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NOTES

Extraterritorial Application of the Lanham Act:
*American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass’n.*

Congressional legislation is presumed to apply only within the territorial jurisdiction of the United States. The extraterritorial application of any particular law, however, depends upon the intent of the legislature. The general language of the Lanham Act provides that the United States courts have broad jurisdictional powers in trademark infringement cases. Unfortunately, neither the Act itself nor its legislative history sufficiently delineates the limits of its jurisdiction. Thus, the Act’s jurisdictional limits have been defined solely by judicial decisions, and early interpretations have limited extraterritorial application of the

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1 American Banana Co. v. United Fruit Co., 213 U.S. 347, 357 (1909). “All legislation is prima facie territorial. Words having universal scope, . . . will be taken as a matter of course to mean only every one subject to such legislation . . . .” Id.

2 In prescribing standards of conduct for American citizens, Congress has the power to project the impact of its laws beyond the territorial boundaries of the United States, but its intention to do so is a matter of statutory construction. See Bowman v. United States, 260 U.S. 94, 99 (1922). Cf. Foley Bros., Inc. v. Filardo, 336 U.S. 281, 284-85 (1949); Blackmer v. United States, 284 U.S. 421, 436-37 (1932).


4 Section 1114 creates a civil action for a trademark registrant against “any person who shall . . . in commerce” infringe a registered trademark. 15 U.S.C. § 1114 (l)(a) (1982). Section 1121 provides the federal courts with subject matter jurisdiction over causes of action under the Act. Id. § 1121. Section 1127 defines “commerce” as “all commerce which may be lawfully regulated by Congress.” Id. § 1127.

5 See Robert, Commentary on the Lanham Trademark Act in 15 U.S.C.A. 265, 268 (1948). Congress intended to exercise its jurisdictional power under the Commerce Clause (U.S. Const. art. 1, § 8, cl. 3) to the fullest extent:

The new Act clarifies and extends the phrase ‘use in commerce’ far beyond the previous laws and the decisions thereunder.

‘Commerce’ is defined as meaning all commerce which may be lawfully regulated by Congress. This includes commerce between States, . . . and between States . . . and foreign nations. Since there is no limitation, it also appears to extend to any other commerce which burdens, restricts, or interferes with the free flow of interstate, territorial, or foreign commerce.

Further, the Senate Committee Report on the Lanham Trademark Bill states that one of the purposes of the Act is “to carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled.” Sen. Rep. No. 1333, 79th Cong., 2d Sess. 5, reprinted in 1946 U.S. Code Cong. Ad. News 1274, 1276.
Act to cases where the defendant is an American citizen, the infringing act has a "substantial effect" on United States commerce, and where there is no conflict with foreign trademark law.6

In American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n,7 the Fifth Circuit Court of Appeals followed well-developed precedent in modifying this tripartite test. Rather than regarding these factors as absolute requirements, the court held that they should be included as "primary elements in any balancing analysis" used to determine extraterritorial application of the Lanham Act.8 By choosing to modify rather than overrule the tripartite test, the Fifth Circuit decision in American Rice has created a conflict with the recent Ninth Circuit decision in Wells Fargo and Co. v. Wells Fargo Express Co.,9 abandoning the tripartite test and adopting a conflicts-based jurisdictional "rule of reason."

Plaintiff, American Rice, Inc. (A.R.I.), and defendant, Arkansas Rice Growers Cooperative Association (Riceland), were American farmers' marketing cooperatives, each actively engaged in selling rice under a number of brand names to American and foreign customers. Both cooperatives competed in Saudi Arabia where A.R.I. rice sales accounted for approximately seventy-three percent of the market. A.R.I. entered the Saudi market in 1975 when it purchased Blue Ribbon Mills, a company that had been exporting its rice to Saudi Arabia since 1966. Blue Ribbon assigned its trademarks to A.R.I., including the "Abu Bint" trademark and the design mark of a girl with a red, yellow, and black color combination.10 A.R.I., which continued to market its rice in Saudi Arabia under the "Abu Bint" label, acquired two United States registrations for the girl design trademark, but failed in its efforts to obtain a Saudi trademark registration.11

