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## Trademarks and the Internet: Resolution of International IP Disputes by Unilateral Application of U.S. Laws

Richard L. Garnett

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# TRADEMARKS AND THE INTERNET: RESOLUTION OF INTERNATIONAL IP DISPUTES BY UNILATERAL APPLICATION OF U.S. LAWS

*Richard L. Garnett\**

## I. INTRODUCTION

In this Symposium, we have had contributions from a number of scholars addressing the issue of how to resolve transnational, intellectual property (IP) disputes. According to one view, the development of internationally accepted principles of both jurisdiction and applicable law would assist courts in selecting a single forum and governing law in an IP dispute.<sup>1</sup> It is hoped that such an approach would achieve uniform outcomes from national courts with respect to a single set of facts. A more direct solution to transnational IP disputes might be to harmonize the national substantive laws themselves, so that each state applies the same law of, for example copyright, regardless of where the events occurred or the nationality of the parties.<sup>2</sup> In the case of territorially delimited IP rights, however, harmonization of domestic law is only a partial remedy because of the competing national interests involved.<sup>3</sup>

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\* Associate Professor, Law School, The University of Melbourne, Australia. The author is an Adviser to the American Law Institute in its project on transnational intellectual property adjudication and is also a member of the Australian Government delegation to the Hague Conference on Private International Law (Convention on Choice of Court Agreements).

<sup>1</sup> See, e.g., AMERICAN LAW INSTITUTE, INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW AND JUDGMENTS IN TRANSNATIONAL DISPUTES (Preliminary Draft No. 3, 2005) [hereinafter ALI PRINCIPLES, Draft No. 3]. The Brooklyn Law School Symposium focused on Preliminary Draft No. 3, which was made available to the participants in October 2004.

2. JAMES J. FAWCETT & PAUL TORREMANS, INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW 460 (1998).

3. For example, even if Australia and the United States had identical trademark laws, the fact that each country grants its own trademark right for its sphere of territorial operation means that two rights-holders, one under U.S. law and one under Australian law, would still conflict when one rights-holder seeks to use its mark in the other's territory.

What may be needed, more dramatically, is the creation of a single, transnational, IP right similar to the European Union (EU) Community Trademark<sup>4</sup> and the proposed EU Community Patent.<sup>5</sup> Outside of Europe, however, there has been little progress towards this objective. In fact, the current differences in national trademark laws suggest that achievement of such a goal in the near future is unlikely.

Recently, however, other forces of convergence have emerged in the area of intellectual property. First, the placement of IP matters within the treaty framework of the World Trade Organization, via the development of multinational panels to review member compliance with the TRIPS Agreement,<sup>6</sup> is likely to have a harmonizing effect on domestic laws.<sup>7</sup> Second, the emergence of borderless information technology has challenged the notion of regulation by disparate domestic laws that, at least with respect to IP, are often territorial in application. In particular, the volume and intensity of transnational conflicts has increased with the rise of the Internet, and these disputes are exposing the inadequacy of existing domestic IP laws.<sup>8</sup>

The object of this paper is to explore a "third path" between the conflict of laws and harmonization approaches, which can be described as the unilateral application of domestic law to

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4. Council Regulation 40/94 of 20 December 1993 on the Community Trademark 1994 O.J. (L 1) 1.

5. Commission Proposal for a Council Regulation on the Community Patent, COM(00)412 final at 177.

6. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex IC, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 81 (1994).

7. AMERICAN LAW INSTITUTE, INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW AND JUDGMENTS IN TRANSNATIONAL DISPUTES 20 (Preliminary Draft No. 2, 2004) [hereinafter ALI PRINCIPLES, Draft No. 2].

8. International arbitration mechanisms are emerging to address this inadequacy. *See, e.g.*, Internet Corporation For Assigned Names and Numbers [hereinafter ICANN], Uniform Domain Name Dispute Resolution Policy, available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm> (Oct. 24, 1999) [hereinafter UDRP] (under which approved arbitration panels apply a form of supra-national law not necessarily tied to any domestic legal system). December 1, 1999 marked the first day that complaints could be lodged under the policy. ICANN, Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy, available at <http://www.icann.org/udrp/udrp-schedule.htm> (last visited Mar. 22, 2005).

transnational disputes. The context in which unilateralism has been most manifest is in the area of Internet trademark disputes; this will be the focus of the present discussion.<sup>9</sup> In particular, I argue that a unilateralist approach, as evidenced by the U.S. application of the Anticybersquatting Consumer Protection Act (ACPA) of 1999,<sup>10</sup> is appropriate in cases involving cyber-piracy, but not in situations where only good faith use of a trademark is involved. In Part II, I briefly discuss general jurisdictional and applicable law issues and review some pre-ACPA decisions. Part III looks at the application of ACPA in two contexts: cyber-piracy cases and those cases involving a good faith use of a trademark right. This Article then concludes with a discussion of the U.S. treatment of foreign rights-holders.

It is important to clarify what is meant by “unilateralism” in this Article. The idea here is that courts apply national trademark or unfair competition law to disputes with a substantial foreign element, without adequate regard for, or consideration of, the dispute’s transnational nature. While traditional conflict of laws analysis imposes preconditions and restraints at both the jurisdictional and applicable law stages, under a unilateralist approach, there are minimal hurdles imposed. Many national conflict of laws systems are premised, at least in part, on respect for the adjudicative competence and territorial sovereignty of other states.<sup>11</sup> Accordingly, the jurisdictional and applicable law principles of most countries attempt to accommodate the interests of foreign states and defendants, while preserving the interests of the forum state and its local residents.<sup>12</sup>

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9. While the presence of unilateralism in the area of Internet trademark disputes may simply be a reflection of the volume of such cases in recent years, it may also be part of a broader trend that will appear in other contexts.

10. 15 U.S.C. § 1125(d) (1999) (Section 1125 is generally referred to as the Lanham Act).

11. See 1 ALBERT V. DICEY & JOHN H.C. MORRIS, DICEY AND MORRIS ON THE CONFLICT OF LAWS 5–7 (Lawrence Collins ed., 13th ed. 2000) [hereinafter DICEY & MORRIS] (describing concept of “comity”). The idea that a court should apply the law or seek the jurisdiction with the “closest connection” to the parties and the dispute has been increasingly influential in jurisdiction and applicable law doctrine in Europe and the United States. See EUGENE F. SCOLES & PETER HAY, CONFLICT OF LAWS 114 (3rd ed. 2000) [hereinafter SCOLES & HAY].

12. DICEY & MORRIS, *supra* note 11, at 4–5.

It follows, therefore, that it would be inappropriate for a national court to simply assume jurisdiction, or apply local law in a transnational case, without adequately assessing the relevant foreign interests.

