) (holding that defendant’s activities must have “more than an insignificant effect on United States commerce.”).

51. *See Gordon & Breach Science*, 905 F. Supp. at 181-82 (holding that since the letters were mailed in the United States, the mailing constituted activity within the United States and therefore constituted United States commerce). *But see Aerogroup Int’l, Inc. v. Marlboro Footworks, Ltd.*, 152 F.3d 948 (Fed Cir. 1998) (per curiam) (unpublished table decision), available in LEXIS, 1998 U.S. App. LEXIS 7733, at \*16-17 (Gajarsa, dissenting) (arguing that if consideration were given only to the use of instrumentalities of American commerce, nearly every United States corporation would meet the standard even if their business outside of United States borders were insignificant).

52. *See Gordon & Breach Science*, 905 F. Supp. at 181-82.

53. *See id.* (noting that under *Bulova*, the argument for the extraterritorial application of the Lanham Act is stronger when the infringing acts are not limited to the territory of a foreign nation).

54. 945 F. Supp. 563 (S.D.N.Y. 1996).

55. *See id.* at 565.

56. *See id.*

57. *See id.* The sole shareholder of the defendant corporation was the former pro-

Employing the *Vanity Fair* test, the district court found that the citizenship requirement was easily met, since all parties were incorporated in the state of New York.<sup>58</sup> The second *Vanity Fair* factor, which requires requiring a “substantial” effect on United States commerce, was also met because of the dilution and damage the defendant’s activity would have on the plaintiff’s reputation, as well as its prospective business and licensing opportunities in Japan.<sup>59</sup> Somewhat surprisingly, however, the court also found that the third *Vanity Fair* factor, which requires no conflict with foreign law, was present.<sup>60</sup> The defendant in this case had already applied for registration of its trademark in Japan.<sup>61</sup> On the basis of expert testimony, the court concluded that it was unlikely that the defendant would be able to secure registration of its mark under Japanese law.<sup>62</sup> As in *Gordon & Breach Science*, that rationale reflects the court’s willingness to extend the jurisdictional reach of the Lanham Act.<sup>63</sup>

In a similar scenario, however, the Second Circuit was unwilling to extend the extraterritorial application of the Lanham Act in *Atlantic Richfield Co. v. Arco Globus Int’l Co.*<sup>64</sup> The plaintiff, At-

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moter of the Trocks. *See id.* The artistic director of the defendant corporation was also hired from the Trocks to organize a troupe that would compete with the Trocks in Japan. *See id.*

58. *See id.* at 567.

59. *See id.* The adverse effect on the reputation of the defendant has also been held in other cases to satisfy the commerce requirement. *See King v. Allied Vision, Ltd.*, 807 F. Supp. 300, 306 (S.D.N.Y. 1992) (“The court has jurisdiction under the Lanham Act to enjoin the misuse of plaintiff’s name in connection with the foreign distribution of the film, as defendants’ actions substantially interfere with United States commerce.”); *Calvin Klein Indus., Inc. v. BFK Hong Kong, Ltd.*, 714 F. Supp. 78, 80 (S.D.N.Y. 1989) (“A substantial effect on commerce may be found where the defendant’s activities are supported by or related to conduct in United States commerce.”). The court also noted that almost all of the activities necessary to organize a dance troupe—including the hiring of dancers, arrangement of music and costumes, and rehearsals—were all performed in the United States. *See Les Ballets*, 945 F. Supp. at 567.

60. *See id.* at 567.

61. *See id.* at 567-68.

62. *See id.* at 567. Interestingly, the court appears to base its conclusion on the testimony of a single expert. *Id.* Because the testimony stood uncontradicted, the court presumed it to be an accurate characterization of Japanese law.

63. *See Gordon & Breach Science Publishers S.A., STBS, Ltd. v. American Institute of Physics*, 905 F. Supp. 169 (S.D.N.Y. 1995).