In 1978, Riceland introduced a new brand of rice called "Bint-al-Arab," marketed with a similar design trademark and green, yellow, and black colors. In late 1981, Riceland modified the "Bint-al-Arab" girl design and changed its color scheme to red, yellow, and black so that it appeared very similar to the A.R.I. design mark. In December 1981, Riceland began marketing another brand of rice, "Gulf Girl," also with the design of a girl on a red, yellow, and black label.12 The similar design of the three labels produced confusion among consumers because "the largely illiterate Saudi Arabian public distinguishes rice brands on the basis of the design on the package."13 This similarity and resulting

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7 701 F.2d 408 (5th Cir. 1983).
8 Id. at 414.
9 556 F.2d 406 (9th Cir. 1977).
10 American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n, 701 F.2d 408, 410 (5th Cir. 1983).
11 Id. at 411.
12 Id.
13 Id. The importance of brand recognition because of Saudi illiteracy was evidenced by
confusion also produced "especially good" sales for Riceland.14

A.R.I. filed suit in the United States District Court for the Southern District of Texas, seeking preliminary and permanent injunctions against Riceland, and alleging trademark infringement and unfair competition in violation of the common law and the Lanham Act.15 The district court found evidence of Riceland’s unlawful intent in the similar design characteristics of the three labels and enjoined its use of the trademark.16

The Fifth Circuit affirmed the district court's judgment and went on to clarify the issue of the extraterritorial reach of the Lanham Act. The court concluded that the relevant factors in determining whether the Lanham Act should be applied extraterritorially include the "citizenship of the defendant, the effect on United States commerce, and the existence of a conflict with foreign law."17 The court qualified the use of these factors by noting that the degree of effect on United States commerce need not be substantial, and the absence of any one factor is not dispositive of the jurisdictional issue. Although these factors would be the primary elements in any balancing analysis, the court believed that judicial inquiries should not be limited exclusively to these considerations.18

Applying these principles, the court found all three factors present in American Rice. Riceland was clearly an American corporation;19 no conflict with foreign law existed because the defendant had failed to establish a superior foreign right to use the trademark;20 and even though the ultimate sale of the competing brands occurred in Saudi Arabia, and none of the products made their way back into the United States, the court found that Riceland's use of an infringing mark adversely affected United States commerce by diverting sales from A.R.I.21 Thus, the court held that the contacts and interests of the United States were sufficient to support the exercise of extraterritorial jurisdiction under the Lanham Act, and issued injunctions against Riceland.

The present jurisdictional limits on American trademark laws are best understood by analyzing the development of principles of extraterritorial application under both the common law and the Lanham Act. Prior to the enactment of the Lanham Act, suits for trademark infringement sounded in tort, and the law of the place in which the offense oc-


14 532 F. Supp. at 1382.
15 701 F.2d at 412.
16 Id.
17 Id. at 414.
18 Id.
19 Id.
20 Id. at 415.
21 Id.
occurred governed the right of recovery. The "place of the tort" in trademark infringement is the place where the "passing off" occurs, i.e., where the infringing products are entered into competition with the protected products of the trademark holder. Under this earlier test, the central question in determining the court's jurisdictional authority was whether the infringing acts occurred within the United States. If the alleged trademark infringement occurred wholly in a foreign country, the action could not be reached by United States laws.

Courts later circumvented this restriction by holding that American trademark protection was available whenever any part of the infringing act or scheme occurred within the United States. This approach was initiated in Vacuum Oil Co. v. Eagle Oil Co., where the court allowed an infringement action because the illegal scheme was conceived and partially performed in the United States, although the actual "passing off" occurred in a foreign country. Under this interpretation, United States courts could assume jurisdiction over foreign acts of infringement whenever some aspect of the unlawful activity occurred within the United States.

The effect of a valid foreign trademark registration on the extraterritorial application of United States trademark laws was first considered in George W. Lufl v. Zande Cosmetic Co. In Lufl, the Second Circuit held that when both parties are doing business in the same country, and the defendant has a registered trademark, the defendant's sales do not constitute an infringement of the plaintiff's trademark. Thus, Lufl estab-

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22 This is commonly referred to as the principle of *lex loci delicti*: the creation and extent of tort liability is governed by the law of the place where the last act necessary to constitute a wrong took place. Restatement, Conflicts of Law, § 378 (1934); H. Goodrich, Conflicts of Law, § 92 (3d ed. 1949).

23 Under this rule, the wrong consists solely of physical acts of the defendant. This "physical act" doctrine is now generally rejected by American courts, and the harm resulting from the wrong is said to be the wrong for the purpose of *lex loci delicti*. H. Goodrich, Conflicts of Law, § 93.


