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Reconciling Globalization and Extraterritorial Application of the Lanham Act: An Analysis of *McBee v. Delica, Co.*

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NOTE

RECONCILING GLOBALIZATION AND EXTRATERRITORIAL APPLICATION OF THE LANHAM ACT: AN ANALYSIS OF *MCBEE* *V. DELICA, CO.*

Tom Villecco[†]

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I. INTRODUCTION

In *McBee v. Delica, Co.*,¹ the First Circuit Court of Appeals developed an analytical framework for determining when a plaintiff, in bringing a claim under the Lanham Act,² can establish subject-matter jurisdiction over a foreign defendant. Cecil McBee, a highly acclaimed Jazz musician, filed a trademark infringement claim against Delica, Co. Ltd. (Delica), a clothing company incorporated in Japan.³ Delica employed the name "Cecil McBee" for its clothing line, printed the name on its t-shirts, and sold them to teenage girls in Japan.⁴ The court held that, in determining whether the plaintiff has established subject-matter jurisdiction under the Lanham Act, the first inquiry is to determine whether the defendant is a United States citizen.⁵ A negative answer to the question will prove fatal to the plaintiff's claim, unless he can show that the defendant's activities had a substantial effect on United States commerce.⁶ The court also held that international comity, the rule that a court should not render judgments that will conflict with foreign law, is not a factor in the test for subject-matter jurisdiction but rather is solely within the judge's discretion in determining whether the claim should proceed.⁷ The court then applied its test to the facts of the case and found that McBee failed to es-

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

² See 15 U.S.C. § 1114 (2006).

³ *McBee*, 417 F.3d at 115.

⁴ *Id.* at 112.

⁵ *Id.* at 111.

⁶ *Id.*

⁷ *Id.*

tablish subject-matter jurisdiction and, as a result, dismissed McBee's claims against Delica.⁸

In rendering its decision, the First Circuit Court of Appeals fanned the flames in an already brewing controversy within the arena of trademark law: what is the legal standard for determining whether a plaintiff has established subject-matter jurisdiction under the Lanham Act against a foreign defendant whose alleged unlawful activities were conducted wholly outside the United States? While the issue initially appears rather mundane, the facts of the case present a singular instance of a larger revolution affecting the entire developed world. That revolution, not surprisingly, is globalization where, largely due to the internet, information can span the entire globe with incredible ease. After all, it would be highly unlikely that the plaintiff, Cecil McBee, would have discovered the alleged unlawful use of his name were it not for the internet. As such, the courts can expect an increasing number of plaintiffs to bring claims under the Lanham Act against foreign defendants. Thus, the more theoretical issue is whether the courts can effectively balance two competing interests – the ability for the statute to fulfill its intended purpose of regulating and protecting American citizens at home and abroad and the need to preserve the paramount value of judicial restraint in which the court should only hear cases and controversies when it has a true interest in adjudicating the dispute. The narrow issue this Note will explore is whether the court's analytical framework effectively balances the aforementioned competing interests during the information age.

Part II of this note will provide the history of subject-matter jurisdiction analysis under the Lanham Act, including the various approaches the circuit courts have developed over the recent decades. Part III will discuss the newly decided case of *McBee v. Delica, Co.*,⁹ specifically the court's analytical framework, its rationale for applying the framework, and the application of its rationale to the facts of the case. Part IV will examine the heart of the issue— whether the court's substantial effects test can effectively protect American interests abroad without sacrificing its role as a court that only hears proper fed-

⁸ *Id.* at 122-26.

⁹ *McBee*, 417 F.3d at 107.

eral questions. Part V will conclude that the court's test properly expands the Lanham Act's reach over foreign defendants without unduly invading upon the sovereignty of foreign nations. This Note will also conclude that Congress should address the broader policy question of whether it should amend the Lanham Act accordingly so that the statute can fully accomplish its purpose of protecting domestic trademark holders from foreign infringement.

II. BACKGROUND

A. *The Lanham Act*

In its most basic form, the Lanham Act¹⁰ bars any person from using a registered trademark without the consent of the holder.¹¹ The statute provides a cause of action to the trademark holder whereby the plaintiff can base his claim on false endorsement by alleging that the unlawful use of the trademark has falsely misled people into believing that the holder endorses the defendant's use of the trademark and that such confusion has caused the plaintiff harm.¹² Depending on the circumstances, the plaintiff can seek injunctive relief, damages, and attorney's fees against the defendant.¹³

While the statute contains specific substantive provisions, the statute does not provide detailed jurisdictional language. Congress based the statute on the Commerce Clause, stating that its purpose is to regulate "commerce within the control of Congress,"¹⁴ and defining commerce as "all commerce which may lawfully be regulated by Congress."¹⁵ Consequently, the statute bars the use of infringing marks "in commerce."¹⁶ While Congress substantially amended the statute in 1988 and 1999, the original jurisdictional language remains intact.¹⁷

¹⁰ See 15 U.S.C. § 1114 (2006).

¹¹ See *id.*

¹² See *id.*

¹³ See *id.*

¹⁴ 15 U.S.C. § 1127.

¹⁵ *Id.*

¹⁶ 15 U.S.C. § 1114.

¹⁷ *McBee*, 417 F.3d at 117 n.5.

B. *Supreme Court Precedent: Steele v. Bulova Watch Co.*

In *Steele v. Bulova Watch Co.*,¹⁸ the plaintiff, Bulova Watch Co. (Bulova), filed a trademark infringement claim under the Lanham Act for watches sold in Mexico City. The defendant, Sidney Steele, a United States citizen residing in Texas, purchased the necessary parts from Switzerland and imported them into Mexico, whereupon he assembled the watches, stamped them with the "Bulova" mark, and sold them without Bulova's consent.¹⁹ Steele never imported the watches into the United States; yet the watches sold in Mexico inevitably crossed the border and landed in repair shops in towns located immediately across the United States border.²⁰

The Supreme Court confronted the issue of whether a plaintiff could establish subject-matter jurisdiction under a trademark infringement claim against a United States citizen for activities conducted wholly outside the country.²¹ The Court found that the broad jurisdictional language of the Lanham Act overcame the presumption against extraterritoriality and, therefore, Congress intended for the statute to apply to activities conducted outside the United States.²² As such, the Court found that the language "all commerce which may lawfully be regulated by Congress"²³ conferred broad jurisdiction on the courts when inquiring into subject-matter jurisdiction.²⁴

The Court then applied this finding to the facts of the case and concluded that Bulova established subject-matter jurisdiction over Steele.²⁵ In reaching its holding, the Court found that it was irrelevant that Bulova did not stamp the watches with the "Bulova" mark in the United States.²⁶ Rather, the Court found it significant that the watches were sold in the United States, albeit by other people, because they were "essential steps"²⁷ in an "unlawful scheme."²⁸ Furthermore, the Court

¹⁸ *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

¹⁹ *Id.* at 284-85.

²⁰ *Id.* at 285.

²¹ *See id.* at 284.

²² *Id.* at 285.

²³ *Id.* at 287 (quoting 15 U.S.C. § 1127).

²⁴ *Steele*, 344 U.S. at 287.

²⁵ *Id.* at 286.

²⁶ *Id.* at 287.

²⁷ *Id.*

found that the effect of Steele's unlawful activities radiated beyond the Mexican-American border.²⁹ Thus, the Court chose not to adopt a formalistic view of the effects of his extraterritorial activities and recognized that conduct occurring in one nation can affect commerce in the United States. Lastly, the Court addressed the issue of comity and found an absence of conflict with foreign law because the Mexican courts had "nullified the Mexican registration of 'Bulova.'"³⁰

The Court has not heard a case clarifying this landmark decision and has thus burdened the circuit courts with the responsibility of formulating a clear test that the district courts must apply in determining whether to hold a foreign defendant amenable to a Lanham Act claim. As a result, *Steele* merely stands for the proposition that the courts, under some circumstances, can apply the Lanham Act extraterritorially.

C. *The Circuit Courts of Appeal Interpret Steele*

1. *The Second Circuit*

Perhaps the most widely known test for subject-matter jurisdiction under the Lanham Act derives from the case of *Vanity Fair Mills, Inc. v. T. Eaton Co.*³¹ In that case, the plaintiff, Vanity Fair Mills, Inc. (Vanity Fair Mills), a Pennsylvania corporation, used the trademark "Vanity Fair" on its underwear.³² One year after the United States Patent Office granted use of the mark "Vanity Fair" to the plaintiff, the defendant, T. Eaton Co. (T. Eaton), a Canadian corporation engaged in the business of retail merchandising, obtained a trademark from Canadian authorities that granted the company the lawful use of the "Vanity Fair" name on its underwear.³³ Some thirty years later, the defendant ceased to use its own "Vanity Fair" mark and instead bought women's underwear from the plaintiff in New York be-

²⁸ *Id.*

²⁹ *See id.* at 286-87.

³⁰ *Id.* at 289.

³¹ *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956). For a general outline of the various tests for subject-matter jurisdiction under the Lanham Act, see Erika M. Brown, *The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions Under the Lanham Act*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 863 (1999).