In the context of transnational Internet disputes involving trademarks, however, courts and legislatures have, on occasion, sought to apply domestic law without the usual preconditions or restraints imposed to protect foreign interests.<sup>13</sup> The application of ACPA by U.S. courts is one such example of this kind of unilateralism.<sup>14</sup> The consequences of such an approach are twofold. First, trademark laws of certain states are likely to have a wide, possibly global, impact at the expense of other states, whose capacity to apply their own laws and protect their own citizens is restrained. In effect, a supranational trademark regime may be created, not pursuant to a transnational process of harmonization but, rather, due to unilateral national action. Second, such action may inspire retaliation by other states as they also choose to abandon their jurisdictional and applicable law methodologies in favor of direct, unilateral application of local laws to cases with a foreign element. These consequences would have a seriously detrimental effect on the global trademark system as a whole.

*A. The Kinds of Transnational Disputes that Arise from the Use of Trademarks on the Internet*

A common factual context which has given rise to this problem is where a local plaintiff, who is the holder of trademark rights under the law of the forum state, brings an action against a foreign party who has no physical presence in the forum. The foreign-based party operates an Internet Web site, typically hosted on a foreign server, that uses the plaintiff's mark in the text of its site and/or as its domain name. The fo-

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13. Note that the problem of the clash between domestic trademark laws and the global Internet domain name system has been discussed widely in the scholarly literature. See, e.g., Graeme B. Dinwoodie, *Essay: (National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT'L ECON. L. 495 (2000).

14. It should be noted, however, that evidence of this unilateral tendency is not confined to the practice of the United States and, even in those legal systems where evidence of the approach is found, it is not an approach that is consistently or universally applied.

rum court is confronted with two questions in this context: whether to exercise personal jurisdiction over the foreign defendant and, if so, what law to apply to the action. While both inquiries have the capacity to recognize and accommodate foreign interests, in a number of cases, these interests are diminished.

In considering the degree to which national courts should take into account foreign interests in Internet trademark litigation, it is helpful to identify a number of variations on the broad example given above. The first situation is where a plaintiff and defendant are each using the same or similar mark on the Internet within their specific national territories, under the protection of local trademark law, and are separately targeting a predominantly local customer audience. A second variation is where the plaintiff and defendant are using the same mark, again protected by local law in their respective places of residence but one party (or both) is soliciting customers outside its borders in order to establish an international market for its products. A third situation is where the defendant is using an internationally-known mark on the Internet, either with the intent to exploit the plaintiff's goodwill for the benefit of its own business or to merely extort money from the trademark owner; this is the classic "cybersquatting" situation.

In considering the application of domestic rules of personal jurisdiction and applicable law in Internet trademark cases, it is important to distinguish between the differing factual matrices referred to above. A more unilateral or expansive approach to applying national law with less regard for foreign interests is arguably more defensible in the case of a person using a mark for cybersquatting than in the case of a person using the mark, in good faith, in predominantly local trade. Consequently, while it will be argued in this Article that foreign interests and elements should be taken into account in Internet trademark litigation, not all interests are entitled to the same degree of deference.

## II. FIRST THINGS FIRST: JURISDICTION AND TERRITORIAL SCOPE

### *A. Personal Jurisdiction in Internet Cases*

In the United States, there is evidence of both unilateralism and restraint in cases involving trademark and unfair competition claims arising from Internet activity. A clear example of

U.S. restraint is the test used by U.S. courts to determine personal jurisdiction in Internet disputes.<sup>15</sup>

U.S. courts recognize two broad categories of personal jurisdiction in suits against foreign defendants, namely, "specific" and "general" jurisdiction.<sup>16</sup> Regarding specific jurisdiction in the Internet context, a defendant will be found to have the requisite "minimum contacts" if it purposefully directed electronic activity into the state with the intent of engaging in business or other interactions with forum residents.<sup>17</sup> Mere establishment of an interactive Web site, through which the defendant has the capacity to exchange information with forum residents is insufficient; there must be a clear intention to target and solicit customers from such persons.<sup>18</sup>

This test has generally proven effective in protecting foreign defendants in Internet trademark cases from excessive exposure to U.S. liability. For example, in a recent Third Circuit decision, *Toys "R" Us, Inc. v. Step Two, S.A.*,<sup>19</sup> a Spanish company was found not to have targeted residents in New Jersey where the content of its Web site was entirely in Spanish, prices were in Pesetas or Euros, merchandise could only be shipped to

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15. It is not the purpose of this Article to examine in detail the law on personal jurisdiction but, rather, to demonstrate that the current U.S. jurisdictional tests are protective of the rights of foreign defendants and of the "adjudicative space" of foreign tribunals.

16. Specific jurisdiction is based on the "minimum contacts" between the defendant's actions and the forum state. *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). *See also Asahi Metal Indus. Co. v. Superior Court of California*, 480 U.S. 102, 108–09 (1987). General jurisdiction exists, regardless of the cause of action, where the defendant is engaged in "continuous and systematic" activity in the forum state. *Helicopteros Nacionales de Colom., S.A. v. Hall*, 466 U.S. 408, 414 (1984).

17. *ALS Scan, Inc. v. Digital Serv. Consultants, Inc.*, 293 F.3d 707, 714 (4th Cir. 2002); *Neogen Corp. v. Neo Gen Screening, Inc.*, 282 F.3d 883, 890 (6th Cir. 2002); *Mink v. AAAA Dev. LLC*, 190 F.3d 333, 337 (5th Cir. 1999) (passive Web site insufficient for personal jurisdiction); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 420 (9th Cir. 1997) (same as *Mink*).

18. *See ALS Scan, Inc.*, 293 F.3d at 714. For the contrary view that the mere availability and use of an interactive, transaction-oriented Web site is sufficient for personal jurisdiction, see *Gorman v. Ameritrade Holding Corp.*, 293 F.3d 506, 510–13 (D.C. Cir. 2002).

19. *See generally Toys "R" Us, Inc. v. Step Two, S.A.*, 318 F.3d 446 (3d Cir. 2003).

addresses within Spain, and it was not possible for U.S. residents to register with the defendant's online club.<sup>20</sup>

Another basis for specific jurisdiction under U.S. law is the "effects" test, which provides that a U.S. court may exercise jurisdiction where a foreign defendant intentionally aims its conduct at the forum state.<sup>21</sup> This test has been applied in the Internet trademark context by the Ninth Circuit to secure jurisdiction over a defendant who registered a trademark belonging to a plaintiff as a domain name, and then tried to sell it back to the company in an extortive fashion.<sup>22</sup> Such clear and deliberate cyber-piracy was considered by the court to have been intentionally directed at the forum state.<sup>23</sup> This basis of jurisdiction is likely to be most useful in the case of abusive or bad faith uses of a mark.