64. 150 F.3d 189 (2d Cir. 1998).

lantic Richfield Company, a company well-known in the foreign and domestic oil and gas industry, owned the mark “ARCO” and sued to enjoin the defendant, Arco Globus International (“AGI”), from using its name to identify AGI’s oil and gas operations in the United States and the Soviet Union.<sup>65</sup> AGI was a small New Jersey corporation formed to help generate business for its parent company, which was involved in the processing, financing, and sale of crude oil.<sup>66</sup>

Applying the *Vanity Fair* test, the Second Circuit established that since the parties were United States citizens and there was no conflict with foreign law, two prongs were satisfied.<sup>67</sup> Nevertheless, the court held that there was no substantial effect on United States commerce.<sup>68</sup> The court based this conclusion on three findings: first, AGI’s use of the mark did not mislead the United States public; second, AGI did not compete with Atlantic Richfield by using United States streams of commerce; and third, AGI’s domestic activities did not materially support the use of its trademark in foreign jurisdictions.<sup>69</sup> Consequently, although AGI did have some contact with United States commerce, its mere geographic presence was insufficient to constitute a substantial effect.<sup>70</sup> Although the two other *Vanity Fair* prongs were satisfied, the court found the

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65. *See id.* at 190-91.

66. *See id.* at 191.

67. *See id.* at 192.

68. *See id.* at 193.

69. *See id.* AGI had no American customers and only two employees in the United States. *See id.* Moreover, AGI had no plans to expand its petroleum operations into the United States, although it took Soviet managers on tours of American refineries, attempted unsuccessfully to form a petroleum joint venture in the United States, and deposited money derived from foreign sales into a New York bank account. *See id.* However, the court held that such acts were not essential to AGI’s foreign conduct. *See id.* Consequently, the court distinguished *Bulova* from the instant circumstances. The facts in *Atlantic Richfield* may also be distinguished from *Gordon & Breach Science*. In *Gordon & Breach Science*, the commerce requirement was satisfied by the mailing of a single letter, which was mailed for the purpose of soliciting customers on the basis of information that violated the Lanham Act. *See Gordon & Breach Science Publishers S.A., STBS, Ltd. v. American Institute of Physics*, 905 F. Supp. 169, 181-82 (S.D.N.Y. 1995). In *Atlantic Richfield*, the defendant’s domestic activities did not have the purpose or effect of aiding in conduct that violated the Lanham Act. *See Atlantic Richfield*, 150 F.3d at 193.

70. *See id.* (finding no showing that AGI’s domestic activities materially supported foreign use of the trademark).

absence of this factor to be determinative.<sup>71</sup>

### B. *The Ninth Circuit*

The tripartite test adopted by the Second Circuit in *Vanity Fair* has not received universal acceptance. The Ninth Circuit has adopted a more elaborate test to determine whether to extend the jurisdictional reach of the Lanham Act.<sup>72</sup> Although the genesis for the Ninth Circuit test may be found in *Bulova*,<sup>73</sup> the test is essentially an extrapolation of the jurisdictional Rule of Reason analysis used in antitrust cases.<sup>74</sup>

A leading example of the Ninth Circuit test may be found in *Wells Fargo & Co. v. Wells Fargo Express Co.*<sup>75</sup> Incorporated in California, Wells Fargo & Company held a valid United States registration of the “Wells Fargo” mark and sued to prevent Wells Fargo Express Co., a foreign corporation with a United States subsidiary, from using the “Wells Fargo” name in the United States and Europe.<sup>76</sup>

The Ninth Circuit specifically rejected the substantial effect on commerce requirement from the *Vanity Fair* tripartite test.<sup>77</sup> Ac-

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71. *See id.* at 192. The court went so far as to state that the Second Circuit has never extended extraterritorial application to the Lanham Act where there has been no substantial effect on American commerce. *See id.*

72. *See Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427-29 (9th Cir. 1977) (applying a jurisdictional Rule of Reason analysis to decide whether the Lanham Act would be given extraterritorial effect).