³² *Vanity Fair*, 234 F.2d at 637.

³³ *Id.* at 637-38.

tween the periods 1945 and 1953.³⁴ In 1953, the defendant resumed use of the mark and sold the purchased underwear from the plaintiff bearing the name "Vanity Fair."³⁵ As a result, Vanity Fair Mills sought to enjoin T. Eaton from using the "Vanity Fair" mark in both the United States and Canada.³⁶

Based on its interpretation of *Steele*, the court first developed a tripartite test for subject-matter jurisdiction analysis. First, the defendant's activities must have a substantial effect on United States commerce.³⁷ Second, the defendant must be a United States citizen.³⁸ Third, there must be an absence of conflict with foreign law.³⁹ Applying the test to the facts of the case, the court found that, although defendant's activities had a substantial effect on United States commerce because of its continuing purchases of the underwear from the plaintiff in New York, subject-matter jurisdiction did not exist. The court reasoned that T. Eaton was not a United States citizen, and there was a conflict with foreign law due to the fact that T. Eaton had already obtained a valid trademark of the name "Vanity Fair" from the Canadian Registrar of Trade-Marks.⁴⁰

The *Vanity Fair* court, in interpreting *Steele*, placed much weight on the citizenship of the defendant, opining that the principal rationale in *Steele* was the "power of the United States to govern the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed."⁴¹ Therefore, in the context of this rationale, failure to establish one prong of the test may prove fatal to a plaintiff's Lanham Act claim, while failure to establish two of the three prongs will certainly call for dismissal.⁴² Subsequent to *Vanity Fair*, courts within the Second Circuit have re-evaluated the relative weight to place on each of the prongs. Some decisions placed less weight on the comity prong, construing the absence of foreign law broadly, and placed

³⁴ *Id.* at 638.

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.* at 642.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* at 642-43.

⁴¹ *Id.* (quoting *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285-86).

⁴² *Id.* at 643.

more importance into the inquiry as to whether the defendant's activities had a substantial effect on United States commerce.⁴³

2. *The Ninth Circuit*

The Ninth Circuit has not accepted the Second Circuit's interpretation of *Steele* and has instead adopted a more complicated balancing test. *Ocean Garden, Inc. v. Marktrade Co.*⁴⁴ provides an illustration of the Ninth Circuit's analytical framework. In *Ocean Garden*, the plaintiff, Ocean Garden, Inc. (Ocean Garden), was a United States corporation which sold canned seafood products.⁴⁵ The defendant, Marktrade Co. (Marktrade), allegedly infringed Ocean Garden's trademarks in selling canned seafood products in the Far East.⁴⁶ Marktrade never sold any of the products in question inside the United States.⁴⁷ However, the defendant canned the goods in Mexico and shipped them through a United States foreign trade zone.⁴⁸

The Ninth Circuit applied what it coined the "jurisdictional rule of reason test."⁴⁹ The Ninth Circuit's test requires that the defendant's activities have some effect on United States commerce, as opposed to a substantial effect on United States commerce. Such effect must present a cognizable injury under the statute, and the interests and links with United States commerce must be sufficiently strong in relation to other nations.⁵⁰ As to the third prong, which addresses the issue of comity, the

⁴³ See *Atlantic Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189, 192 (2d Cir. 1998) (stressing the importance of whether the defendant's conduct had a substantial effect on United States commerce); *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 955 F.Supp. 220, 229-30 (S.D.N.Y. 1997), *aff'd*, 152 F.3d 948 (Fed. Cir. 1998) (finding it significant that the Second Circuit has recently reaffirmed the requirement that the defendant's activities must have a substantial effect on United States commerce).

⁴⁴ *Ocean Garden, Inc. v. Marktrade Co., Inc.*, 953 F.2d 500 (9th Cir. 1991).

⁴⁵ *Id.* at 502.

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Wells Fargo & Co v. Wells Fargo Exp. Co.*, 556 F.2d 406, 427-28 (9th Cir. 1977). The court used the term in *Wells Fargo & Co.*, but not in *Ocean Garden*.

⁵⁰ *Ocean Garden, Inc.*, 953 F.2d at 503. The court adopted this line of analysis from *Timberlane Lumber Co. v. Bank of America Nat'l Trust & Sav. Ass'n*, 549 F.2d 597 (9th Cir. 1976), an antitrust case addressing the issue of extraterritorial application of the Sherman Act.

court held that the district courts must consider seven factors:⁵¹ “(1) degree of conflict with foreign law;”⁵² “(2) nationality of the parties;”⁵³ “(3) extent to which enforcement is expected to achieve compliance;”⁵⁴ “(4) relative significance of effects on [the] U.S. as compared to elsewhere;”⁵⁵ “(5) explicit purpose to affect or harm American commerce;”⁵⁶ “(6) foreseeability of such effect;”⁵⁷ and “(7) the relative importance of violations within the U.S.”⁵⁸ Unlike the *Vanity Fair* test, which effectively requires the plaintiff to establish all three elements, this test requires the court to balance the three factors against each other. Thus, the absence of one of the elements will not by itself prove fatal to a plaintiff's claim.⁵⁹

Applying the test, the court determined that the plaintiff had easily established the first two elements.⁶⁰ Ocean Garden claimed it had lost millions of dollars in revenue and, since such revenues were lost in the United States, they were recoverable under the statute.⁶¹ The court then addressed the seven sub-factors in the third prong of the test.⁶² The court found an absence of conflict with foreign law as there were no pending proceedings in foreign jurisdictions.⁶³ The court also found the nationality sub-factor was satisfied since both parties were businesses incorporated in California.⁶⁴ The defendant's principal place of business was located in the United States and, therefore, the court found that compliance would likely be enforced in the United States.⁶⁵ The relative effects on United States commerce weighed toward the domestic side since the plaintiff was a United States corporation which had suffered

⁵¹ *Ocean Garden, Inc.*, 953 F.2d at 503.

⁵² *Id.*

⁵³ *Id.* at 504.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Wells Fargo & Co.*, 556 F.2d at 428-29.

⁶⁰ *Ocean Garden, Inc.*, 953 F.2d at 503.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.* at 503-04.

⁶⁴ *Id.* at 504.

⁶⁵ *Id.*

losses domestically.⁶⁶ There was substantial evidence in the record of the defendant's intentional infringement, indicating that the defendant had the explicit purpose to harm United States commerce.⁶⁷ In light of the court's finding with respect to the preceding factors, the court held that the effect on commerce was foreseeable.⁶⁸ Lastly, the court held that the relative importance of the violations was great since the defendant had allegedly injured a domestic corporation through the infringement.⁶⁹

3. *The Fifth Circuit*

The Fifth Circuit has developed a test which appears to be a hybrid of the test in the Second Circuit and the test in the Ninth Circuit.⁷⁰ The leading case in the Fifth Circuit is *American Rice, Inc. v. Arkansas Rice Growers Cooperative Ass'n*.⁷¹ In *American Rice*, both parties were United States corporations selling rice both domestically and internationally under different brand names.⁷² The plaintiff filed suit claiming that the defendant infringed its trademark in selling rice to consumers in Saudi Arabia.⁷³

The court adopted the Second Circuit's approach but incorporated some elements of the Ninth Circuit's analysis. For example, the court adopted the tripartite test in *Vanity Fair* but required that the defendant's activities merely have "some effect" on United States commerce.⁷⁴ Also, the court rejected the notion that the absence of any one of the factors is fatal to a

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ The Fourth Circuit has also interpreted *Steele*, but the court's test is ambiguous and the circuit has not clarified it since. See *Nintendo of Am Inc. v. Aeropower Co.*, 34 F.3d 246 (4th Cir. 1994). Since its contribution to the issue addressed here is insignificant relative to its sister circuits, it will not be discussed in this Note.

⁷¹ *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983).

⁷² *Id.* at 410-12.

⁷³ *Id.*

⁷⁴ *Id.* at 414.

plaintiff's claim.⁷⁵ Therefore, the court found that a balancing test would be the proper basis for the inquiry.⁷⁶

American Rice satisfied all three prongs of the analysis. First, the defendant was an Arkansas corporation, thereby meeting the requirement that the defendant be a United States citizen.⁷⁷ Second, the effect on commerce was more than insignificant since the processing, packaging, and transporting of the infringing goods all occurred within the country's borders.⁷⁸ Lastly, there was no conflict with foreign law because government officials in Saudi Arabia never authorized the defendant to use the mark.⁷⁹

D. *Subject-Matter Jurisdiction and Antitrust Law*

Since the *McBee* court relied on antitrust law as guidance in reaching its decision, discussion of the leading case and statute is necessary to comprehend the court's rationale for its holding. Unlike in trademark law, in the area of antitrust law Congress has attempted to define the scope of the extraterritorial application of the Sherman Act⁸⁰ by passing the Foreign Trade Antitrust Improvement Act (FTAIA).⁸¹ Codified in 1982, § 402 of the FTAIA provides that the Sherman Act shall not apply to conduct involving trade or commerce (other than import trade or import commerce) unless "such conduct has a direct, substantial, and reasonably foreseeable effect" on domestic commerce.⁸² The purpose of the FTAIA was to shield certain transactions from liability because of their minimal or nonexistent effect on the United States economy.⁸³ Though Congress' intentions in this regard were clear, it is unclear as to whether the FTAIA's standard amends existing law or merely codifies it.⁸⁴

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.* at 414-15.