U.S. law also recognizes personal jurisdiction over foreign entities where "general" jurisdiction is found to exist. In this situation, the plaintiff's claim may be unrelated to the defendant's contacts with the forum. Consequently, a more onerous test applies than for specific jurisdiction; namely, the plaintiff must show that the defendant has "continuous and systematic" contacts with the forum.<sup>24</sup> Satisfaction of such a test in the Internet context will require a defendant to have clearly targeted forum residents with its Web site, such as where the defendant engaged in business with such persons and entered into contracts there.<sup>25</sup>

### *B. Territorial Scope of the Applicable Law*

Once a U.S. court has determined that personal jurisdiction exists in an action involving foreign entities, it must then decide which law to apply in adjudicating the dispute. In the context of general torts, many U.S. courts apply a version of the "interests analysis" doctrine, that is, they identify the state that has the greatest interest in having its law applied to the particular

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20. *Id.* at 454.

21. *Calder v. Jones*, 465 U.S. 783, 791 (1984).

22. *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1318 (9th Cir. 1998).

23. *Id.*

24. *Helicopteros*, 466 U.S. at 411–12.

25. *Gator.com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072, 1075 (9th Cir. 2003); *Lakin v. Prudential Sec., Inc.*, 348 F.3d 704, 712 (8th Cir. 2003).



issue and weigh the competing entitlements of the other state.<sup>26</sup> In theory, U.S. law would only apply where the court found that the U.S. interest prevailed over that of the foreign state.

In trademark litigation, however, this traditional approach for selecting the applicable law has not been followed. Instead, where a plaintiff seeks relief for trademark infringement under the Lanham Act,<sup>27</sup> courts examine whether the case fits within the territorial scope of the Act, rather than follow a choice of law analysis.<sup>28</sup> Consequently, the only law that is relevant before the court is the Lanham Act, which is either found to apply, or not, as a matter of statutory construction.

It is not entirely clear why traditional applicable law analysis has been avoided by U.S. courts in the trademark context, although writers have noted that this is consistent with the approach taken in other countries based on the concept of *lex loci protectionis* (the law of the place where protection is claimed).<sup>29</sup> Pursuant to this view, courts are directed in IP cases to apply the law invoked by the plaintiff to the exclusion of any other possible law. Such an approach, however, does not necessarily mean that foreign elements and interests cannot be considered in the inquiry. It would only be, for example, where U.S. courts were to apply the Lanham Act to the conduct of a foreign defendant, with little or no link to the United States, that claims of excessive unilateralism could be made.

The historical record of the U.S. courts in applying the Lanham Act to foreign commerce is interesting. In *Steele v. Bulova Watch Co.*, the U.S. Supreme Court applied the Lanham Act to the defendant, who made watches under a local trademark in Mexico, and subsequently sold them in the United States in breach of the plaintiff's mark.<sup>30</sup> The court gave three

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26. The majority of states adopt an analysis derived from the American Law Institute's Second Restatement. See RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 6 (1971) [hereinafter RESTATEMENT (SECOND)]; SCOLES & HAY, *supra* note 11, at 79–102.

27. 15 U.S.C. § 1125(a) (1999).

28. See, e.g., *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283–84 (1952).

29. Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, Paper Presented at the World Intellectual Property Organization (WIPO) Forum on Private International Law and Intellectual Property (Jan. 30–31, 2001) (WIPO Doc. No. WIPO/PIL/01/4 2001), available at <http://www.wipo.int/pil-forum/en/documents>.

30. *Bulova Watch Co.*, 344 U.S. at 285.

reasons for applying U.S. law: first, the defendant was an American citizen and accordingly, Congress had wide power to legislate with respect to his acts; second, the effects of the defendant's conduct were felt in the United States, where some of the infringing items were sold; and third, at the time of the court hearing, the defendant had lost its Mexican trademark rights so there no longer existed any conflict between U.S. and foreign trademark rights.<sup>31</sup>

While courts in the pre-Internet era were cautious in giving the Act an extraterritorial operation where the defendant was not a U.S. citizen, the advent of new technologies appears to have altered this position dramatically.<sup>32</sup> Indeed, it should come as no surprise that technology, which renders the difference between the domestic and the foreign illusory,<sup>33</sup> should expose the limitations of the *Bulova* test. There is a much greater opportunity with the Internet for the domestic use of a trademark to spill across borders and impact commerce elsewhere.<sup>34</sup> Yet, there seems to be no scope under *Bulova* to apply U.S. law where the defendant is a foreign national and, in addition, in the Internet context, it may be very difficult to precisely quantify the degree of harm on the plaintiff's U.S. commerce.

Furthermore, the *Bulova* test draws no distinction between the various types of trademark infringement in terms of the defendant's conduct and intent. Cyber-piracy arguably stands apart from instances where a party merely uses a mark on the Internet to expand into international markets. However, according to *Bulova*, principles of territorial connection are applied in a neutral fashion to determine the scope of operation of U.S. trademark law, without regard to whether the defendant

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31. *Id.* at 286–89.

32. In the majority of U.S. decisions not involving Internet infringement, courts have been reluctant to grant relief under the Lanham Act unless the defendant is a U.S. citizen and there is a substantial effect on U.S. commerce. *See Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 643–44 (2d Cir. 1956) (refusing to apply the Act where the U.S. owner of a U.S. mark sought to restrain the use of the mark in Canada by a Canadian resident who owned the Canadian registration for the same mark and was selling similar products there).

33. *See generally* Uta Kohl, *Eggs, Jurisdiction and the Internet*, 51 INT'L & COMP. L.Q. 555 (2002) (discussing the limitations of the *Bulova* test).

34. Jack L. Goldsmith, *Against Cyberanarchy*, 65 U. CHI. L. REV. 1199, 1240–42 (1998).

was acting in good faith or abusively. Given that bad faith use of marks has increased enormously since the advent of the Internet, a test based on pure territorial connection is outdated and inadequate.<sup>35</sup> The *Bulova* principle does remain useful, however, where a defendant only intends to use a mark within a limited geographical area, and has acquired local rights' protection for that purpose. It would be unjust if such a person were unduly penalized for unforeseeable and uncontrollable spillover of its use into other states.

Not surprisingly then, U.S. courts have responded to the rise of cybersquatting by extending the scope of the Lanham Act so that it may apply to both foreign and U.S. defendants, even where there has been a less than substantial effect on U.S. commerce. The courts appear to have decided that a bad faith user has, by virtue of its conduct, forfeited any right to exemption from the application of U.S. trademark law.<sup>36</sup> Unfortunately though, in the judiciary's enthusiasm to catch cybersquatters through expansive application of U.S. law, some "collateral damage" has occurred. In particular, there have been cases where a foreign entity, with little or no connection to the United States, using its mark in good faith within its territory, has been held subject to the Lanham Act.<sup>37</sup>

In one notorious case, *Cable News Network L.P. v. CNNNews.com*,<sup>38</sup> a Chinese resident who registered a domain name for a site accessible in the United States was found to be subject to the Act, despite the fact that his site was a news ser-

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35. To some extent, this outcome is a result of the policies adopted by ICANN for registration in the generic top-level domains, such as (.com), where domains have been allocated on a "first come, first served" basis without any regard for whether the registrant has a right to use such a name under trademark law. See ICANN, *Top-Level Domains*, at <http://www.icann.org/tlds> (last visited Mar. 16, 2005). This approach is in contrast to the procedure adopted in most national registries for the grant of country-level domains, which require some prior connection between the registrant and the name. See, e.g., *infra* note 65.