28 Id. at 874.

29 142 F.2d 536 (2d Cir.), cert. denied, 323 U.S. 756 (1944). Prior to Lufl, the courts usually ignored such factors as citizenship of the parties, the substantiality of the effect on commerce, and the effect of foreign trademark laws, in asserting jurisdiction. Instead, they followed the presumption "that the law in the foreign countries where any part of the fraudulent business was carried on is the same as our own and that the fraudulent acts are unlawful there as here." 154 F. at 875.

30 142 F.2d at 540. The Lufl court also enumerated two other variations of the problem of the use of a trademark in foreign countries by persons other than the American registrant. In countries where both parties are doing business and the defendant has not registered its trade-
lished the principle that a defendant's use of a trademark sanctioned under the law of the nation where the alleged infringement occurred does not provide grounds for an infringement action under United States law.\textsuperscript{31}

The Lanham Act, passed in 1946, contains broad jurisdictional language, but neither the Act nor its legislative history defines its actual coverage.\textsuperscript{32} The potential scope of the Act has been determined solely by judicial decisions. Historically, extraterritorial application of the Lanham Act has been limited to cases in which the defendant is a United States citizen, the infringing act has a "substantial effect" on United States commerce, and where there is no conflict with trademark rights established under foreign laws.\textsuperscript{33} This tripartite test was developed in the first two cases to interpret the jurisdictional reach of the Lanham Act.\textsuperscript{34}

In \textit{Steele v. Bulova Watch Co.},\textsuperscript{35} the defendant, a United States citizen operating a watch business in Mexico, imported parts from the United States and Switzerland and assembled them with the United States registered trademark of the plaintiff, a United States corporation. Although the watches were sold exclusively in Mexico, some were brought into the United States by returning Americans. The defendant had obtained a Mexican trademark registration, but it was invalidated in a Mexican suit by the plaintiff.\textsuperscript{36}

The United States Supreme Court held that the defendant's activities came within the jurisdiction of United States courts. First, the Court found that the Lanham Act "[did] not constrict prior law or deprive the court of jurisdiction previously exercised."\textsuperscript{37} Citing \textit{Vacuum Oil}, the Court applied the "place of the tort" test and found that the purchase of parts in the United States was sufficient to create jurisdiction. Although the defendant's acts in the United States were legal when viewed in isolation, the Court ruled that they were illegal as essential steps in an unlawful scheme of trademark infringement.\textsuperscript{38}

The \textit{Bulova} court then examined the congressional intent behind the Lanham Act and concluded that the Act's powers were coextensive with...
all commerce powers vested in Congress, and thus, provided for the extraterritorial jurisdiction necessary to reach the defendant's activities.  

Three factors supported the Court's determination. The defendant was a United States citizen; no conflict with Mexican law existed because the defendant's registration had been invalidated; and the defendant's infringing acts had an unlawful effect in this country.  

The Court's consideration of this third factor signified a change in the emphasis of its inquiry from the locus of the illegal act to the effect of the illegal act on United States commerce.

Interpreting Bulova, the Second Circuit in Vanity Fair Mills v. T. Eaton, Co., devised the tripartite test. Plaintiff, an American corporation, manufactured and sold goods in the United States and Canada under a United States trademark beginning in 1914. Defendant, a Canadian corporation, registered the same trademark in Canada in 1915. From 1945 to 1953, the defendant distributed the plaintiff's trademarked goods in Canada. In 1953, the defendant began manufacturing and selling goods under his own Canadian trademark and threatened its competitors with suit if they continued to sell the plaintiff's goods in Canada.

Ruling against the plaintiff, the Vanity Fair court held that the Lanham Act did not apply to sales made under a valid foreign trademark by a foreign national in his own country. Although the court found a substantial effect on United States commerce, it based its denial of jurisdiction on the failure of the two remaining considerations: the defendant was not a United States citizen and it held a valid foreign trademark. The court believed that Congress had intended to limit extraterritorial application of the Act solely to the conduct of American citizens, and then, only when the rights of other nations or their nationals are not infringed.

The cases that have followed Bulova and Vanity Fair have established that the absence of any single factor in the tripartite test is not dispositive of the jurisdictional question. In addition, these cases have emphasized the growing importance of the "effect on commerce" consideration.