⁷⁹ *Id.* at 415-16.

⁸⁰ 15 U.S.C.A. § 6 (1890).

⁸¹ 15 U.S.C. § 6a (2006).

⁸² *Id.*

⁸³ 1-7 MATTHEW BENDER & CO., FEDERAL ANTITRUST LAW Supp. to § 7.3 (2005).

⁸⁴ PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION, ¶ 272h2 (2005).

One of the leading cases involving the extraterritorial application of the Sherman Act and the construction of the FTAIA is *Hartford Fire Ins. Co. v. California*.⁸⁵ In *Hartford Fire*, the court held the Sherman Act applicable against London-based insurers and reinsurers who conspired to make certain forms of environmental insurance coverage unavailable within the United States.⁸⁶ The Court reasoned that the mere fact that the foreign insurers attempted to engage in an unlawful conspiracy affecting the insurance market in the United States caused a substantial effect on United States commerce.⁸⁷ The Court also dismissed the defendant's argument that since British law did not expressly prohibit the alleged conduct, a judgment rendered in favor of the plaintiffs would create a conflict with foreign law and, therefore, the doctrine of international comity prohibited the district court from exercising jurisdiction.⁸⁸ The Court held that this does not state a true conflict within the meaning of international comity because it is distinguishable from the situation where the foreign law requires the defendant to conduct the challenged activity.⁸⁹ In that case, there exists a true conflict between domestic and foreign law and the court should decline to exercise jurisdiction.⁹⁰

E. *The Doctrine of International Comity*

The doctrine of international comity in the realm of trademark law is a slippery concept. In the briefs for both the appellants and the appellees in *McBee*, the parties clearly disagreed on the definition, as their interpretations of the doctrine diverged greatly.⁹¹ Even still, it is possible to glean a more com-

⁸⁵ *Hartford Fire Ins. Co. v. California*, 509 U.S. 760 (1993).

⁸⁶ *Id.* at 769-70.

⁸⁷ *Id.* at 796. Apparently, the Court found the foreign conduct's effect on United States commerce rather obvious as its analysis consists of only one rather conclusive sentence.

⁸⁸ *Id.* at 798-99.

⁸⁹ *Id.* at 799.

⁹⁰ *Id.*

⁹¹ See Brief of Plaintiff-Appellant at 28-33, *Cecil McBee v. Delica Co., Ltd.*, No. 04-2733 (1st Cir. Feb. 17, 2005); Brief of Defendant-Appellee at 22-25, No. 04-2733 (1st Cir. Mar. 22, 2005); Reply Brief of Appellant, *Cecil McBee v. Delica Co., Ltd.*, No. 04-2733 (1st Cir. Apr. 8, 2005). While it could be argued that the parties interpreted the doctrine of comity differently as an attempt to frame the law in a light favorable to their respective clients, neither party cited any bright-line or black-letter rule that is binding on the court.

prehensive meaning of the one hundred year old doctrine.⁹² In reading the above-mentioned trademark cases, comity in the most general sense means that if a foreign court or other legal body has authorized the foreign defendant's conduct, then the court in its discretion may decline to exercise jurisdiction because the judgment and remedy rendered in favor of the plaintiff will conflict with foreign law.⁹³

Though trademark cases have not addressed the issue, the courts have fleshed out a fuller definition of the doctrine of international comity in the antitrust context.⁹⁴ In *Laker Airways, Ltd.*,⁹⁵ the court spelled out what it considered to be the most precise definition of the doctrine:

Comity summarizes in a brief word a complex and elusive concept, the degree of deference that a domestic forum must pay to the act of a foreign government not otherwise binding on the forum. Since comity varies according to the factual circumstances surrounding each claim for its recognition, the absolute boundaries of the duties it imposes are inherently uncertain. However, the central precept of comity teaches that, when possible, the decisions of foreign tribunals should be given effect in domestic courts, since recognition fosters international cooperation and encourages reciprocity, thereby promoting predictability and stability through satisfaction of mutual expectations. The interests of both forums are advanced, the foreign court because its laws and policies have been vindicated; the domestic country because international cooperation and ties have been strengthened. The rule of law is also encouraged, which benefits all nations.⁹⁶

Flowing from this reasoning, the court expanded on its definition and marked where the principle does not have proper application:

When a foreign act is inherently inconsistent with the policies underlying comity, domestic recognition could tend either to legitimize the aberration or to encourage retaliation, undercutting the realization of the goals served by comity. No nation is under an

⁹² Though the precedent has questionable value today, the case of *Hilton v. Guyot*, 159 U.S. 113 (1895), is the first case in which the Court expounded in great depth on the meaning of comity.

⁹³ See *supra* Parts II.B, II.C.

⁹⁴ See *Laker Airways, Ltd. v. Sabena*, 731 F.2d 909 (D.C. Cir. 1984).

⁹⁵ See *id.*

⁹⁶ *Id.* at 937.

unremitting obligation to enforce foreign interests which are fundamentally prejudicial to those of the domestic forum. From the earliest times, authorities have recognized that the obligation of comity expires when strong public policies of the forum are vitiated by a foreign act.⁹⁷

Although the court gave a specific definition to an otherwise elusive concept, the judge still retains broad discretion in how narrowly or how broadly he will apply the principle to various fact patterns, especially in the area of trademark law in which the courts have yet to fully develop the doctrine's meaning.

III. *McBEE V. DELICA, CO.*

A. *Facts*

In the case of *McBee v. Delica, Co.*,⁹⁸ the facts are largely undisputed. The plaintiff, Cecil McBee, is a highly reputable jazz bassist, enjoying a distinguished career spanning forty-five years.⁹⁹ At the time McBee brought the trademark infringement action against Delica, McBee was teaching at the New England Conservatory of Music in Boston.¹⁰⁰ He had toured Japan on several occasions from the early 1980s, performing in many of its major cities, including Tokyo.¹⁰¹ McBee has since continued to tour in Japan.¹⁰² He has never licensed or authorized the use of his name to anyone, either in Japan or the United States, except those in direct connection with his musical performances such as an album.¹⁰³ According to McBee, he has sought to "have [his] name associated only with musical excellence."¹⁰⁴

Delica is a clothing retailer based in Japan.¹⁰⁵ In 1984, Delica began to use the name "Cecil McBee" for its clothing and accessories line which the retailer primarily marketed to adolescent girls.¹⁰⁶ Delica obtained use of the trademark via the

⁹⁷ *Id.*

⁹⁸ *McBee v. Delica, Co.*, 417 F.3d 107 (1st Cir. 2005).

⁹⁹ *Id.* at 111-12.

¹⁰⁰ *Id.* at 112.

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

Japanese Patent Office, which granted Delica the authority to use the name "Cecil McBee" for a variety of product types in both Japanese and Roman or English characters.¹⁰⁷ Delica sells the "Cecil McBee" products only in the stores which bear the name "Cecil McBee."¹⁰⁸ The company has not opened a "Cecil McBee" store outside of Japan.¹⁰⁹ In 1996, sales of the products in question approximated \$23 million, which steadily grew to \$112 million in 2002.¹¹⁰

In selling the merchandise, Delica publishes a catalog containing pictures and descriptions of the "Cecil McBee" products.¹¹¹ Written in Japanese with some English characters for effect, the catalog is available in the retail stores located in Japan and certain other locations.¹¹² The catalog is sometimes also included with the shipped packages of the "Cecil McBee" products,¹¹³ as are the telephone and fax numbers of a distributor, Opus M. Co., Ltd. Customers can contact this company to order the products whereupon Opus will use Hamasho Co., a shipping entity, to ship the merchandise.¹¹⁴ Hamasho has never shipped any "Cecil McBee" products outside of Japan.¹¹⁵ Delica's general business policy is to decline orders from the United States.¹¹⁶

In marketing the product, Delica founded a website, which includes pictures and descriptions of the "Cecil McBee" products along with the locations and telephone numbers of the retail stores selling the merchandise.¹¹⁷ Created in Japan, the website is written almost entirely in Japanese, albeit, like the catalog, it contains some English words for effect.¹¹⁸ The site contains news about the clothing line, including promotions, yet the site is merely informational and customers cannot purchase

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* Delica's website, which is still written almost entirely in Japanese characters, can be located at <http://www.cecilmcbee.net> (last visited Sept. 19, 2006).

¹¹⁷ *McBee*, 417 F.3d at 112.