36. See, e.g., *Hollywood Entertainment Corp. v. Hollywood Entertainment, Inc.*, 1999 U.S. Dist. LEXIS 6466, \*11 (N.D. Cal. May 4, 1999); see also *Toys "R" Us, Inc. v. Abir*, 1997 U.S. Dist. LEXIS 22431, \*11 (S.D.N.Y. Dec. 19, 1997).

37. See, e.g., *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp. 2d 824 (N.D. Ill. 2000); *Cable News Network L.P. v. CNNNews.com*, 177 F. Supp. 2d 506 (E.D. Va. 2001), *aff'd in part*, 56 Fed. Appx. 599 (4th Cir. 2003).

38. *Cable News Network L.P.*, 177 F. Supp. 2d at 517-18.

vice entirely in the Chinese language, with 99.5% of its users located in Chinese cities, and which transacted no business within the United States. The court applied the Act for a number of reasons. Generally, it argued the Act was applicable because of the global nature of the Internet. It also found the significant number of Chinese speakers in the United States, and the fact that the (.com) domain is essentially an American top-level domain, to be relevant. Last, it noted that CNN is an internationally famous mark. In the court's view, the accessibility of the mark in the United States and, accordingly, the risk of confusion with the plaintiff's mark, created an effect on U.S. commerce.<sup>39</sup>

This case is problematic because there was no evidence that any Chinese speakers in the United States knew of the site, let alone accessed it, and so the risk of confusion with the U.S. mark seemed minute. In addition, the case did not reveal bad faith use on the part of the defendant: he conducted an almost exclusively local business within China, in the Chinese language, and directed his business at many people who, likely, were not aware of the U.S. company's mark.<sup>40</sup>

In such a case, there is a good argument for applying the *Bulova* principles to shield the foreign defendant from U.S. law, in the same way that U.S. jurisdictional principles have been applied to protect foreign interests in international trademark litigation.<sup>41</sup> Such an application would accord with the views of European scholars who have advocated a "co-existence" approach to cross-border Internet trademark disputes.<sup>42</sup> Under such a doctrine, only where the foreign user is making an "unfair use" of the mark, such as by cybersquatting, blatant imitation, or intentional confusion, would the use be prohibited.<sup>43</sup>

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39. *Id.*

40. Note that on appeal the U.S. Court of Appeals for the Fourth Circuit expressly vacated the District Court's finding that the defendant had engaged in bad faith. *Cable News Network L.P. v. CNNNews.com*, 56 Fed. Appx. 599, 603 (4th Cir. 2003) (unpublished).

41. *See supra*, Part I.A.

42. *See, e.g.*, Torsten Bettinger & Dorothee Thum, *Territorial Trademark Rights in the Global Village--International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet (Part One)* 31 IIC 162 (2000) and *(Part Two)* 31 IIC 285 (2000).

43. *Id.* at 300-02. *See also* WIPO, Joint Recommendation Concerning Provisions on the Protection of Marks and Other Industrial Property Rights in

Such a view recognizes the legitimate competing interests of mark-holders and denies the right of a state to unilaterally impose its law outside of the bad faith context. The United States, however, has not chosen to follow the co-existence approach. Rather, it responded to the cyber-piracy problem by enacting ACPA. The effect of this legislation on cross-border Internet trademark litigation is considered in the next section.

### III. THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT (ACPA)

ACPA is a globally unique piece of legislation in at least two respects. First, the Act creates a new statutory tort of cyber-piracy whereby a trademark owner may bring an action against a person who has registered a domain name with the bad faith intent to profit from the mark.<sup>44</sup> Second, ACPA creates a new basis of *in rem* jurisdiction for trademark owners.<sup>45</sup> As an alternative to bringing a personal action against a defendant, the plaintiff may proceed *in rem* against the offending domain name in the judicial district in which the domain name registrar or domain name registry is located. This *in rem* jurisdiction is available for cyber-piracy, trademark infringement, and dilution claims.

The *in rem* jurisdiction provision is especially significant because Verisign, the exclusive worldwide registry for all domain names in the (.com), (.org) and (.net) top-level domains, is located in Virginia. Hence, even though registrars exist in other states and have the authority to allocate these top-level domains, Verisign retains the ability to transfer ownership or cancel a name. Consequently, a holder of a U.S. trademark will be able to use *in rem* jurisdiction to sue a top-level domain in Vir-

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Signs, on the Internet, Arts. 2 & 3, available at [http://www.wipo.int/about-ip/en/development\\_iplaw/pub845.htm](http://www.wipo.int/about-ip/en/development_iplaw/pub845.htm) (last visited Apr. 10, 2005) (allowing a defendant to make a "restrained use" of a mark, which means any use other than one intended to have a "commercial effect" in a country); Annette Kur, *Use of Trademarks on the Internet: the WIPO Recommendations* 33 IIC 41, 43-46 (2002).

44. 15 U.S.C. § 1125(d)(1)(A) (1999).

45. § 1125(d)(2)(A).

ginia regardless of the location of the registrar from which the name was allocated.<sup>46</sup>

Two preliminary comments should be made about the legislation. First cyber-piracy, as was mentioned above, is one of the least defensible forms of trademark infringement. Consequently, a strong case exists for broad application of U.S. law to foreign infringers to deter and punish such conduct. Second, the drafters of ACPA appear to have been concerned not only with the difficulty of establishing personal jurisdiction, but also, the serious problem of enforcement of U.S. court orders. Enforcement is difficult because the relief typically sought in trademark infringement cases is an injunction requiring a defendant to cease the infringing activity, and such relief is rarely capable of recognition and enforcement as a foreign judgment.<sup>47</sup>

It is arguable that the effect of ACPA *in rem* jurisdiction in cyber-piracy cases involving the top-level domain names is to establish the U.S. District Court for the Eastern District of Virginia as the exclusive global forum for such disputes and the Lanham Act as the exclusive applicable law. While some commentators have rejected this outcome as undesirable in all cases of trademark infringement,<sup>48</sup> the present author sees justification for a wide application of U.S. law in the context of abusive uses and registrations. Given the problem of enforcement mentioned above, the ACPA approach, which completely dispenses with any need to consider foreign interests or elements in the litigation before applying U.S. law, is clearly valid in cases where egregious or bad faith infringement has occurred. Moreover, it is important to note that the *in rem* provisions of the statute do not apply in all Internet trademark cases, for example where the defendant has a domain registered in the coun-

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46. § 1125(d)(2)(A)(ii)(I)–(II) (The right to proceed *in rem*, however, also depends upon the mark owner showing (a) that personal jurisdiction would not be available over a person who would have been a defendant in the civil action; or (b) through due diligence that it has not been able to find a person who would have been a defendant.).