73. *See Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 503 (9th Cir. 1991) (interpreting *Bulova* as recognizing the broad jurisdictional grant provided in the language of the Lanham Act).

74. *See Timberlane Lumber Co. v. Bank of America*, 549 F.2d 597 (9th Cir. 1976). The deference to antitrust analysis is somewhat ironic since trademarks act as a restraint on competition by preventing competitors from entering the market through the sale of goods bearing the trademark holder's mark. *See HENRY J. STEINER ET AL.*, *TRANSNATIONAL LEGAL PROBLEMS*, 960-65 (4th ed. 1994). The extraterritorial application of antitrust law has also been addressed in *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287 (3d Cir. 1979), and *United States v. Aluminum Co. of America*, 148 F.2d 416 (2d Cir. 1945).

75. 556 F.2d 406 (9th Cir. 1977).

76. *See id.* at 411. Wells Fargo Express was incorporated in Liechtenstein and retained ownership of its United States subsidiary until the onset of litigation, at which time it sold its shares in the American subsidiary to its lawyer. *See id.* at 411-12.

77. *See id.* at 427-28.

ording to the Ninth Circuit's interpretation of the Supreme Court precedent, *Bulova* did not compel a finding that the effect of the defendant's activities on commerce be substantial.<sup>78</sup> Moreover, the Ninth Circuit declined to endorse the view that the absence of one of the prongs of the tripartite test signaled the inapplicability of the Lanham Act.<sup>79</sup> Instead, the court concluded that the jurisdictional Rule of Reason analysis set out in *Timberlane Lumber Co. v. Bank of America*,<sup>80</sup> a case involving the extraterritoriality of the Sherman Act, should be used to determine the extraterritorial coverage of the Lanham Act.<sup>81</sup> To that end, the court held that each of the *Vanity Fair* requirements be considered a single factor to be balanced against other elements in the determination of whether the United States had sufficient contacts and interests to warrant the extraterritorial application of the Lanham Act.<sup>82</sup>

Another illustrative example of the Ninth Circuit's use of the jurisdictional Rule of Reason approach occurred in *Ocean Garden, Inc. v. Marktrade Co.*<sup>83</sup> Ocean Garden, the plaintiff, was a United

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78. *See id.* The court noted that since the substantiality requirement was based on distinctions across interstate commerce (which is subject to congressional regulation), and intrastate commerce (which is not subject to congressional regulation), the requirement should not be extended to foreign commerce. *See id.*

79. *See id.* Although the court acknowledged that the elements of the test were relevant to the analysis, the court refused to allot determinative weight to any particular element in resolving the jurisdictional issue. *See id.* Regrettably, however, the court neglected to specify how many elements would render the Lanham Act applicable or inapplicable to extraterritorial conduct.

80. 549 F.2d 597 (9th Cir. 1976).

81. *See Wells Fargo*, 556 F.2d at 428. Since the jurisdictional language of the Sherman Act was similar to the Lanham Act, the *Wells Fargo* court applied the test used to ascertain the extraterritorial reach of the Sherman Act to the Lanham Act. *See id.*

82. *See id.* at 428-29. According to the Ninth Circuit, the other factors that should be considered include:

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

*Id.*

83. 953 F.2d 500 (9th Cir. 1991).