¹¹⁸ *Id.*

the goods online.¹¹⁹ Like any website, it can be viewed from any location in the world.¹²⁰ In addition, search queries for “Cecil McBee” generally turn up both Cecil McBee fan sites and Delica’s website for his clothing line, but the two sites are distinguishable because the latter is written almost entirely in Japanese.¹²¹

McBee initially became aware in 1995 that Delica was using the “Cecil McBee” name without his authorization for a clothing line in Japan.¹²² As a result, McBee retained a Japanese attorney, who sent a letter to Delica requesting the company to cease using the “Cecil McBee” name.¹²³ Delica, of course, declined whereupon McBee petitioned the Japanese Trademark Office to invalidate Delica’s use of the mark.¹²⁴ After years of litigation in the Japanese court system, the Tokyo High Court eventually held for Delica.¹²⁵ Subsequent to these claims in Japan, Delica implemented a policy not to sell or ship the “Cecil McBee” products to the United States and expressly informed its managers throughout the company of the new policy.¹²⁶ The sole purpose of the policy was to shield itself from liability in the United States.¹²⁷

McBee then devised his own strategy to establish jurisdiction.¹²⁸ Beginning in late 2001 and continuing into 2003, McBee hired private investigators who would attempt to purchase “Cecil McBee” products from Delica and have them shipped to Maine.¹²⁹ The investigators contacted the local retail stores in Japan, but the requests for shipment into the United States

¹¹⁹ *Id.*

¹²⁰ *Id.* See also *supra* note 116 and accompanying text.

¹²¹ *McBee*, 417 F.3d at 112-13.

¹²² *Id.* at 113. McBee initially contacted an American lawyer who advised him that a trademark infringement action would most likely fail against Delica because Delica was not subject to personal jurisdiction in the United States. See *id.*

¹²³ *Id.*

¹²⁴ *Id.* at 113.

¹²⁵ *Id.* The Tokyo High Court’s decision rested on two key elements. *Id.* at 113, n.1. First, Cecil McBee’s full name was Cecil Leroy McBee and Japanese trademark law only protects a person’s full name from exploitation. See *id.* Secondly, McBee was unable to receive protection for the abbreviated version of his name because it has not received general recognition in Japanese society. See *id.*

¹²⁶ *Id.* at 113.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

were only of mild success.¹³⁰ While a few stores agreed to ship the products directly to Maine, other stores offered to ship them to an address in Japan where the investigator would have to independently arrange for someone else to ship them into Maine.¹³¹ Still, others flatly declined to ship the products.¹³² The total value of the merchandise shipped via both the direct and indirect method was \$2,500.¹³³ McBee conceded that there was no other evidence that Delica sold the products in the United States.¹³⁴ There was also no evidence that the goods entered the United States after Delica sold them in Japan.¹³⁵

McBee stated that he found Delica's use of his name "undignified, highly offensive and repugnant."¹³⁶ He claimed that Delica's use of his name confused American consumers causing them to believe there is a relationship between him and the clothing line where, in fact, none exists.¹³⁷ This confusion, he argued, resulted in declining attendance in the courses that he teaches.¹³⁸ McBee also claimed that Delica's use of his name confused Japanese consumers of his music causing them to believe that a relationship existed between him and the clothing line.¹³⁹ As a result, he argued, he has since received fewer touring opportunities in Japan.¹⁴⁰

B. *Procedural History*

McBee filed a complaint on October 1, 2002 alleging trademark dilution and unfair competition under the Lanham Act, as

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.*

¹³³ *Id.* at 113.

¹³⁴ *Id.*

¹³⁵ *Id.* at 113-14.

¹³⁶ *Id.* at 114.

¹³⁷ *Id.* Specifically, McBee asserted that people have asked him whether he endorsed the products. *See id.* After denying any association with the clothing line, McBee claimed that people do not believe him and that they often ask "both in jest and with some degree of seriousness," whether he is "into young girls" – the target consumer of the "Cecil McBee" clothing line. *See id.*

¹³⁸ *Id.*

¹³⁹ *Id.* at 114. McBee claimed that his audience became increasingly younger over the years thereby resembling the core consumer of Delica's clothing line. *See id.* He also claimed that he talked to one fan at a concert in Taiwan who presumed a relationship with the "Cecil McBee" products. *See id.*

¹⁴⁰ *Id.*

well as other pendent Maine state law claims.¹⁴¹ McBee based his Lanham Act claims on false endorsement, specifically “that the unlicensed use of his name has ‘made a misleading and false inference’ that McBee endorses, approves or sponsors Delica’s product, and that inference has caused McBee harm.”¹⁴² After the completion of discovery, Delica moved to dismiss McBee’s complaint under Rule 12(b)(1) of the Federal Rules of Civil Procedure, arguing that the court lacked subject-matter jurisdiction over McBee’s Lanham Act claims because Delica’s activities were extraterritorial conduct falling outside the ambit of the statute.¹⁴³

Applying *Vanity Fair*, but with a modified second prong of “some effect” on United States commerce rather than a “substantial effect,” the magistrate recommended dismissal for McBee’s claims for injunctive relief but recommended that his claims for damages go forward.¹⁴⁴ Delica then appealed to the district court arguing that McBee failed to establish subject-matter jurisdiction for both his claims for injunctive relief and damages.¹⁴⁵ The court, applying *Vanity Fair*, agreed with Delica and dismissed McBee’s claims.¹⁴⁶ When McBee renewed his arguments on appeal in the First Circuit Court of Appeals, Delica responded by arguing that federal courts lack jurisdiction over all of McBee’s claims.¹⁴⁷

C. *Interpreting Steele*

In developing an analytical framework, the *McBee* court began its analysis by establishing a few important principles. First, it noted the presumption against extraterritoriality which states that, unless a contrary congressional intent appears, the court must presume that Congress intended for the statute to apply only to acts committed within the territorial boundaries of the country.¹⁴⁸ Second, the court also recognized the landmark decision in *Steele*, which held that the courts may, in

¹⁴¹ *Id.* at 115.

¹⁴² *Id.*

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* at 116.

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ *See id.* at 116-17.

some circumstances, apply the Lanham Act to reach extraterritorial conduct.¹⁴⁹ Hence, the *Steele* case stands for the proposition that the presumption against extraterritoriality does not apply to the Lanham Act.¹⁵⁰ Further, the court acknowledged that *Steele* never stated a precise test that the lower courts must apply in determining whether to assert subject-matter jurisdiction over a defendant whose alleged unlawful conduct occurred outside of the United States.¹⁵¹ The court did acknowledge that other circuit courts have previously addressed the issue, but quickly noted that the three prongs in the *Vanity Fair* test are given an uncertain weight and unnecessarily confuse the various types of jurisdictional issues in applying the Lanham Act extraterritorially.¹⁵² For these reasons, the court declined to adopt its sister courts' interpretation of *Steele*.¹⁵³

Having identified the general issue, the *McBee* court then launched into an analysis of *Steele*. The court first noted that *Steele* held that "the Lanham Act conferred broad jurisdiction in that its purpose was to regulate 'commerce within the control of Congress.'" ¹⁵⁴ Flowing from this interpretation, *Steele* marked a distinction between an American defendant and a foreign defendant.¹⁵⁵ According to the *McBee* court, *Steele* found that there was Lanham Act jurisdiction over an American defendant who conducted his activities outside of the United States, but whose activities nevertheless had an impact on United States commerce.¹⁵⁶ Since the defendant was an American citizen, the *Steele* Court never defined the outer limits of Congressional authority because the facts of the case clearly fell within the ambit of Congress' power.¹⁵⁷

The *McBee* court grounded its assertion on what it considered to be the twin propositions of the holding in *Steele*. First, the *Steele* Court explicitly based its decision on Congress' power

¹⁴⁹ *Id.* at 117.

¹⁵⁰ *See id.* at 116-17.

¹⁵¹ *Id.* at 117.

¹⁵² *Id.* at 110-11.

¹⁵³ *Id.*

¹⁵⁴ *Id.* at 118 (quoting *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286 (1952)).

¹⁵⁵ *See id.*

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

to regulate "the conduct of its own citizens," including extraterritorial conduct.¹⁵⁸ Accordingly, Congress has the unequivocal authority to regulate the conduct of American citizens because such regulation is a matter of domestic law and, thus, poses no serious international concerns even when the citizen is located outside of the country.¹⁵⁹ Second, *Steele* implicitly relied on Congressional power over foreign commerce.¹⁶⁰ While the *McBee* court conceded that the Foreign Commerce Clause is never cited in the opinion, it did point out that *Steele* found that the defendant's conduct had an impact on plaintiff's reputation and, therefore, on commerce within the United States.¹⁶¹ Hence, the court concluded that "an American citizen could not evade the thrust of the laws of the United States by moving his operations to a 'privileged sanctuary' beyond our borders."¹⁶²

In short, *Steele* only laid down the appropriate jurisdictional analysis when the defendant is an American citizen.¹⁶³ In that situation, Congress' power to regulate its own citizens is almost unquestionable.¹⁶⁴ Consequently, the effects on domestic commerce may play a less significant role in the analysis when the defendant is an American citizen despite the fact that the challenged activities were conducted abroad.¹⁶⁵ On the other hand, a different analysis will apply when the infringer is a foreign defendant and the activities in question are conducted outside of the nation's borders.¹⁶⁶ Under the *McBee* court's interpretation of *Steele*, Congress' authority rests on the foreign commerce power.¹⁶⁷ The *McBee* court dismissed any notion that the foreign citizenship of a defendant will prove fatal in the plaintiff's attempt to establish subject-matter jurisdiction.¹⁶⁸ Thus, the narrower issue before the court was what the plaintiff needed to show to establish Lanham Act jurisdiction over a for-

¹⁵⁸ *Id.* (quoting *Steele*, 344 U.S. at 285-86).