47. See, e.g., UNIF. FOREIGN MONEY-JUDGMENTS RECOGNITION ACT § 3 (1962) (in force in thirty states).

48. See Xuan-Thao Nguyen, *The Digital Trademark Right: A Troubling New Extraterritorial Reach of United States Law*, 81 N.C. L. REV. 483, 487 (2003); Steven J. Coran, Note, *The Anticybersquatting Protection Act's In Rem Provision: Making American Trademark Law the Law of the Internet?*, 30 HOFSTRA L. REV. 169, 170 (2001).

try-level domain of another nation. In such a case, the U.S. trademark owner who wishes to bring an action in the United States against a foreign defendant for trademark infringement, must satisfy both the rules of personal jurisdiction and the territorial scope of the Lanham Act, which means that there is scope for recognition of foreign interests in such cases.

On the other hand, the use of ACPA against an innocent foreign defendant, who uses a mark in good faith and is protected under its local law, is oppressive and does not adequately weigh the interests of the local plaintiff and foreign defendant. It may be said in response that the territorial restrictions of the Lanham Act must still be satisfied in cases other than cyber-piracy. For example, where the defendant used the mark in U.S. commerce, recent cases show how slim the contact with the United States can be for U.S. law to apply.<sup>49</sup> In situations of genuine good faith use, the application of ACPA may lead to injustice.

#### A. ACPA Applied to Cyber-Piracy Cases

In cyber-piracy cases, the exercise of *in rem* jurisdiction under ACPA has been effective in ceasing the use of domain names registered by foreign-based defendants, particularly where such persons had little or no connection to the United States.<sup>50</sup> The threshold requirement for *in rem* jurisdiction, that a plaintiff show that jurisdiction does *not* exist over the person of the registrant, also seems easy to satisfy. For example, in *BroadBridge Media, L.L.C. v. Hypercd.com*, the court barely referred to personal jurisdiction at all, simply noting that the plaintiff was unable to serve the domain name registrant because he was a foreign resident.<sup>51</sup>

Despite the legitimacy of applying the *in rem* provisions of ACPA to cyber-piracy cases, there are signs that some foreign courts and domain name registrars are resenting its applica-

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49. *Cable News Network L.P.*, 177 F. Supp. 2d at 517–18. See also *Euro-market Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp. 2d 824, 833 (N.D. Ill. 2000).

50. See, e.g., *Heathmount A.E. Corp. v. Technodome.com*, 106 F. Supp. 2d 860, 868–69 (E.D. Va. 2000); *BroadBridge Media, L.L.C. v. Hypercd.com*, 106 F. Supp. 2d 505, 509 (S.D.N.Y. 2000).

51. *BroadBridge Media, L.L.C.*, 106 F. Supp. 2d at 509.

tion, particularly where the defendant is a local party with little or no connection to the United States. While this reaction suggests something of a foreign backlash against perceived unilateral application of U.S. law, it may also be said that foreign authorities could be doing more to ensure that their local residents do not engage in deliberate conduct that harms U.S. trademark owners.

In *GlobalSantaFe Corp. v. GlobalSantaFe.com*,<sup>52</sup> a U.S. mark owner obtained an order in an ACPA *in rem* suit directing a Korean registrar to transfer a domain name belonging to a Korean registrant to the U.S. owner on the ground that the name violated its U.S. trademark rights.<sup>53</sup> The Korean registrant then obtained an order from the Korean court restraining the registrar from transferring the name on the basis that the U.S. court lacked jurisdiction to make such an order. The U.S. court responded by ordering Verisign to cancel the domain name. The court noted that although the Korean registrant had no contacts with the United States, the Korean registrar was in breach of its contract with Verisign by refusing to transfer the name. In addition, the court noted that ACPA *in rem* jurisdiction had an important policy justification: catching foreign-registered domain names in the top-level domain that infringe upon U.S. trademarks. Were ACPA *in rem* jurisdiction not to exist, such conduct could not be prevented.<sup>54</sup> In fact, the court felt that ACPA did not go far enough because foreign registrants could circumvent its provisions by registering domain names with local registrars within their respective country-level domains.<sup>55</sup> The court appeared to lament the fact that such names are currently out of reach of the U.S. courts.<sup>56</sup>

*GlobalSantaFe* is a good example of why ACPA is needed: had it not existed, the U.S. trademark owner would have struggled to obtain personal jurisdiction over a party who was blatantly infringing upon its rights. In addition, it seems clear from the facts that even if a U.S. court had found jurisdiction to exist and issued an order requiring the defendant to cease use,

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52. See generally *GlobalSantaFe Corp. v. GlobalSantaFe.com*, 250 F. Supp. 2d 610 (E.D. Va. 2003).

53. *Id.* at 612.

54. *Id.* at 623.

55. *Id.* at 624.

56. *Id.* at 625.



it is very likely that the Korean court would not have enforced the order. Tension between courts and administrative authorities in different countries should be avoided, occasionally, however, it will have to be endured to protect a trademark owner's rights. While such action may also lead to other states enacting their own version of ACPA,<sup>57</sup> if the scope of such legislation is limited to bad faith and abusive uses of marks, there is likely to be little damage to the international trademark system.

A similar comment may be made about the case *America Online, Inc. v. AOL.org*.<sup>58</sup> In that decision, the court ordered the Public Interest Registry in Virginia to transfer a domain name to a U.S. corporation, where a foreign registrar had refused to do so in violation of an earlier U.S. court order.<sup>59</sup> In fact, the Chinese registrar transferred the domain name to another registrar in South Korea in an attempt to avoid enforcement of the judgment upon one of its offices in California.<sup>60</sup>

Although the decision in *America Online* is an appropriate application of ACPA to that claim, the court also made some general comments on the operation of ACPA that are problematic, at least when applied outside the cybersquatting context. The court noted that foreign registrants, by choosing a top-level domain to register a domain name, had

chose[n], in effect to play Internet ball in American cyberspace. Had they wished to avoid an American ACPA suit and transfer order and American jurisdiction altogether, they might have chosen to register the infringing domain name in top-level domains with solely foreign registries and registrars ... [R]egistrants choosing the ".org" top-level domain must know, or reasonably should have known, that the controlling registry for that domain is a U.S. entity located in Virginia and that, under the ACPA, a federal court in Virginia would ultimately have jurisdiction over any name registered in the ".org" top-level domain.<sup>61</sup>

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57. Zohar Efroni, *A Barcelona.com Analysis: Toward a Better Model for Adjudication of International Domain Name Disputes*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 29, 90 (2003).