In Ramirez and Feraud Chili Co. v. Las Palmas Food Co., the court was

39 Id. at 286-87.
40 Id.
41 Id. The Bulova Court's use of cases arising under the Sherman Act, 15 U.S.C. §§ 1-7 (1982), to support its decision illustrates its emphasis on the effects on American commerce rather than the presence of overt acts within the territorial jurisdiction of the United States. See Thomsen v. Cayser, 243 U.S. 66 (1917). See also The Supreme Court, 1952 Term, 67 HARV. L. REV. 143, 144 (1953-54); Comment, International Law—Trademarks—Lanham Act Construed As Applicable to Watches Manufactured and Sold in a Foreign State, 16 U. DET. L.J. 136, 142 (1953).
43 234 F.2d at 638.
44 Id. at 642-43.
45 Id.
required to determine the effect of the defendant's valid foreign trademark. The facts in Las Palmas closely parallel those of Bulova. The plaintiff, a United States corporation, sold canned foods in the United States and Mexico under a United States trademark. The defendant, also a United States corporation, acquired a Mexican trademark and began manufacturing an identical line of food products which were packaged in materials imported from the United States, including counterfeit labels. The defendant's products were sold only in Mexico, but were purchased by American citizens in Mexican border towns and brought into the United States.

The United States District Court for the Southern District of California found jurisdiction to exist after determining that all three factors of the tripartite test were satisfied. First, the defendant was a United States citizen. Second, its infringing acts had produced a substantial effect on United States commerce. Finally, the court concluded that the Mexican trademark registration did not provide sufficient conflict of law or public policy reasons to preclude extraterritorial jurisdiction. The defendant was under no duty to use the trademark and Mexico had no interest in the exercise of the privilege. The Las Palmas decision emphasized that a conflict with foreign law is not necessarily an absolute prohibition against jurisdiction and implied that the rule pronounced in Lujif, precluding a suit under United States law where the defendant holds a valid foreign trademark, is incorrect.

In Scotch Whiskey Ass'n v. Barton Distilling Co., the court repudiated the "place of the tort" test and upheld jurisdiction even though there was no substantial effect on United States commerce. The defendant, a United States corporation distributing whiskey in the United States, licensed a Panamanian corporation as its exclusive distributor in Panama and supplied it with labels, bottles, and Scotch malts. Instead of mixing the malts with Scotch spirits as the label indicated, the licensee used local spirits and passed the product off as "Scotch" throughout Panama.

The plaintiffs were two British distillers and an association of distillers and merchants organized to promote the world-wide sale of Scotch.

47 Unlike earlier courts, the Las Palmas court was unable to dodge the question of a valid foreign trademark. In Bulova, the defendant's Mexican trademark was nullified before the Supreme Court heard the case. 344 U.S. at 285. In Vanity Fair, the court declined to consider the issue because it found the defendant's Canadian citizenship sufficient reason to deny jurisdiction. 234 F.2d at 601-02.

48 146 F. Supp. at 599.

49 Id. at 601-02.

50 Id. at 602. The court stated:

For at the most defendants' Mexican registration of plaintiff's mark can have no greater effect than to confer upon defendants a license or permission to use the mark in Mexico. It is not even contended that any public policy of Mexico requires defendants ever to exercise that license. Id.

51 489 F.2d 809 (7th Cir. 1973).

52 Id. at 812.
The plaintiffs claimed that the defendant's actions violated the Lanham Act's prohibition against false designation of the origin of goods in commerce. The defendant argued that since the whiskey was distributed only in Panama, it had not entered "commerce" under the Act, and therefore, the court lacked jurisdiction. The Seventh Circuit rejected the defendant's argument and the "place of the tort" test, ruling that a course of business initiated by a United States licensor is "commerce" under the Lanham Act, and therefore, within the jurisdiction of the United States courts, even though the business activity occurred outside the territorial limits of the United States and had no significant effect upon United States commerce. The court found support for its decision in the Lanham Act's secondary purpose of providing foreign citizens with the same trademark rights and remedies as United States citizens, and insuring effective protection against unfair competition.