¹⁵⁹ *Id.* at 118.

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² *Id.* (quoting *Steele*, 344 U.S. at 287).

¹⁶³ *Id.* at 118.

¹⁶⁴ *See id.*

¹⁶⁵ *Id.*

¹⁶⁶ *Id.* at 119.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.*

eign defendant for activities conducted outside of the United States.¹⁶⁹

With a paucity of case law discussing the Lanham Act, the *McBee* court turned to Supreme Court decisions in the realm of antitrust law as a guide because the Supreme Court has had more opportunities to address the question of extraterritoriality in this context.¹⁷⁰ The *McBee* court found the case of *Hartford Fire Ins. Co. v. California*¹⁷¹ highly useful. In that case, the Supreme Court held that a United States court can exercise subject-matter jurisdiction over Sherman Act claims brought against foreign defendants for activities occurring outside the United States so long as the defendant's conduct served to, and actually did, result in a substantial effect on commerce within the United States.¹⁷² The *Hartford Fire* Court also held that comity considerations were not appropriate in the subject-matter jurisdiction analysis; rather, comity considerations were more appropriately confined to the judge's discretion in deciding whether to assert jurisdiction that it already possesses.¹⁷³

Hartford Fire was dispositive in the *McBee* court's analysis of the Lanham Act jurisdictional issue.¹⁷⁴ As a result, the *McBee* court held that if a plaintiff is bringing a Lanham Act claim against a foreign defendant, the court may assert jurisdiction only if the defendant's activities had a substantial effect on United States commerce.¹⁷⁵ If the plaintiff makes a sufficient showing that the defendant's conduct resulted in a substantial effect on United States commerce, then the court may proceed to a comity analysis.¹⁷⁶ However, as held in *Hartford Fire*, comity is a completely separate analysis in which the court may exercise its discretion in deciding whether to assert jurisdiction it already possesses.¹⁷⁷ Accordingly, the *McBee* court's test differs from the *Vanity Fair* test in two distinct ways. First, the substantial effects inquiry only pertains to the situation where a

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993).

¹⁷² *Id.* at 796.

¹⁷³ *See id.* at 797-98.

¹⁷⁴ *See McBee*, 417 F.3d at 120.

¹⁷⁵ *Id.* at 120-21.

¹⁷⁶ *Id.* at 121.

¹⁷⁷ *Id.*

plaintiff is attempting to assert jurisdiction over a foreign defendant.¹⁷⁸ Secondly, comity plays no role in the subject-matter jurisdiction analysis, but is instead a separate basis for the court in determining whether to assert jurisdiction over a foreign defendant.¹⁷⁹

D. *Application of the Framework*

1. *Claim for an Injunction Barring Delica's Sales in the United States*

McBee first argued that the district court erred in dismissing his claim for an injunction barring Delica's sales in the United States.¹⁸⁰ The sole basis for his argument was the \$2,500 worth of goods sold to his investigators in the United States.¹⁸¹ Since these goods were sold in the United States and, therefore, entered United States commerce, the court should have found subject-matter jurisdiction without inquiring into whether such sales had a substantial effect on interstate commerce.¹⁸²

The court agreed with McBee's argument.¹⁸³ It emphasized the distinction between domestic acts of a foreign infringer and the foreign acts of a foreign infringer.¹⁸⁴ The substantial effects test only pertains to the latter because Congress' authority to regulate goods within the United States and, therefore, in commerce is unquestionable.¹⁸⁵ Since at least some of the "Cecil McBee" products were directly sold in the United States, the district court should have found subject-matter jurisdiction on this basis alone.¹⁸⁶ However, the court later held that the district court should have ultimately dismissed the claim on its

¹⁷⁸ *Id.*

¹⁷⁹ *Id.* The decision to sever comity from subject-matter jurisdiction analysis is unprecedented, as will be noted in Part IV. Indeed, the conventional wisdom is that balancing requires the necessary flexibility in a globalized world. See Robert Butts, Note, *Trademark Law: Interpreting the Congressional Intent of the Extraterritorial Application of the Lanham Trademark Act*, 8 FLA. J. INT'L. L. 447, 469 (1993).

¹⁸⁰ *McBee*, 417 F.3d at 122.

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

merits because the alleged confusion resulted from the sale of the goods to the plaintiff's agents, which was a violation of substantive trademark law.¹⁸⁷

2. *Claim for an Injunction Barring Access to Internet Website*

McBee's second argument was that his claim for an injunction against Delica's posting of the internet website also did not warrant extraterritorial application of the Lanham Act.¹⁸⁸ The court did not agree with McBee's argument.¹⁸⁹ Granting relief would constitute extraterritorial application of the Lanham Act and, thus, McBee could only proceed with the claim if he could show that the website had a substantial effect on United States commerce.¹⁹⁰

The court found that McBee failed to satisfy the substantial effects test.¹⁹¹ McBee argued that the mere existence of the website caused him harm because United States citizens can view the website and may become confused as to whether there was any relationship between McBee and Delica's Japanese clothing company.¹⁹² In support of this theory, McBee alleged that he actually suffered harm from Delica's website because it frequently appeared on search engines ahead of McBee's own fan sites.¹⁹³ The court held that these facts were insufficient to meet the requisite standard.¹⁹⁴ It reasoned that it would be "senseless"¹⁹⁵ to hold that the mere existence of a website hosted in a foreign country and written almost entirely in a foreign language would, standing alone, be a legally dispositive fact sufficient to warrant assertion of subject-matter jurisdic-

¹⁸⁷ *Id.* at 128.

¹⁸⁸ *Id.* at 123. McBee's argument touches upon an issue of hot debate between scholars, specifically how the law should address internet websites as they pertain to both issues of subject-matter jurisdiction and personal jurisdiction. For a comprehensive analysis of the issue, see Yelena Simonyuk, *Copyrights and Trademarks: Recent Article: The Extraterritorial Reach of Trademarks on the Internet*, 2002 DUKE L. & TECH. REV. 9 (2002).

¹⁸⁹ *McBee*, 417 F.3d at 123.

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *Id.*

¹⁹⁴ *Id.* at 123-24.

¹⁹⁵ *Id.* at 123.

tion.¹⁹⁶ Otherwise, the mere existence of a website would render the limits on extraterritoriality meaningless.¹⁹⁷ The court also noted that its holding was in accord with the law pertaining to internet websites and personal jurisdiction.¹⁹⁸ As with the principles under personal jurisdiction case law, more facts are necessary to satisfy jurisdictional requirements, including, but not limited to, interactive features which would allow customers from the United States to order the defendant's products; such facts, however, were not present in *McBee*.¹⁹⁹

Examining McBee's argument on the merits, the court still found substantial grounds to dismiss the claim. First, the fact that Delica's website was written almost entirely in Japanese characters made it highly unlikely that any real confusion of American consumers or harm to McBee's reputation would result from the mere existence of the website.²⁰⁰ Put simply, most Americans would likely not be able to understand the website.²⁰¹ Second, McBee's claim that American consumers seeking to obtain information about him through internet search engines failed on its own terms because the internet searches reproduced in the record all turned up sites of both McBee's jazz career and Delica's clothing line on the same page.²⁰² Moreover, the sites were easily distinguishable from each other since it was clear from the search results that the Delica website was written entirely in Japanese characters.²⁰³ Lastly, McBee failed to allege any particularized facts indicating that at least one American consumer had gone to the Delica website and had become confused about whether there was an association between McBee and Delica's clothing line.²⁰⁴

3. *Claim for Damages for Delica's Japanese Sales*

McBee's third argument was that Delica's Japanese sales of the "Cecil McBee" products constituted a substantial effect on

¹⁹⁶ *Id.* at 123-24.

¹⁹⁷ *Id.* at 124.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *Id.*

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ *Id.*

²⁰⁴ *Id.* at 124.

commerce in the United States and, therefore, the lower court erred in dismissing his claim for damages for Delica's Japanese sales.²⁰⁵ McBee divided his argument into two parts. First, Delica's sales of the products in Japan tarnished his image in the United States.²⁰⁶ Second, Delica's sales of the clothing line resulted in a loss of income in the United States due to the loss of his commercial opportunity as a jazz musician in Japan, stemming from the tarnishing of McBee's reputation in Japan.²⁰⁷ Thus, both arguments related to McBee's tarnished reputation, one at home, and the other abroad.