58. See generally *America Online, Inc. v. AOL.org*, 259 F. Supp. 2d 449 (E.D. Va. 2003).

59. *Id.* at 449.

60. *Id.* at 452-53.

61. *Id.* at 457.

The court appears to be saying that registration of a domain name in the top-level amounts to de facto submission to U.S. jurisdiction and law. The correctness of this view is questionable given that the only dispute resolution process a registrant clearly submits to at the time of registration is the Uniform Dispute Resolution Policy (UDRP), which is included as a term in the registration agreement for the generic top-level domains.<sup>62</sup> It is likely that most registrants would simply be unaware of the application of ACPA, particularly those who registered names prior to its enactment in 1999. It seems a stretch to say that such persons have submitted to U.S. law and jurisdiction—rather, it appears that U.S. law has been imposed on them.

### *B. ACPA Applied to Good Faith Infringements*

Where an action is brought under ACPA against a defendant who is making a good faith use of a mark, application of its provisions is particularly problematic, as is shown by *CNNNews.com*, discussed above.<sup>63</sup> In *CNNNews.com*, there was no finding that the defendant sought to do business in the United States, or that it used the mark in bad faith, yet it was held subject to *in rem* jurisdiction and stripped of its domain name.<sup>64</sup>

It could be said that ACPA would not stop the defendant from registering a domain name in the Chinese country-level domain. Such an outcome, however, is at odds with the philosophy of the domain name system, which is to encourage global

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62. See, for example, the clause provided by the registrar 2Tone Domain Registration Service, Customer Registration Agreement, at <http://www.2tonedomains.com/site/docs/agreement.php> (Mar. 14, 2005):

6. DOMAIN NAME DISPUTE POLICY. If you reserved or registered a domain name through us, or transferred a domain name to us from another registrar, you agree to be bound the Dispute Policy which is incorporated herein and made a part of this Agreement by reference. The current version of the Dispute Policy may be found at our web site: <http://www.icann.org/udrp/urdp.htm>. Please take the time to familiarize yourself with such policy.

*Id.*

63. See generally *Cable News Network L.P. v. CNNNews.com*, 177 F. Supp. 2d 506 (E.D. Va. 2001), *aff'd in part*, 56 Fed. Appx. 599 (4th Cir. 2003) (ACPA applied despite slim contacts with the United States).

64. *Id.*

use of the generic top-level domains, so that parties can use the Internet to reach new markets with their goods and services.<sup>65</sup> If the generic top-level domains were reserved exclusively for U.S. trademark owners, then limiting the defendant to a Chinese registry may have been appropriate.<sup>66</sup> The U.S. court, however, saw the case as entirely one of protecting the interests of the local trademark owner even though in this case the degree of harm to the party was very slight. Perhaps the court felt a sense of deference to the plaintiff given the international profile and goodwill of its brand. Nevertheless, the decision is a regrettable application of ACPA.

Two other ACPA *in rem* cases that did not involve cyberpiracy on the part of the defendant may be similarly criticized. In *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*,<sup>67</sup> the registrant of a domain name, who was a Spanish citizen but operated a U.S. shelf company (hosted on a Spanish server), sought a declaration under ACPA that its use of the name did not infringe any trademark rights of the Spanish defendant, the Barcelona City Council. The provision relied upon was the so-called “reverse domain name hijacking” provision of ACPA, which allows a domain name owner to sue to recover its domain name when a trademark owner has exceeded its author-

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65. Note that ICANN has described un-sponsored, generic top-level domains (which includes the .com domain) as operating “under policies established by the global Internet community directly through the ICANN process....” *Top-Level Domains (gTLDs)*, at <http://www.icann.org/tlds> (last visited Mar. 17, 2005). This statement supports the view that the .com domain was intended for global, not merely American, use. In addition, the Generic Top level Domain Memorandum of Understanding (February 28, 1997) refers to the generic TLDs as “global name resources” which require administration by a “global distribution of registrars.” *Establishment of a Memorandum of Understanding on the Generic Top Level Domain Name Space of the Internet Domain Name System (gTLD-MoU)*, at <http://www.gtld-mou.org> (last visited Mar. 17, 2005).

66. For example, in Australia, the domain name registrar for the (.com.au) domain will only allocate a domain to an entity that has a commercial connection with Australia and some trademark or business association with the name. In effect, a registrant under the Australian system must be linked to the country and have a genuine intent to do business under that name. *Domain Name Eligibility and Allocation Rules for the Open 2LDs (2002-07)*, at <http://www.auda.org.au/policies/auda-2002-07> (last visited Mar. 17, 2005).

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

ity by having the name suspended or transferred in arbitration proceedings, for example, under the UDRP.<sup>68</sup> Here, the Spanish mark owner had previously been successful via UDRP proceedings in having the name transferred to it.<sup>69</sup>

The U.S. District Court in *Barcelona.com* refused the registrant's claim for a declaration, holding that the domain name infringed upon the City Council's rights under Spanish trademark law.<sup>70</sup> However, the Fourth Circuit reversed this decision, holding that foreign trademark law was irrelevant to a registrant's suit to recover a domain name under ACPA.<sup>71</sup> According to the court, U.S. trademark law had exclusive operation in such a case, and since the word "Barcelona" was not protected under U.S. law, the registrant was entitled to keep the domain name.

The first interesting point about the case is that it was the domain name registrant who brought the action to overcome an unfavorable UDRP decision that labeled it a cybersquatter. Consequently, the case would seem to encourage cybersquatters (whether U.S. or foreign) to use ACPA against legitimate foreign mark owners. This outcome is rather ironic given that the original purpose of ACPA was to deter cyber-piracy.

Second, the dispute at issue had almost no connection with the United States: it involved two Spanish entities, concerned a Spanish city, and was hosted on a Spanish server. While the UDRP found for the City Council on the basis of Spanish law, the Fourth Circuit ignored this finding on the basis that only U.S. law was relevant. Surely this was a case where, under U.S. choice of law principles, a court would have considered that it had no interest in applying U.S. law given the lack of any meaningful U.S. connections.<sup>72</sup> This case suggests that a review of ACPA is required to prevent U.S. law from being unilaterally and exorbitantly applied.<sup>73</sup>

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68. See Remedies; Infringement; Innocent Infringement by Printers and Publishers, 15 U.S.C. § 1114(2)(D)(v) (1999); UDRP, *supra* note 8 and accompanying text.

69. *Barcelona.com, Inc.*, 189 F. Supp. 2d at 370–71.

70. *Id.* at 372, 376.

71. *Barcelona.com, Inc.*, 330 F.3d at 628.