In *Wells Fargo and Co. v. Wells Fargo Express Co.*, the Ninth Circuit asserted jurisdiction over the activities of a foreign citizen and substantially revised the test for determining extraterritorial jurisdiction under the Lanham Act. The plaintiffs, two United States corporations, sought to enjoin the use of the trademark "Wells Fargo" by the defendants, a Liechtenstein corporation owned by a German national and its American subsidiary. The district court, applying the tripartite test, found no subject matter jurisdiction. The Court of Appeals, relying almost entirely on *Timberlane Lumber Co. v. Bank of America*, a Ninth Circuit decision involving extraterritorial application of the Sherman Act, ruled that the district court had erred in its rigid application of the test. The *Wells Fargo* court believed that extraterritorial application of the Lanham Act should be approached not in terms of the "locus of the activity to be reached," but rather in terms of the "nature of its effect on commerce which Congress may regulate." The court also rejected the dis-
strict court’s requirement that the effect on commerce be “substantial,”

stating that “some” effect is sufficient.62

The most important element of the Wells Fargo decision was the

adoption of a balancing process which considers American and foreign

interests in the determination of extraterritorial jurisdiction. The court

stated that the three traditional factors; degree of effect on commerce,

citizenship, and conflict with foreign law, are relevant to the resolution of

the jurisdictional issue, but are not absolute requirements. Rather, each

factor is just one consideration to be balanced in a conflicts-based jurisdic-
tional “rule of reason” of comity and fairness.63 Applying this principle to
the facts, the court held that an action would lie under the Lanham Act
regardless of the defendant’s citizenship or the fact that some of the infringing acts occurred abroad, if the defendant’s infringing acts had an effect on the plaintiff’s business and were a deliberate attempt to cause confusion among the public.64

The Wells Fargo court’s adoption of the Timberlane jurisdictional
“rule of reason” was appropriate in view of the similar history and subject
matter of the Sherman and Lanham Acts. First, both the Sherman

and Lanham Acts regulate interstate and foreign commerce.65 Second,
in both instances, neither the Act nor its legislative history gives any clear
indication of the scope of jurisdiction conferred, their limits having been
defined solely by judicial decision.66 Finally, in defining the extraterritorial
jurisdiction of both acts, courts have narrowed the analysis to the
same primary considerations: degree of effect on commerce, citizenship,
and conflict with foreign law.67

In American Rice, the Fifth Circuit failed to adopt by analogy the
Timberlane test of extraterritorial jurisdiction,68 choosing instead to base
its jurisdictional test on Lanham Act precedent.69 A comparison of the
two tests shows that this choice has resulted in the creation of two sub-
stantially different jurisdictional standards.

Under the American Rice test, the citizenship of the defendant, the

62 Id. The court noted that, “since the origins of the substantiality test apparently lie in the

effort to distinguish between intrastate commerce, which Congress may not regulate as such,

and interstate commerce, which it can control, it may be unwise blindly to apply the factor in

the area of foreign commerce over which Congress has exclusive authority.” Id.

63 Id. at 428-29. See also Timberlane, 549 F.2d at 613.

64 556 F.2d at 430.

65 See 15 U.S.C. §§ 1-2 ; id. §§ 1114 (1) (a) & 1127.

66 See supra note 5; Note, supra note 60, at 1248-49. The Wells Fargo court justified reliance

on an antitrust case in a single sentence: “In Timberlane, we set down a jurisdictional rule of

reason to govern the extraterritorial reach of the Sherman Act which, like the Lanham Act,
contains sweeping jurisdictional language.” 556 F.2d at 427.

67 See American Rice, 701 F.2d at 414; Timberlane, 549 F.2d at 614.

68 This position is difficult to understand in view of the Fifth Circuit’s adoption of the

Timberlane test as it applies to the Sherman Act in Industrial Inv. Dev. Corp. v. Mitsui & Co.,

671 F.2d 876 (5th Cir. 1982).

69 Although the American Rice court cited Timberlane in referring to the extraterritorial
reach of the Sherman Act, it implicitly rejected the test by relying on cases decided under the
Lanham Act to determine the jurisdictional issue. 701 F.2d at 413.
effect on United States commerce, and the existence of a conflict with foreign law are the relevant factors to be considered in determining whether the contacts with, and interests of, the United States are sufficient to support the exercise of extraterritorial jurisdiction. The American Rice court cited Bulova and Lufi as primary authority for this position.⁷⁰ Qualifying these factors, the court incorporated the modifications made by courts in later Lanham Act cases. It stated that the absence of any single factor is not dispositive of the jurisdictional issue and that courts should not limit their inquiry exclusively to these considerations. Rather, these factors should be the primary elements in any balancing analysis.⁷¹