In addressing the first argument, the court recognized that a plaintiff can successfully argue that unlawful use of a trademark abroad has tarnished his reputation in the United States.²⁰⁸ A mere showing that American consumers have seen the infringing mark can establish such an inference of reputational harm.²⁰⁹ However, no such inference is permissible where the plaintiff has not shown that American consumers have seen the infringing mark.²¹⁰ In this case, McBee failed to establish any specific evidence that American consumers have actually seen Delica's products.²¹¹ Accordingly, McBee's first argument lacked merit.²¹²

The court faced an even greater difficulty accepting McBee's second argument that Delica's sales confused Japanese consumers, resulting in a decrease of McBee's record sales and touring career in Japan.²¹³ In contrast to McBee's first argument, this argument had only a loose connection to the core purposes of the Lanham Act.²¹⁴ The statute seeks to protect American consumers; alleging that trademark confusion on the part of Japanese consumers caused McBee harm does not closely tie into the purpose of the Lanham Act.²¹⁵ However, the court acknowledged that Congress does have an arguably legiti-

²⁰⁵ *Id.* at 125.

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Id.*

²⁰⁹ *Id.*

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² *See id.*

²¹³ *See id.* at 125-26.

²¹⁴ *Id.* at 126.

²¹⁵ *Id.*

mate interest in protecting American commerce abroad due to trademark tarnishing in a foreign country.²¹⁶ Therefore, sales diverted from American companies in foreign countries may be legally significant in the analysis.²¹⁷

Assuming that evidence of harm to a domestic plaintiff's economic interests abroad resulting from the tarnishing of his reputation in a foreign country may in some circumstances meet the substantial effects test, McBee once again failed to produce any evidence of such harm.²¹⁸ McBee offered no evidence in support of his allegation that, but for Delica's sales of the "Cecil McBee" t-shirts in Japan, McBee would have gained more touring opportunities in Japan.²¹⁹ Thus, he failed to proffer any probative evidence of, for example, a decline in McBee's touring revenue as compared to revenue gained from previous tours or evidence of any decline in McBee's Japanese record sales.²²⁰

Based on the foregoing analysis, the court held that McBee's claims for injunctions barring both Delica's United States sales and access to Delica's internet website, as well as his claim for damages for Delica's Japanese sales, must be dismissed solely on the grounds that McBee failed to produce any legally sufficient evidence which could satisfy the substantial effects test.²²¹ Since McBee failed to establish subject-matter jurisdiction over Delica, the court found it unnecessary to discuss whether principles of comity would warrant dismissal of McBee's claims.²²² However, the court did note in dicta that, in any event, comity would counsel for dismissal of all of McBee's claims.²²³

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ *Id.*

²¹⁹ *Id.*

²²⁰ *Id.*

²²¹ *Id.*

²²² *Id.*

²²³ *Id.*

IV. DISCUSSION

A. *The Substantial Effects Test: A More Streamlined Interpretation of Steele*

The following analysis of the *McBee* court's substantial effects test does not merely aim to determine whether the court's application of its analytical framework is correct. Indeed, the court's holding to dismiss all of *McBee*'s claims against Delica comports with a reasonable person's sense of justice, for it is difficult to comprehend whether, considering the lack of evidence, *McBee* could successfully establish subject-matter jurisdiction under any framework. Therefore, the importance of this case is the court's interpretation of *Steele* and its decision to depart from the other circuits' interpretation of the landmark case. In particular, this Section will analyze whether the court's substantial effects test satisfies the important balance of adequately protecting American citizens while simultaneously confining the court's jurisdiction within the bounds that Congress intended.

In the beginning of its opinion, the court clearly implied that its desire for simplification would guide its reasoning. After briefly describing the *Vanity Fair* test, the court stated that "these three prongs are given an uncertain weight" and that, based on Supreme Court case law, the court would "identify the different types of 'extraterritorial' application questions and isolate the factors pertinent to subject-matter jurisdiction."²²⁴ Thus, the *Vanity Fair* test troubled the court mainly for the reason that it did not provide clear guidance to litigants. According to the *McBee* court, the test conflated the different types of extraterritorial jurisdiction thereby resulting in the application of a singular test for different fact patterns containing dissimilar issues.²²⁵ Under this reasoning, the court correctly diagnosed the problem that an unpredictable balancing test hinders the statute's ability to balance the interests of American citizens with judicial restraint.

With clarity and simplification as its primary motivation, the *McBee* court rightly found that the unnecessarily complicated subject-matter jurisdiction tests of its sister circuits failed

²²⁴ *Id.* at 111.

²²⁵ *See id.* at 110-11.

to effectuate Congress' intent in passing the Lanham Act. In its analysis, the court placed a heavy emphasis on the fact that the defendant in *Steele* was a United States citizen, albeit located abroad.²²⁶ For the *McBee* court, it was a legally significant fact altering the analysis.²²⁷ The *McBee* court treated Congress' authority to regulate the conduct of American citizens abroad as presumptively reasonable and unquestioned.²²⁸ To have found otherwise would have allowed an American citizen to merely relocate outside of the United States and evade the long-arm of federal law.²²⁹ Restricting Congress' authority in this realm is clearly unreasonable, especially in an increasingly globalized world where American citizens can relocate without enduring much inconvenience and, as a result, where national borders become increasingly less significant.

Contrasting the *McBee* court's standard with that of its sister circuit's illustrates how the latter's interpretation of *Steele* unduly constricted a court's subject-matter jurisdiction. Under *Vanity Fair*, for example, it is certainly plausible that a plaintiff could establish that the defendant is an American citizen, yet fails to establish that the defendant's conduct had a substantial effect on United States commerce and that judgment rendered in his favor would not conflict with foreign law. As a result, a court applying the *Vanity Fair* test would almost undoubtedly dismiss the claim. Thus, the *Vanity Fair* test, as well as the other tests which factored the citizenship of the defendant into the analysis, restricted the power of the statute to regulate its own citizens and, to an extent, provided an incentive for American citizens to leave the jurisdiction in an effort to wholly evade liability. In contrast, the *McBee* test correctly disaggregates the citizenship of the defendant from the analysis. If the citizen is an American, the inquiry ends and the court will find subject-matter jurisdiction. Moreover, American citizenship will not trigger an inquiry into comity.²³⁰ In sum, the court's framework

²²⁶ *Id.* at 118.

²²⁷ *Id.*

²²⁸ *Id.*

²²⁹ *Id.*

²³⁰ In this way, the court wholly disregards an application of the doctrine of comity where many had previously assumed it did apply. It appears that a court will assert jurisdiction over an American citizen who obtains a valid trademark from a foreign country. In the globalized economy, such an interpretation of the

shifts the delicate balance toward protecting American interests.

However, the more contentious issue is whether the *McBee* court's test as applied to *foreign* defendants balances the competing interests of judicial restraint and protection of American citizens. As noted, the analysis is quite simple. The court asks whether the foreign defendant's activities had a substantial effect on interstate commerce.²³¹ A negative answer ends the inquiry.²³² An affirmative answer will trigger an analysis into comity, which is a separate basis for a court to exercise the jurisdiction it already has over the claim.²³³ Also, the substantial effects test is only applicable to sales of the mark outside of the country.²³⁴ Domestic sales of the mark render the extraterritoriality test inapposite.²³⁵ Thus, under the *McBee* court's test, the dispositive issue is whether the foreign defendant's activities conducted outside of the United States had a substantial effect on interstate commerce.

Evaluating whether the court's framework expands or restricts a plaintiff's ability to establish subject-matter jurisdiction against a foreign defendant requires a discussion not about the court's conclusions but instead its rationale. Although the court dismissed all of *McBee*'s claims against *Delica*, the court recognized the facial validity of many of his arguments. The central, though not exclusive, problem for *McBee* was not that his arguments lacked solid grounding in the law. Rather, *McBee*'s failure to establish subject-matter jurisdiction rested on his continuous inability to provide sufficient evidence in support of his claims.

The court manifested its relatively expansive view toward subject-matter jurisdiction in acknowledging the validity of several of *McBee*'s arguments. Regarding *McBee*'s argument that *Delica*'s Japanese sales resulted in the tarnishing of *McBee*'s image in the United States and, therefore, required the court to

doctrine of international comity would, in theory, encroach heavily on foreign sovereignty. Whether, as a matter of fact, the court's interpretation of comity infringes on foreign sovereignty is an issue for further examination.

²³¹ *McBee*, 417 F.3d at 111.

²³² *Id.*

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *Id.*

assert subject-matter jurisdiction over the defendant, the court noted that his argument cut "very close to the core purposes of the Lanham Act."²³⁶ After all, Congress has a clear interest in protecting American consumers from trademark confusion.²³⁷ Thus, *McBee* could establish a substantial effect on United States commerce simply by providing evidence that American citizens had viewed the infringing mark.²³⁸ The court went even further when it said that "quite commonly, plaintiffs in these sorts of cases can meet their burden by presenting evidence that, while the initial sales of infringing goods may occur in foreign countries, the goods subsequently tend to enter the United States in some way and in substantial quantities."²³⁹ Unfortunately for *McBee*, he could not provide any such evidence other than his own allegations that people observed women wearing Delica's clothing and the fact that one American citizen traveling abroad, who saw Delica's advertisements while in Japan, became confused upon entering the United States.²⁴⁰ As such, the *McBee* court adopted an appropriately expansive view toward extraterritorial application of the Lanham Act; but, this extraterritorial application is applicable only where, like any legal theory, the plaintiff provides sufficient evidence to support its burden of proof.