72. See *supra*, Part II.A.

73. See, e.g., Efroni, *supra* note 57, at 85–91, 117.

The most recent ACPA decision against a foreign defendant, *Hawes v. Network Solutions, Inc.*, also involved an action by a U.S. domain name registrant against a foreign trademark owner in circumstances where the registrant appeared to have engaged in cybersquatting.<sup>74</sup> The difference between this case and *Barcelona.com*, however, is that the foreign trademark owner had obtained a judgment for infringement from a foreign court. *Hawes* concerned a U.S. plaintiff who registered the domain name "lorealcomplaints.com" with Network Solutions, Inc. (NSI) in 1999.<sup>75</sup> L'Oreal, a French corporation, sued Hawes for trademark infringement in France, and, after NSI produced the registration certificate to the French court, the court ordered the transfer of the domain name to L'Oreal.<sup>76</sup> Hawes then sued L'Oreal in Virginia under the reverse domain name hijacking provision of ACPA, arguing that his use of the domain name was not unlawful, and requesting that it be transferred back to him.

The Fourth Circuit allowed the plaintiff's claim but stated that it did not want to "imply any disrespect of [the] French court."<sup>77</sup> In its view, jurisdiction under ACPA was not qualified or limited by the fact of pending actions in a foreign court in the same way that UDRP proceedings would not preclude an ACPA suit.<sup>78</sup> Three comments may be made about this decision. First, this case continues the trend, seen in *CNNNews.com* and *Barcelona.com*, of allowing ACPA to be used by persons with no good faith interest in the mark to attack the rights of foreign trademark owners. This trend is unfortunate and injurious to comity. Second, the court's comment that the French proceeding was merely "pending" is not strictly accurate; in fact the matter had already been resolved.<sup>79</sup> Arguably, at the time the U.S. proceedings were filed, the interference with the French court's process was even greater. It was not as if both parties had filed conflicting actions in different countries at the same time or, as in *GlobalSantaFe*, one party had filed retaliatory proceedings in

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74. See generally *Hawes v. Network Solutions, Inc.*, 337 F.3d 377 (4th Cir. 2003).

75. *Id.* at 379.

76. *Id.*

77. *Id.* at 386.

78. *Id.*

79. *Id.* at 379.

a foreign country after an ACPA action had been brought against it.

The French court, seized first, had determined that a breach of its trademark law had occurred and such judgment was entitled to deference in the United States on the ground of comity, as occurs with most foreign judgments in U.S. courts.<sup>80</sup> Instead, the effect of allowing the ACPA action to proceed was to render the foreign trademark rights practically useless, as the registrant was reinstated as owner of the domain name because his registration did not infringe U.S. law.

Third, the Court drew a questionable analogy between foreign court proceedings and UDRP actions. It stated that neither proceeding was entitled to deference by a U.S. court when applying ACPA.<sup>81</sup> The alleged similarity between these two types of proceedings is misplaced, given that, in the case of UDRP decisions, the UDRP Policy expressly provides that court proceedings may be brought to override a decision of a UDRP panel.<sup>82</sup> By contrast, there is no international agreement or policy that elevates the decisions of one national court above another in trademark litigation. Indeed, foreign courts issuing judgments with respect to their own locally-granted trademarks should be entitled to greater deference because they are pronouncing on matters that cannot be adjudicated by a U.S. court. Indeed, as mentioned above, U.S. courts have historically and routinely enforced foreign judgments on the basis of comity.<sup>83</sup> This result is the strongest example to date of the trend of unilateral application of national law in the United States; this is the first case where foreign trademark rights have been expressly overridden by application of ACPA.

### *C. Is ACPA Going in the Right Direction?*

An effective revolution in thinking has occurred since *Bulova* with respect to international trademark disputes. While *Bu-*

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80. U.S. law has a long tradition of respect and comity towards judgments of foreign countries. *See* *Hilton v. Guyot*, 159 U.S. 113, 164 (1895). *See also* UNIF. FOREIGN MONEY-JUDGMENTS ACT, *supra* note 47; RESTATEMENT (SECOND), *supra* note 26, § 98.

81. *Hawes*, 337 F.3d at 386.

82. UDRP, *supra* note 8, ¶ 3(b).

83. *See supra* note 80.

*lova* and its progeny encouraged extreme deference to foreign defendants in the application of U.S. trademark law, recent practice has altered this position. It is clear that the Internet has exposed the inadequacy of the *Bulova* criteria through the penetration of the U.S. market by foreign marks and the emergence of practices such as cybersquatting. Such new developments clearly demand a greater willingness to reach persons outside the United States with U.S. law than was previously the case. Consequently, since ACPA came into force, courts have applied U.S. trademark law more liberally to foreign defendants, a legitimate approach given the high prevalence of cybersquatting in the generic top-level domains and the difficulty of enforcing court ordered injunctive relief in other countries. Where, however, the defendant has few contacts with the United States and is carrying on business in good faith under the mark, with a strong local orientation and backed by the protection of a local trademark, application of U.S. law through ACPA is harder to justify.

This trend is noticeable in the *CNNews.com* case, as well as in more recent decisions, such as *Barcelona.com* and *Hawes*, where domain name owners who appear to have registered names in suspicious circumstances have been allowed to keep such names despite their breach of UDRP Policy or foreign trademark rights.<sup>84</sup> It would be ironic indeed if ACPA were to lead U.S. courts to gain a reputation for facilitating cybersquatting against foreign trademark owners, yet this seems a clear possibility under the current law, and a matter that requires serious legislative attention in the United States.

Nevertheless, the view that ACPA should be repealed in favor of increased deference to UDRP arbitration must be rejected. First, while it is true that the UDRP does provide relief against cyber-piracy, its decisions and procedures have been criticized.<sup>85</sup>

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84. In *Barcelona.com, Inc.*, a domain name owner was found by a UDRP panel to have registered the name in bad faith. *Barcelona.com, Inc.*, 189 F. Supp. 2d at 373. In *Hawes*, a French Court found a domain name owner's registration to infringe a French trademark. *Hawes*, 337 F.3d at 379.

85. See, e.g., Elizabeth G. Thornburg, *Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process*, 6 J. SMALL & EMERGING BUS. L. 191 (2002); Robert A. Badgley, *Improving ICANN in Ten Easy Steps: Ten Suggestions for ICANN to Improve its Anticybersquatting Arbitration System*, 2001 U. ILL. J.L. TECH. & POL'Y 109, 113-14 (2001).

Second, it may be argued that a U.S. trademark owner should be entitled to invoke U.S. jurisdiction to gain redress under its own law, particularly where deliberate and bad faith harm is being caused. Furthermore, for a scheme of greater UDRP deference to work internationally, all states would have to sign a treaty agreeing to limit grounds of domestic judicial review. In the absence of such a treaty, national courts would retain the power to overturn a UDRP decision at the expense, for example, of a U.S. trademark owner's rights.