States seller of canned seafood products, which included Mexican abalone.<sup>84</sup> Ocean Garden claimed that the defendant Marktrade Company, Inc., which was incorporated in California, had infringed Ocean Garden's trademarks in the canned seafood products that Marktrade sold in the Far East.<sup>85</sup> The goods in question were not sold within the United States.<sup>86</sup> Rather, they were canned in Mexico and shipped through a United States foreign trade zone.<sup>87</sup>

In determining whether to extend the Lanham Act extraterritorially, the Ninth Circuit again applied the *Timberlane* test.<sup>88</sup> The *Ocean Garden* court mandated that three elements be present: (1) some effect on United States commerce; (2) the effect must be sufficient to present a cognizable injury under the statute; and (3) the interest and links to United States commerce be sufficiently strong in relation to other nations.<sup>89</sup> The third requirement was subdivided into seven components, including: (1) the degree of conflict with foreign law; (2) the nationality of the parties; (3) the extent to which the enforcement of United States law could be expected to achieve compliance; (4) the relative significance of effects on the United States as compared to effects elsewhere; (5) whether the explicit purpose of the defendant was to harm United States commerce; (6) the foreseeability of such effects; and (7) the relative importance of the violations within the United States.<sup>90</sup>

Applying the *Timberlane* criteria, the court found that the first two elements were satisfied because Ocean Garden claimed to have sustained a loss of millions of dollars in revenue. Under the Lanham Act, such monetary injuries incurred in the United States were recoverable by the plaintiff.<sup>91</sup> As to the sub-factors of the

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84. *See id.* at 502.

85. *See id.*

86. *See id.* The defendant argued that since the goods passed through a foreign trade zone, they did not affect United States commerce and therefore the district court lacked jurisdiction. *See id.*

87. *See id.*

88. *See id.* at 503.

89. *See id.*

90. *See id.* at 503-04.

91. *See id.* at 503. The court was not persuaded by Ocean Garden's argument regarding dilution of its trademark in the United States because any consumer deception would likely occur not in the United States, but rather in the Far East. *See id.* However,

third element of the *Timberlane* test, the court found that since there were no pending proceedings in foreign jurisdictions, there was no conflict with foreign law.<sup>92</sup> Both parties were incorporated in California, satisfying the nationality component. The court also found that to the extent that the defendant had managed its business from the United States, it could likely expect that trademark compliance would be enforced in the United States.<sup>93</sup> The plaintiff was a United States corporation that had suffered losses domestically.<sup>94</sup> As a result, the relative effects on United States commerce also favored the exercise of jurisdiction under the Lanham Act. Evidence of the defendant's intentional infringement indicated that there was an explicit purpose to harm United States commerce.<sup>95</sup> With respect to the sixth sub-factor, the court held that the effect on commerce was foreseeable in light of the preceding factors. Finally, the relative importance of the violations to the United States was great because a domestic corporation had been injured by the infringement.<sup>96</sup>

More recently, the test delineated in *Ocean Garden* was used to decide *Winterland Concessions Co. v. Fenton*.<sup>97</sup> Winterland Concessions Co., which held exclusive licenses to sell products exhibiting pictures of popular music artists in the United States, sued to enjoin the defendant, Fenton, from distributing unlicensed pictures in the United Kingdom and the United States.<sup>98</sup>

Applying the test from *Ocean Garden*, the court concluded that the extraterritorial application of the Lanham Act was warranted.<sup>99</sup>

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since the monetary damages would be suffered in the United States, the court held that this element was present. *See id.*

92. *See id.* at 504. The court held that absent an adjudication on the defendant's rights regarding use of the mark, its ruling would not interfere with foreign law. *See id.*

93. *See id.*

94. *See id.*

95. *See id.*

96. *See id.* The court held that under the broad jurisdictional language of the Lanham Act, the statute applied to all commerce that may be lawfully regulated by Congress. *See id.* at 504-05. Since Congress has the power to regulate commerce inside the foreign trade zones, the court held that the jurisdiction of the Lanham Act encompasses foreign trade zones. *See id.*

97. 835 F. Supp. 529 (N.D. Cal. 1993).

98. *See id.* at 530-31.

99. *See id.* at 531.