According to the *McBee* court, when a plaintiff alleges harm in the United States as a result of the sales of products bearing the infringing mark in a foreign country, he can establish the requisite effect on interstate commerce through a showing that the goods entered the United States in substantial quantities. This requirement of proof provides an alternative way to view the court's approach to the *McBee* fact pattern. Consider the court's reliance on the Foreign Trade Antitrust Improvement Act²⁴¹ (FTAIA) which concerns the extraterritorial application

²³⁶ *Id.* at 125.

²³⁷ *Id.* at 126.

²³⁸ *Id.* at 125.

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ 15 U.S.C. § 6a (2006). The court, in dicta, reserved the question of whether the plaintiff must establish that it was reasonably foreseeable to the defendant that sales of goods bearing the mark would enter the United States as a necessary element to warrant subject-matter jurisdiction, or whether, if shown, the plaintiff need only show a lesser effect on domestic commerce. However, the court's language, combined with its reliance on the FTAIA, indicates that the plaintiff must

of federal antitrust law. The FTAIA requires, *inter alia*, that the foreign defendant's conduct be reasonably foreseeable to have an effect on United States commerce.²⁴² "Reasonably foreseeable" suggests that inadvertent entry of the alleged infringing goods into the United States in small quantities would not entail sufficient facts to meet this standard. The *McBee* court's reliance on these authorities appears to require that plaintiffs establish a sufficient nexus between the defendant's foreign conduct and the effect on commerce. In other words, where the plaintiff alleges domestic harm resulting from foreign sales of the goods bearing the infringing mark, he must show that the foreign defendant knew, or should have known, that the goods in question would enter the United States in substantial quantities after sale in the foreign country. Viewed through this lens, the court is essentially cabining the foreign defendant's liability for sales occurring outside the United States.

The foregoing approach also helps litigants comprehend the court's definition of "substantial effect" on United States commerce in the context of internet websites, which is a continuing problem for the courts in addressing jurisdictional issues. The *McBee* court expressly stated that a website hosted in a foreign country does not *ipso facto* subject the host of that website to subject-matter jurisdiction under the Lanham Act.²⁴³ Instead, the website must contain something more, such as interactive features, which would allow people, particularly United States citizens, to order the defendant's products.²⁴⁴ Of course, a showing of interactive features is not the exclusive means to overcome the presumption that the mere existence of a website does not automatically warrant the assertion of subject-matter jurisdiction.²⁴⁵ A website written almost entirely in English could also add to the plaintiff's argument.²⁴⁶ In any event, the *McBee* court's language here is significant. Similar to its reasoning for situations where the plaintiff alleges domestic harm as a result of foreign sales of the product bearing the mark, the

show something more than inadvertent entry of the goods bearing the mark into domestic commerce. See *McBee*, 417 F.3d 107.

²⁴² *McBee*, 417 F.3d at 125-26.

²⁴³ *Id.* at 124-25.

²⁴⁴ *Id.* at 124.

²⁴⁵ *Id.*

²⁴⁶ See *id.*

court is searching for facts indicating that it was reasonably foreseeable to the defendant that the website would reach consumers in the United States and, thus, act as an effective mechanism in bringing the products into domestic commerce. In short, the *McBee* court sets an appropriately balanced standard which reconciles the speed of information, fueled by the internet, with the need to preserve the essential value of judicial restraint.

Comparing the “reasonably foreseeable” approach to the substantial effects test of subject-matter jurisdiction with the law of personal jurisdiction in the context of internet websites further illustrates how the substantial effects test serves to act as a restraint on the courts. In its analysis of Delica’s website, the *McBee* court defended its holding that the mere existence of a website hosted in a foreign country does not have a substantial effect on domestic commerce on the basis that its finding was in accord with the law relating to websites in the context of personal jurisdiction.²⁴⁷ Otherwise, the law would eviscerate the limits of state sovereignty that personal jurisdiction laws serve to protect.²⁴⁸ Similarly, allowing for courts to assert subject-matter jurisdiction over a defendant on the basis that the mere existence of his website has caused a substantial effect on commerce in the United States would shatter the limits of congressional authority beyond what Congress deemed necessary.²⁴⁹ As such, the reasonably foreseeable approach to defining the *McBee* court’s test limits a court to hearing disputes in which it has a legitimate interest.

B. *The Increasingly Elusive Concept of the Doctrine of International Comity*

In applying federal statutes extraterritorially, and determining whether to exercise jurisdiction, comity has consistently played a crucial role in the analysis; yet its precise definition and a clear standard has continued to elude the courts and litigants. In their respective briefs to the court,²⁵⁰ each party in

²⁴⁷ *Id.* at 124.

²⁴⁸ *Id.*

²⁴⁹ *Id.*

²⁵⁰ See Brief of Plaintiff-Appellant at 28-33, *Cecil McBee v. Delica Co., Ltd.*, No. 04-2733 (1st Cir. Feb. 17, 2005); Brief of Defendant-Appellee at 22-25, *Cecil*

the *McBee* case argued why comity either did or did not require dismissal of the case, but neither party ever precisely articulated what the law of comity stated. Moreover, in attempting to define the doctrine, the parties reached widely divergent theories. Thus, while the concept has existed for roughly a hundred years in American jurisprudence, courts have yet to agree upon a universal standard that should be applied to different fact patterns. Consequently, analysis of the proper definition of comity in the trademark context is necessary, especially when it stands as a wholly separate analysis as it currently does under the First Circuit's interpretation of *Steele*.

In contrast to the substantial effects inquiry which limits when courts will find subject-matter jurisdiction over foreign defendants, courts have not explained how comity, as a separate basis for jurisdiction, will similarly affect the plaintiff's ability to assert that subject-matter jurisdiction exists over a foreign defendant. In the area of trademark law, the decision to separate comity from Lanham Act subject-matter jurisdiction analysis is unprecedented. Every other circuit court of appeal interpreting *Steele* has maintained comity as a factor to consider in the court's balancing test.²⁵¹ Under *Vanity Fair*, if the court found that the plaintiff established all the other factors except comity then such failure may not prove fatal to the plaintiff's claim. As a result, comity principles factor much less into the analysis when the plaintiff has otherwise set forth a strong case for the court to assert subject-matter jurisdiction. However, the *McBee* test does not necessitate such a balancing analysis.²⁵² Having severed a critical factor from the test, it is difficult to discern the weight to place on such a factor. The narrower issue then is whether courts should interpret comity narrowly or broadly.

Though it was unnecessary for the *McBee* court to inquire whether comity would require dismissal because the requisite subject-matter jurisdiction did not exist, its heavy reliance on *Hartford Fire* sheds some light on how the lower courts should construe the comity doctrine. In *Hartford Fire*, the court con-

McBee v. Delica Co., Ltd., No. 04-2733 (1st Cir. Mar. 22, 2005); Reply Brief of Appellant, *Cecil McBee v. Delica Co., Ltd.*, No. 04-2733 (1st Cir. Apr. 8, 2005).

²⁵¹ See *supra* Part II.

²⁵² See *supra* Part III.C.

sidered, among other issues, the proper definition of comity.²⁵³ The defendant, a British corporation, argued that there was a true conflict with foreign law because the challenged conduct did not violate British law and, therefore, judgment for the plaintiffs would result in a conflict between United States and British law.²⁵⁴ The court held that this does not state a true conflict within the meaning of international comity because it is distinguishable from the situation where the foreign law requires the defendant to conduct the challenged activity.²⁵⁵ In that situation, it is not only theoretically but absolutely impossible to comply with the laws of both nations if the court were to render judgment for the plaintiffs.²⁵⁶ Under this reasoning, courts must strictly construe comity to mean a true conflict between domestic and foreign law.

However, "true conflict" takes on a different meaning in the context of trademark law. In a footnote, the *McBee* court said that "it is one thing for the British reinsurers in Hartford Fire to be barred under United States law from boycotting activity that they might be free to engage in without violating British law. But it is quite a different thing for the holder of rights of a mark under German law to be ordered to refrain from uses of that mark protected by German law."²⁵⁷ Hence, *McBee's* argument that it is theoretically possible for Delica to obey the laws of both nations if a United States court issued an injunction against him barring the use of the mark, as would be the case if Delica were required to pay damages, lacked merit.²⁵⁸ In trademark law, if the laws of the defendant's nation grant him the lawful authority to use the mark, then the possibility of judgment for the plaintiff would result in a conflict with foreign law and, ultimately, dismissal of the claim.²⁵⁹ Therefore, since Delica was acting under the protection of Japanese law, a court applying the *McBee* test would have to dismiss all of the plaintiffs' claims regardless of whether *McBee* has otherwise

²⁵³ *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 797-99 (1993).

²⁵⁴ *Hartford Fire*, 509 U.S. at 798-99.

²⁵⁵ *Id.* at 799.