The American Rice test has three distinguishing characteristics. First, due to its reliance on precedent, any evaluation will be constrained by prior decisions, and thus, largely retrospective in nature. Second, the purpose of the American Rice test is to evaluate the relevant factors in determining whether to exercise extraterritorial jurisdiction, rather than to establish the existence of jurisdiction. This consideration suggests a policy of abstention; even though the court has jurisdiction over the foreign act of infringement under the Lanham Act, in appropriate cases, it will decline to exercise jurisdiction in deference to foreign interests and sovereignty. Third, the American Rice test establishes a purely discretionary balancing analysis. The test provides for consideration of an indefinite number of factors, giving the court the discretion to decide the jurisdictional issue in whatever manner it chooses. These competing considerations are the result of the sparse and ambiguous language of the American Rice opinion, creating uncertainty in application of the revised tripartite test which may only be resolved through future judicial interpretation.

There are two possible interpretations of the American Rice test. Courts may interpret it broadly, including in their analysis both the primary factors and additional factors such as those enumerated in Wells Fargo.⁷² Such an interpretation would conflict with the intent of the American Rice court, however, which impliedly rejected the Wells Fargo test when it failed to expressly adopt it. The more likely alternative is

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⁷⁰ Id. at 414.
⁷¹ Id.
⁷² The Wells Fargo court, quoting Timberlane, 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 location 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.

556 F.2d at 428-29. These factors were borrowed from K. BREWSTER, ANTITRUST AND AMERICAN BUSINESS ABROAD 286 (1958), and RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW § 40 (1965).
that courts employing the *American Rice* test will continue to limit the analysis to the primary factors of citizenship, effect on commerce, and conflict with foreign law, because the test relies on Lanham Act precedents that focus solely on these factors. Since these precedents shaped the *American Rice* analysis, any determination based on the *American Rice* test will be retrospective and limited to balancing the primary considerations found in the earlier tests. Thus, although the *American Rice* court attempted to broaden the scope of the tripartite test, its failure to enumerate the specific factors to be considered in determining jurisdiction and its strict adherence to Lanham Act precedent, has done little to alter the traditional tripartite test.

The *Wells Fargo* test for extraterritorial jurisdiction\(^7\) differs from the *American Rice* test in three major aspects. First, whereas the *American Rice* test allows for discretionary exercise of jurisdiction, the *Wells Fargo* test is mandatory; the district court must engage in the balancing process required by the tripartite test in determining the existence of extraterritorial jurisdiction. One authority has described this test as “a judicially objective standard of comity” to be applied “as a matter of law, not merely as a matter of discretion.”\(^7^4\)

Second, although the balancing process of the *Wells Fargo* tripartite test provides for the flexibility necessary to meet varying situations, and

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\(^7^3\) The *Wells Fargo* test takes a “conflict of laws” approach by requiring the court to balance the United States interests in enforcement against the conflicting interests of foreign nations in determining the existence of extraterritorial jurisdiction. This analysis is the result of the absence of a clear statutory standard, and concern with international comity and heavy-handed assertions of extraterritorial jurisdiction in the past, which have been viewed abroad as overreaching interference with the policies and laws of sovereign nations. See Kestenbaum, supra note 60, at 315-16.

The *Wells Fargo* test requires a tripartite analysis of the jurisdictional question. First, the plaintiff must show that the alleged infringement has some effect — actual or intended — on the foreign commerce of the United States. 556 F.2d at 428. This element creates a threshold requirement for the court’s subject matter jurisdiction under the Lanham Act. Second, the plaintiff must demonstrate that the effect is great enough to establish a cause of action upon which relief may be granted. *Id.* This factor addresses the effect on competition which is an essential substantive element of any Lanham Act violation. 15 U.S.C. § 1114 (1976). Third, the court must evaluate whether the interests of, and links to, the United States — including the magnitude of the effect on American commerce — are sufficiently strong, vis a vis those of other nations, to justify an assertion of extraterritorial jurisdiction. 549 F.2d at 613. This third element requires the court to balance a specific set of factors in determining whether extraterritorial jurisdiction should be asserted as a matter of international comity and fairness. By actually including a detailed examination of the interests of other nations among the criteria for the assertion of extraterritorial jurisdiction, the *Wells Fargo* test insures that these interests are given full and proper consideration.