The first two requirements regarding the effect on United States commerce were quickly established by the court because the defendant's foreign sales competed with the plaintiff's sales.<sup>100</sup> The court also found that there was no conflict with the law of the United Kingdom.<sup>101</sup> Since all parties had substantial ties to the United States it was likely that enforcement could achieve compliance.<sup>102</sup> Furthermore, the court found that the defendant's sale of infringing products substantially affected the plaintiff's domestic business and thereby significantly affected United States commerce.<sup>103</sup> The defendant's decision to sell unlicensed products demonstrated an explicit purpose to harm United States commerce, rendering the harm foreseeable.<sup>104</sup> Thus, the court found the components of the balancing test were easily satisfied and the exercise of jurisdiction under the Lanham Act was proper.<sup>105</sup>

### C. *The Fifth Circuit*

Although it has had fewer opportunities, the Fifth Circuit has considered the extraterritorial application of the Lanham Act. In *American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n*,<sup>106</sup> both parties were United States corporations that engaged in the sale of rice domestically and internationally under a variety of brand names.<sup>107</sup> Claiming that Arkansas Rice Growers had infringed its trademark in connection with the sale of rice in Saudi Arabia, American Rice sued Arkansas Rice Growers under the Lanham Act.<sup>108</sup>

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100. *See id.* The court was willing to presume that the plaintiff's sales decreased. *See id.* However, in *Ocean Garden*, the court specifically considered the monetary injury alleged by the plaintiff in determining that the first two factors of the test weighed in favor of exercising jurisdiction. *See Ocean Garden*, 953 F.2d at 503.

101. *See Winterland*, 835 F. Supp. at 531.

102. *See id.*

103. *See id.*

104. *See id.*

105. *See id.*

106. 701 F.2d 408 (5th Cir. 1983).

107. *See id.* at 410.

108. *See id.* at 412. American Rice held a valid United States trademark in the name "Abu Bint" which appeared on bags of rice sold in Saudi Arabia. *See id.* at 410-11. Subsequently, Arkansas Rice Growers began selling rice in Saudi Arabia under the names "Abu Binten" and "Bint al-Arab," using the same colors as the American Rice la-

In selecting a test for determining the extraterritorial application of the Lanham Act, the court recognized the conflict between the *Vanity Fair* factors and the test used in the Ninth Circuit which relied primarily on the jurisdictional analysis developed in *Timberlane*.<sup>109</sup> Subject to two qualifications, the court in *American Rice* embraced the elements considered in *Bulova* and *Vanity Fair*.<sup>110</sup> First, like the Ninth Circuit in *Wells Fargo*, the Fifth Circuit refused to impose the requirement that the infringement have a “substantial” effect on United States commerce.<sup>111</sup> Instead, the court indicated that the effect on United States commerce need only be “more than insignificant.”<sup>112</sup> Second, the court specified that the *Vanity Fair* factors serve, not as the exclusive basis, but as the *primary* basis for analysis.<sup>113</sup> Therefore, the absence of any single

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bel. *See id.* at 411.

109. *See id.* at 414 n.8.

110. *See id.* at 414.

111. *See id.* The Fifth Circuit, like the Ninth Circuit in *Wells Fargo*, relied on language from *Timberlane* for its rejection of the substantiality requirement used in *Vanity Fair* on the basis that the standard was articulated within the context of distinguishing between the congressional ability to regulate interstate commerce and its inability to regulate intrastate commerce, and was not formulated for the purpose of determining the effect on commerce. *Cf. id.* at 414 n.8; *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977).

112. *American Rice*, 701 F.2d at 414.