²⁵⁶ *Id.*

²⁵⁷ *McBee*, 417 F.3d at 126 n.15 (quoting *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 746-47).

²⁵⁸ *Id.*

²⁵⁹ *Id.*

presented overwhelming evidence that subject-matter jurisdiction is warranted. Furthermore, this is a broader application relative to the more narrow interpretation seen in the area of antitrust law.

Though the court's interpretation of comity appears reasonable, the preceding hypothetical is an illustration of the consequent problems associated with severing comity from subject-matter jurisdiction analysis under the Lanham Act. In its decision, the *McBee* court overlooks important policy implications. Consider the following scenario: assume McBee had produced sufficient evidence that people in the United States had seen Delica's shirts bearing the "Cecil McBee" name and that he had provided sufficient evidence that the shirts, although sold in Japan, had entered into the United States in substantial quantities. Further, assume that Delica's website had contained enough English words such that a normal English speaking American could understand the website and that the website allowed for online ordering of the "Cecil McBee" shirts. Given these facts, a court applying *McBee* would find this to be an easy case to assert jurisdiction over Delica. However, assuming *arguendo* that the plaintiff can establish personal jurisdiction, the question of whether McBee should proceed on his Lanham Act claims rests entirely on whether Delica was acting under the authority of Japanese law. Consequently, foreigners specifically intending to misappropriate the use of a trademark in selling a line of products can successfully shield themselves from liability so long as they obtain the authority to use the mark from the foreign country.

Congressional intent is frustrated when jurisdiction turns solely on whether the foreigner acted under the protection of foreign law because only the most popular names within the respective country will be protected. A foreign governmental office charged with the responsibility of issuing trademarks will most likely consider only the possible infringements that could occur within its borders. Thus, McBee, although well-known in jazz circles, is less likely to receive protection from foreign trademark laws than are musicians or musical groups who routinely tour across the world and retain a high degree of name

recognition.²⁶⁰ As such, the Japanese Trademark Office, for example, will be less likely to issue a trademark authorizing the use of the name "U2" or "The Rolling Stones." Therefore, if a foreign defendant continued to use the "U2" mark, despite the government's refusal to issue such authority to use the mark, the foreign band will be better able to seek protection from United States courts than will a Cecil McBee, who, by virtue of his name not being engrained into the global culture, cannot seek such relief. Surely, one could not assume that Congress intended only to protect the most well-known American trademarks from foreign harm.

Courts have avoided these consequences by incorporating comity into the analysis and stripping its effect as a dispositive factor, defeating otherwise legitimate claims of jurisdiction. When the Ninth Circuit decided *Hartford Fire*, prior to its final disposition in the Supreme Court, the court found a true conflict with foreign law; nevertheless, the court asserted jurisdiction due to the defendant's willful intent to target United States commerce and the substantial magnitude of the effect on commerce resulting from the defendant's conduct.²⁶¹ Perhaps these are sufficient reasons in the trademark law context for a court to exercise jurisdiction despite the existence of a true conflict with foreign law, but the court's opinion provides little guidance. Indeed, the *McBee* court, in separating comity from the analysis, noted that comity is properly understood as a separate basis for a court to use "its discretion"²⁶² when deciding whether to assert jurisdiction it already has over a claim. This would imply that a court, under some circumstances, may rule according to the equities of the case but, other than this parsing of language, it is quite unclear how the court views the degree of latitude that the judge has in declining jurisdiction on these grounds.

Without venturing beyond the limits of the court's decision, there exists a resolution to the issue of whether an overarching principle guides the judge in a comity analysis. This is not to say that a judge must not have any discretion, but there must be some guiding principle or clear standard that the judge must

²⁶⁰ See *id.* at 112.

²⁶¹ *Hartford Fire Ins. Co.*, 509 U.S. at 797-98.

²⁶² See *McBee*, 417 F.3d at 111.

use in exercising that discretion. Recall the case of *Laker Airways, Ltd. v. Sabena, Belgian World Airlines*,²⁶³ an antitrust case, which gives an answer. After acknowledging that comity analysis is inherently a fact intensive inquiry, the court noted that:

[T]he central precept of comity teaches that, when possible, the decisions of foreign tribunals should be given effect in domestic courts, since recognition fosters international cooperation and encourages reciprocity, thereby promoting predictability and stability through satisfaction of mutual expectations. The interests of both forums are advanced, the foreign court because its laws and policies have been vindicated; the domestic country because international cooperation and ties have been strengthened. The rule of law is also encouraged, which benefits all nations.²⁶⁴

The court went on further to explain what could more plainly be termed the public policy exception.

When a foreign act is inherently inconsistent with the policies underlying comity, domestic recognition could tend either to legitimize the aberration or to encourage retaliation, undercutting the realization of the goals served by comity. No nation is under an unremitting obligation to enforce foreign interests which are fundamentally prejudicial to those of the domestic forum. From the earliest times, authorities have recognized that the obligation of comity expires when strong public policies of the forum are vitiated by a foreign act.²⁶⁵

In interpreting both the general definition and the supposed public policy exception, the court, in an era where it can expect to adjudicate more claims that would not otherwise come before the court but-for the increasingly free-flow of information, should not construe the meaning of the doctrine and its exception such that it would amount to a nearly insurmountable standard that the plaintiff cannot meet. In simplifying the test for subject-matter jurisdiction, the court achieved an effective balance in protecting American interests while not encroaching on foreign sovereignty. Accordingly, harmonization of subject-matter jurisdiction analysis and the comity doctrine is crucial so courts can maintain that delicate balance.

²⁶³ See *Laker Airways, Ltd. v. Sabena*, 731 F.2d 909 (D.C. Cir. 1984).

²⁶⁴ *Laker Airways, Ltd.*, 731 F.2d. at 937.

²⁶⁵ *Id.*

With these concerns in mind, either the First Circuit or the Supreme Court should adopt the third prong in the Ninth Circuit's jurisdictional rule of reason test as the test for the now independent comity analysis.²⁶⁶ A seven factor balancing test is the appropriate framework in giving judges the discretion they need to effectuate Congress' intent to regulate trademark infringement broadly. Although balancing tests frustrate litigants because their outcomes vary between judges and courts, bright-line rules and rigid three-part tests are less favorable. It is likely that these rules and rigid tests will lead to a far too deferential approach to foreign sovereignty that is less favorable to "Cecil McBee" plaintiffs who could otherwise set forth an overall strong case for both jurisdiction and the substance of the claim. Such a result would be wholly inconsistent with Congress' intent to protect American citizens and consumers from harm.

V. CONCLUSION

From a legal reasoning standpoint, the *McBee* court's analysis seems correct and wholly reasonable. Simplifying the test for subject-matter jurisdiction was perhaps not only necessary, but also the most correct interpretation of *Steele*. More importantly, the court's approach is more in accord with Congress' intent to regulate its own citizens abroad, as well as its intent to protect domestic consumers. The court's opinion reaches the outermost limit of congressional authority without unduly threatening the sovereignty of other nations.

Moreover, the court's analysis is a resounding affirmation of the timeless nature of the law. Many are all too quick to point out that the law is too slow, or worse, unable to catch up to today's rapidly changing technology. The court's analysis illustrates the lack of merit in that criticism. The court extracted root values in the statute, as well as in the case law, and ap-

²⁶⁶ See *supra* Part II.B.2. Recall that the seven factor balancing test which addresses the comity issue is the "(1) degree of conflict with foreign law;" "(2) nationality of the parties;" "(3) extent to which enforcement is expected to achieve compliance;" "(4) relative significance of effects on [the] U.S. as compared to elsewhere;" "(5) explicit purpose to or affect harm American commerce;" "(6) foreseeability of such effect;" and "(7) the relative importance of violations within the U.S." *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500 (9th Cir. 1991).

plied them to a unique fact pattern in a way that effectuates congressional intent while also preserving judicial restraint.

In any event, with a four way split among the circuits, the issue is ripe for appeal and it would not be surprising if the Supreme Court grants certiorari on the issue. If the Court chooses to do so, it should adopt the First Circuit's formulation for it is the interpretation of *Steele* that best fulfills Congress' intent to fully regulate and protect its citizens at home as well as abroad. The Court would also be remised if it failed to develop a sound legal theory of how the district courts should approach the comity issue. Ultimately, it should adopt the approach taken in *Laker Airways*, and add a fair construction to the substantive meaning of the doctrine which is consistent with Congress' intent to provide sufficient protection for American holders of trademarks from unlawful foreign use of their respective trademarks. As noted, a balancing test is the best framework that effectuates the legislature's intent.

Lastly, although analysis has centered on the judiciary's role in defining a clear and workable standard for applying the Lanham Act extraterritorially, Congress also has a significant role in addressing the major policy issues in the area of trademark law. The courts are ill-equipped to tackle a major policy question outlined in Part IV— namely, how best to protect the trademark holder whose mark does not bear worldwide recognition. The *McBee* court rightly decided not to address this policy issue. It is more appropriate for Congress to address the matter and Congress it should investigate whether this is, in fact, a major problem in the globalized economy and, if so, whether it should amend the Lanham Act accordingly.