As a final point, the recent decision in *Microsoft Corp. v. Lindows.com, Inc.*<sup>86</sup> suggests that technology may now be available to assist U.S. courts in curtailing the application of U.S. law in Internet trademark cases. In *Lindows.com*, the availability of inexpensive commercial software to block users according to geographical location was noted.<sup>87</sup> If such software is precise and effective there seems to be no reason why U.S. courts cannot issue orders under ACPA with limited territorial effect. That is, instead of forcing the registrant to transfer or cancel a domain name, it could be entitled to use such a name in all countries where it has rights of use and only precluded from using the mark in the United States. Such an approach would arguably balance the competing interests in cases of parallel good faith use of marks in separate territories more effectively than the current position under ACPA.

#### IV. TURNING THE TABLES: U.S. RECOGNITION OF FOREIGN TRADEMARK RIGHTS

Another possible reason for the expansive application of U.S. law in Internet trademark cases is that, traditionally, U.S. courts have not enforced foreign trademark rights. In particular, they have not allowed a party to sue in the United States for infringement or to question the validity of a foreign-registered mark. The main reason for this position was the "act of state" doctrine, which maintains that a U.S. court does not review the acts of foreign government officials acting within their own territory because of the consequent danger of conflict

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86. *Microsoft Corp. v. Lindows.com, Inc.*, 319 F. Supp. 2d 1219, 1223 (W.D. Wash. 2004).

87. *Id.*



between the court and the administrative and judicial officers of the foreign state.<sup>88</sup>

Most courts examining infringement of foreign registered trademarks have refused to entertain the claims.<sup>89</sup> The decision in *Lindows.com*, however, suggests a possible willingness to reconsider this position. In that matter, Microsoft had obtained an injunction in a Dutch court which restrained Lindows.com from selling and distributing its software in the Netherlands and ordered it to render its site inaccessible to users in Belgium, the Netherlands and Luxembourg.<sup>90</sup> Microsoft then filed a second suit in the Netherlands alleging that Lindows.com had failed to comply with the original order.<sup>91</sup> Lindows.com approached the U.S. courts, seeking to enjoin Microsoft from pursuing the foreign litigation and seeking a declaration that the Dutch order was unenforceable in the United States.<sup>92</sup>

The court refused to grant both forms of relief because to do so would amount to “[interference] with the judicial proceedings of other sovereign nations.”<sup>93</sup> The court noted that the Paris Convention,<sup>94</sup> to which the United States is a party, is premised upon national trademark law having territorial, rather than extraterritorial, operation. If the U.S. court granted the relief sought, it would completely nullify the foreign trademark rights and, in effect, superimpose U.S. law upon a foreign country. Such a conclusion would not only be injurious to comity but also to the holder of the foreign trademark rights, in this case Microsoft.

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88. See, e.g., *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 401 (1964); *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 645 (2d Cir. 1956).

89. See, e.g., *Alcar Group, Inc. v. Corporate Performance Sys., Ltd.*, 109 F. Supp. 2d 948, 952 (N.D. Ill. 2000). Cf. *V & S Vin & Sprit Aktiebolag v. Hanson*, 146 F. Supp. 2d 796, 802 (E.D. Va. 2001) (suggesting that it would have jurisdiction to hear a claim in relation to a foreign trademark where a plaintiff sought a worldwide injunction).

90. *Lindows.com*, 319 F. Supp. 2d at 1221.

91. *Id.*

92. *Id.*

93. *Id.* at 1223.

94. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, *revised at Stockholm*, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305.

*Lindows.com* is a good example of respect for foreign trademark rights in the Internet context and should encourage U.S. courts to rethink their traditional resistance to adjudicating claims based on foreign-registered trademarks. The current U.S. position is harder to justify as multi-territorial infringements of IP rights become increasingly common. For example, a single Web site can infringe upon the trademark laws of many states; it would be sensible for a plaintiff to be able to consolidate all of his claims in a single forum with significant savings in time and costs.<sup>95</sup>

The current approach, perhaps unwittingly, encourages unilateral application of U.S. trademark law. Since a plaintiff cannot secure recovery for infringements of its foreign marks based on conduct outside the United States, a U.S. court may be more easily persuaded by an injured rights-holder to “fill the gap” by applying U.S. law to such conduct. Where the plaintiff is a U.S. resident who would be forced to sue abroad to vindicate its foreign rights, this risk seems particularly great. The record of U.S. courts in applying the Lanham Act to foreign defendants, particularly in Internet transactions, lends some support to this assertion. By contrast, if U.S. courts were to adopt a more receptive approach to foreign trademark claims, in line with the view of the court in the *Lindows.com* case, the incentive for unilateralist and extraterritorial application of national law may diminish. As has been noted,<sup>96</sup> wide and expansive application of national trademark law is likely to be more injurious to relations with foreign states than adjudicating upon foreign trademark rights.<sup>97</sup>

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95. ALI PRINCIPLES, Draft No. 2, *supra* note 7, at 19, 61–64.

96. Dinwoodie, *supra* note 29, at 24.

97. It is also worth noting that while the act of state doctrine has been routinely invoked in U.S. courts to justify refusal to adjudicate foreign trademark actions, the application of this principle here seems somewhat misplaced. Traditionally, this doctrine has been employed to prevent a court reviewing uniquely governmental and sovereign acts of a foreign state, for example the conduct of its national security or foreign policy. Clearly, in this context, a state may understandably resent the intrusion and scrutiny of a foreign court, but the determination as to whether a private party is entitled to sue to protect registered trademark rights would seem much lower down the scale of sensitivity.

## V. CONCLUSION

The “collision” between the national law of trademarks and the borderless Internet domain name system has led to many complex disputes before national courts. In an entirely domestic dispute—between two parties with places of business in the same country, concerning local trademark rights—questions of personal jurisdiction, applicable law and enforcement of judgments do not arise. The introduction of the cross-border element, however, creates problems for domestic courts. Not only should the interest of the foreign party be taken into account but also the interest of foreign states, when the forum court’s holding may encroach upon their jurisdictional and legislative competence.

In some decisions, great respect has been paid to the foreign interests implicated in the litigation, but in other cases courts have assumed jurisdiction or applied local law in almost mechanistic fashion with little regard for the foreign dimension. This unilateralist tendency is justified in the case of abusive and bad faith conduct by foreign users of marks, but is much less acceptable where the user is simply pursuing a genuine, parallel business under the mark in another country. This latter situation, which appears to be the most common type of cross-border Internet trademark dispute, calls for restraint and sensitivity in assumption of jurisdiction and application of local law. Recent technological developments may be available to help courts in this respect by encouraging them to give a limited territorial effect to any orders they impose. Such an approach, based on respect for foreign interests and rights, would seem both necessary and desirable, at least until a truly global trademark regime emerges.