113. *See id.* at 414. The court, however, neglected to specify which additional factors would be appropriate to consider in determining whether to extend extraterritorial jurisdiction to the Lanham Act. In contrast, Ninth Circuit decisions have delineated the other factors meritorious of consideration. *See, e.g., Wells Fargo*, 556 F.2d at 428-29 (applying the jurisdictional Rule of Reason test which it had adopted in *Timberlane*). The court stated:

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

*Id.* (quoting *Timberlane Lumber Co. v. Bank of America*, 549 F.2d 597, 614-15 (9th Cir. 1976) (footnotes omitted)); *Ocean Garden, Inc. v. Marktrade Co., Inc.*, 953 F.2d 500, 503 (9th Cir. 1991) (relying on the *Timberlane* factors); *Winterland Concessions Co. v. Fenton*, 835 F. Supp. 529, 531 (N.D. Cal. 1993) (holding that the *Timberlane* test governed findings of extraterritorial jurisdiction under the Lanham Act). The court found the following factors important:

*Vanity Fair* factor is not necessarily be dispositive.<sup>114</sup>

The circumstances in *American Rice* satisfied all three factors articulated by the court.<sup>115</sup> Since the defendant was incorporated in Arkansas, there was no issue regarding his citizenship.<sup>116</sup> The court held that since the defendant had processed, packaged, and transported the infringing products within the United States, the required effect on commerce was more than insignificant.<sup>117</sup> Furthermore, the requirement that there was no conflict with foreign law was satisfied because the defendant did not hold a valid right to use its mark under Saudi Arabian law.<sup>118</sup>

### III. CRITIQUE

Of all the tests formulated to determine the extraterritorial effect of the Lanham Act, the elements required by the Second Circuit appear to be the most restrictive.<sup>119</sup> The Second Circuit requires that the effect on United States commerce be “substantial.” Its test also renders the Lanham Act inapplicable if two of the three prongs of the test are not satisfied, and raises the possibility of refusing jurisdiction if even one prong is not present.<sup>120</sup>

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(1) [T]here must be some effect on American foreign commerce; (2) the effect must be sufficiently great to present a cognizable injury to the plaintiffs under the federal statute; and (3) the interests of and links to American foreign commerce must be sufficiently strong in relation to those of other nations.”

*Id.* (quoting *Timberlane*, 549 F.2d at 613)).

114. *See American Rice*, 701 F.2d at 414.

115. *See id.* at 414-16.

116. *See id.* at 414.

117. *See id.* Citing *Bulova*, the court held the fact that sales of the infringing products were consummated on foreign soil was immaterial to its analysis. *See id.* at 414-15. It was also deemed immaterial that the infringing goods did not make their way back to the United States. *See id.* at 415.

118. *See id.* at 415. The defendant attempted to persuade the court that it had secured a concurrent right to use the mark when it became the private label supplier for the merchant who held a valid registration under Saudi Arabian law. *See id.* The court, however, rejected this argument because under Saudi Arabian law, trademarks are non-inheritable and non-transferable. *See id.*

119. *See Sarah Thomas-Gonzalez, Extraterritorial Jurisdiction of the Lanham Act: American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n*, 11 BROOKLYN J. INT'L L. 411, 430-36 (1985) (arguing that the more restrictive theory of jurisdiction is appropriate in trademark cases).

120. *See Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir.

Notwithstanding the rigidity of its prongs, the Second Circuit test has more flexibly extended the jurisdiction of the Lanham Act. Like the Fifth Circuit in *American Rice*,<sup>121</sup> the Second Circuit undertakes its own analysis of the validity of an application for registration of a trademark still pending in a foreign jurisdiction, thereby resolving potential conflicts under foreign law.<sup>122</sup> The law of the Second Circuit has also been applied to affirm the extraterritorial jurisdiction of the Lanham Act where the evidence regarding the substantiality requirement was found to be equivocal and conflicts with foreign law were not factored into the decision.<sup>123</sup> The Second Circuit has refused extraterritorial application of the Lanham Act where the substantiality requirement has not been met, such as in *Arco Globus*, but only when the geographical presence of the defendant within United States borders served as the sole contact with United States commerce.<sup>124</sup>