This evaluation does not require the court to determine the validity of the foreign policy or law, which is prohibited by the “act of state” doctrine, but permits it to weigh the “relative involvement and concern of each state.” 549 F.2d at 615, n.34.

\(^7^4\) J. Shenefield, The Extraterritorial Impact of U.S. Anti-trust Laws: Causes and Consequences, Remarks to ABA Section of International Law (Aug. 9, 1978), reprinted in 5 TRADE REG. REP. (CCH) ¶ 50,386 at 55,857. *See also*, Industrial Inv. Dev. Corp. v. Mitsui & Co., 671 F.2d 876, 884 n.7 (5th Cir. 1982) (ruling that the balancing test presents a question of law, not one of discretion, that is fully reviewable on appeal). *Contra* Mannington Mills, Inc. v. Congoleum Corp., 595 F.2d 1287 (3d Cir. 1979).
is sufficiently standardized to produce consistent results, it does not set any priorities among the relevant factors, and does not define the degree to which American interests must outweigh international comity considerations in order to assert extraterritorial jurisdiction. The tripartite test thus becomes prospective in nature; the priorities and standards needed to guide the courts in their application of jurisdiction under the Lanham Act will be developed in the future on a case-by-case basis.

Finally, unlike the American Rice test which employs the abstention doctrine, the Wells Fargo test makes the balancing process an inherent part of the jurisdictional inquiry. This mandatory balancing is supported by two considerations. First, the importance of international comity to the scope of the Lanham Act suggests that these factors should not be treated simply as a matter of discretion by the trial court. Second, since the jurisdictional scope of the Lanham Act is largely a question of statutory construction, one limitation is the presumption that Congress did not intend the statute to be applied in a manner inconsistent with international law.

These conceptual differences have a significant impact on the practical application of both the American Rice and Wells Fargo tests. The American Rice standard provides for the mechanical application of a limited number of factors. This characteristic makes the defendant's liability for trademark infringement under the American Rice test highly predictable, and presumably, more easily avoided. In contrast, the balancing approach of the Wells Fargo test enables the court to consider a range of foreign interests and policies. The Wells Fargo test has a substantial degree of flexibility, which makes it more difficult to circumvent the Lanham Act, regardless of the ingenuity of the infringing scheme. Unfortunately, this flexibility is viewed by some as making the extraterritorial application of the Lanham Act unpredictable, and thus, as unfair to foreign nations. In contrast, the American Rice test provides for a high degree of uniformity and consistency, which in turn, creates greater respect for, and acceptance of, decisions of American courts.

The most critical difference between the American Rice and Wells Fargo tests is the number of factors to considered in determining jurisdiction. Under the American Rice test, the court is limited to an examination of citizenship, effect on American commerce, and conflict with foreign law. The Wells Fargo test weighs these same considerations as well as others, such as "the extent to which enforcement by either state can be

75 See Note, supra note 31 at 192.
77 J. Atwood & K. Brewster, supra note 76.
78 Id. at 180.
expected to achieve compliance, . . . the extent to which there is an 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.\textsuperscript{79} The well-defined facts in American Rice make it highly likely that the court would have reached the same result under either test. Given a more nebulous set of circumstances and the application of different tests with different considerations, however, it is possible that courts would reach inconsistent results. This jurisdictional division makes the plaintiff's cause of action dependent not only on the merits of his case, but also on his choice of forum.\textsuperscript{80}

It is unfortunate that the American Rice decision was not appealed to the United States Supreme Court, which has not rendered an interpretation of the extraterritorial reach of the Lanham Act since it did so initially in Bulova in 1952. Today, the world of commerce is more integrated and complex than it was thirty years ago, and citizenship, effect on commerce, and conflicts with foreign laws are no longer conclusive by themselves. In determining the jurisdictional question, courts must balance two competing interests: the protection of American interests abroad and non-interference with the sovereignty of other nations. These considerations are of prime importance today in light of the growth of multinational corporations and the increase in the number of international business transactions. To safeguard these global interests, the United States must be able to protect the owners of its registered trademarks from infringement and unfair competition. In doing so, however, the United States must avoid the heavy-handedness of the past and recognize the interests and policies of other nations. The Supreme Court, at its next opportunity, should resolve the jurisdictional split that currently exists by adopting the Wells Fargo test as the one test for extraterritorial application of the Lanham Act.

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\textsuperscript{79} 556 F.2d at 428-29.