In contrast, the Ninth Circuit applies the most flexible of the circuit approaches, in both theory and practice. In addition to demonstrating that the defendant is a United States citizen, and that there is no conflict with foreign law, a plaintiff in the Ninth Circuit need only show that the defendant's alleged infringement had "some" effect on United States commerce to assure the extraterritorial protection of its trademark rights.<sup>125</sup> Given that lenient criterion, the extraterritorial application of the Lanham Act has been justified even in cases where the infringing goods are contained within a foreign trade zone and are not sold in the United States.<sup>126</sup> As long as the plaintiff has sustained monetary injury in the United States, the components of the Ninth Circuit's test have been held to be satisfied.<sup>127</sup>

The third factor of the Ninth Circuit test regarding conflicts

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1956).

121. See *American Rice*, 701 F.2d at 415 (holding that the defendant had not demonstrated that it held concurrent rights to the trademark under Saudi Arabian law).

122. See *supra* notes 54-62 and accompanying text.

123. See *supra* notes 33-46 and accompanying text.

124. See *Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189 (S.D.N.Y. 1998).

125. See *Ocean Garden, Inc. v. Marktrade Co., Inc.*, 953 F.2d 500 (9th Cir. 1991).

126. See *id.* at 503.

127. See *id.*

with foreign law essentially balances the interests of the United States against the interests of other nations.<sup>128</sup> As long as the plaintiff suffers monetary loss as a result of the defendant's infringing conduct, the additional test of the parties' United States citizenship may be enough to satisfy the Ninth Circuit test.<sup>129</sup> Furthermore, unlike the Second Circuit, which can refuse to extend extraterritorial effect to the Lanham Act if two factors are missing, the Ninth Circuit treats each factor as merely one consideration to be balanced against other factors. In addition, the Ninth Circuit does not specify the number of factors that would have to be absent to block the extraterritorial application of the Lanham Act.<sup>130</sup> The judicial latitude by the Ninth Circuit makes the application of the test more difficult to predict and may open the door to disparate decisions.<sup>131</sup>

The test for the extraterritorial application of the Lanham Act employed by the Fifth Circuit seems to be a compromise between the Second and Ninth Circuit tests. While essentially incorporating the elements of the Second Circuit test, the Fifth Circuit has loosened the rigidity of the *Vanity Fair* test by requiring only that the effect on United States commerce be "more than insignificant." The Fifth Circuit also suggests that the parameters of the *Vanity Fair* test not be limited to the three elements considered by the Second Circuit.<sup>132</sup> Unfortunately, by failing to specify what other factors should be considered by the court, the Fifth Circuit test allows for even less predictability than the balancing test proffered by the Ninth Circuit.

#### CONCLUSION

Given the plethora of cases decided in the Second Circuit, it

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128. See *Timberlane Lumber Co. v. Bank of America*, 549 F.2d 597, 611-12 (9th Cir. 1976).

129. See *Ocean Garden*, 953 F.2d at 503; *Winterland Concessions Co. v. Fenton*, 835 F. Supp. 529, 531 (N.D. Cal. 1993).

130. See *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 428 (9th Cir. 1977).

131. *But see Butts*, *supra* note 24, at 468 (arguing that justice and fairness may be better served by permitting such elasticity in judicial analysis).

132. See *American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n*, 701 F.2d 408, 414-15 (5th Cir. 1983).

would seem appropriate to concentrate on the jurisdictional requirements imposed by that particular circuit regarding the extraterritorial reach of the Lanham Act. Indeed, if plaintiffs fully satisfy the more restrictive elements required by the Second Circuit, they should be successful in securing an injunction against extraterritorial conduct under the Lanham Act from either the Ninth or Fifth Circuit.

However, in light of the increasingly liberal application by the Second Circuit of the extraterritorial parameters of the Lanham Act, the disparity among the tests applied by the circuit courts appears to be eroding. As a result, contingent on the effect to United States commerce, United States companies operating abroad can expect to receive protection for their trademarks against infringement beyond United States borders.