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## TRADEMARK DOCTRINES FOR GLOBAL ELECTRONIC COMMERCE*

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I. INTRODUCTION

The imminent rise of global electronic commerce carries with it important implications for the development of trademark usage. A close connection between trademark law and the growth of electronic commerce already has become apparent to those that watch the development of "cyberlaw." Recent months have yielded an explosion of Internet-related litigation arising out of trademark disputes. These disputes have come as a surprise to lawyers and commentators that follow the emerging law of the Internet. Two or three years ago we might have confidently predicted that copyright would be the major intellectual property issue in electronic commerce. The early proliferation of trademark disputes, rather than copyright disputes, was therefore somewhat unexpected. We are currently watching firms enter the "cyberspace" market. The nature of the medium dictates that business reputation and identity will comprise two of the key legal issues in the rise of electronic commerce.

In turn, this strongly implies that trademarks, as a primary source of legally recognized business reputation, will assume new importance in electronic commerce. This Article discusses the legal framework by which existing trademark doctrines may be applied to online business usage. Part II of the Article outlines the structure of online business that will make trademark usage a central, if not the central, intellectual property issue in electronic commerce. Part III discusses online trademark usage under the law of the United States, with particular emphasis on the


2. For example, the 1994 Draft Report, or "Green Paper" from the Commerce Department's Working Group on Intellectual Property Rights, devotes nearly 85 pages to the discussion of copyright law on the Internet, but touches on trademarks for barely five pages. See THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS, INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE (1994).
adaptation of traditional concurrent usage doctrines to a networked environment. Because that networked environment is potentially global in scope, Part IV examines how United States trademark law will function in an international setting. The conclusion presents some modest recommendations for better accommodating current trademark law to usage in global electronic commerce.

In this discussion, I take as my fundamental assumption a thesis that I have advanced before: the sky is not falling with respect to cyberlaw. Current law can be and will be applied to Internet activity, and will particularly be applied to electronic commerce. For the most part, such application of familiar legal principles will yield predictable and coherent results with which most interested parties can live. In the rare circumstances where the Internet displays a truly new or unique characteristic, current law can be fairly readily adapted to yield predictable, coherent, and livable results. Such changes will likely be incremental, rather than sweeping, and will be implemented via existing legal institutions rather than via radically new structures of governance.

II. TRADEMARKS AND DIGITAL GOODS

It may be necessary at the outset of the discussion to dispose of the online trademark issue most familiar to Internet watchers: domain names. I do not propose to discuss them in any detail, partly because the matter has been thoroughly discussed elsewhere, but also because the topic is peripheral to the analysis in this

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Article. As mentioned above, the Internet has experienced a recent explosion of trademark disputes. The majority of these disputes involve domain names, the mnemonic nicknames that designate particular Internet Protocol addresses on a network. Much of the furor revolves around the fact that such mnemonics can serve both as resource addresses and resource names. Yet there is little question that such Internet addresses, when associated with product or service names, can be valid trademarks. I have already argued at some length that this combination of attributes is by no means unique to domain names, and that current trademark law is capable of accommodating Internet addresses much as it has previously accommodated physical addresses, telephone numbers, and similar location designators.\(^6\) Thus, to the extent that the domain name controversy has relevance to the present discussion, it is only relevant as an early example of some issues that will recur as trademarks become more widely employed in electronic commerce. Indeed, too much focus on the peculiarities of domain name disputes could threaten to distort the development of trademark law on the Internet. Therefore, core trademark issues will be the focus of this Article.

There is an additional reason why domain names will receive little attention in this Article, a reason related to their dual role as both resource locators and resource identifiers.\(^7\) I have high hopes that the disputes over their usage will be short-lived. Domain names presently derive much of their value from the combination of free advertising and entry point into the confusion of resources on the Web that they provide. However, such mnemonic locators will likely lose much of their value as access to online resources becomes increasingly transparent to the user. Internet users already have available to them a variety of search engines that locate resources via key-word searches;\(^8\) these are expected to become increasingly powerful,

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\(^6\) Burk, supra note 3, ¶¶ 34-59.

\(^7\) Domain names act functionally as locators or “addresses” to enable computers to find certain files or resources on the Internet. See Burk, supra note 3, ¶ 30. They may also act as identifiers or “names” to distinguish a particular file or resource. Id. It is in the latter capacity, as “names” and not as “addresses,” that they may function as trademarks. Id. ¶ 33.

\(^8\) Popular web-based search engine services include Infoseek, Webcrawler, and Lycos. See ED KROL & PAULA FERGUSON, THE WHOLE INTERNET FOR WINDOWS 95: USER’S GUIDE & CATALOG 127, 146 (1995). Other utilities such as Wide Areas Information Service (WAIS) and Archie allow searches of database text or file names, respectively. Id. at 261-83, 345-70.
The advent of software agents that can be either directly or genetically programmed to search according to the owner's preferences should further diminish the importance of mnemonic URLs as entry points to the net.\(^9\) When domain names lose their value as mnemonics, then much of the furor over their ownership should subside. However, the broader trademark issues they raise will continue because of the nature of electronic commerce and the necessity of trademarks.

A. Goodwill and Reputation

A trademark may consist of a word, phrase, logo, pattern, color, design, or other type of device that functions as an indicator of the source of goods or services.\(^11\) Even sounds may become trademarks if they function as source indicators.\(^12\) Trademark rights accrue as the mark is used in commerce and consumers identify the mark with a certain source of goods or services.\(^13\) In the context of electronic commerce, such visual or audible signals will continue to serve as indicators of source, much as they have in physical commerce. Additionally, some new indicators of source, such as digital signatures or other cryptographic fingerprints, may begin to serve in the capacity of at least some trademark functions.

1. Signaling

The primary stated purpose for legal recognition of trademark rights is to prevent consumer confusion.\(^14\) Either through personal experience, advertising, or word of mouth, consumers come to associate a known mark with goods or services from a particular source. Consumers then use the mark as a signal of the quality of goods, expecting that goods branded with the mark will be of the quality they have come to associate with past purchases bearing the mark.\(^15\) Use of confusingly

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12. Id. § 7:104, at 7-243. For that matter, scents may be trademarks. *In re Clarke*, 17 U.S.P.Q.2d (BNA) 1238 (T.T.A.B. 1990). However, home computers are not yet equipped with odor generating capability.


14. See Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 157 (1989) (stating that the "general concern [of unfair competition] is with protecting consumers from confusion as to source"); see also Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 360 (2d Cir. 1959) (holding that plaintiff has no remedy for trademark infringement until there is a likelihood of confusion).

similar marks on competing goods may cause consumers to mistakenly purchase goods from another source whose quality may differ from the goods the consumer intended to purchase. Such mistaken purchases may occur through negligent use of a similar mark or through intentional deception. Thus, in the absence of trademark rights, unscrupulous competitors could take advantage of the association between mark and quality in order to “pass off” their own goods as those known to consumers.  

Recognition of trademark rights may concomitantly protect the business reputation of merchants. If consumers are deceived into purchasing inferior products by a confusingly similar mark, they may naturally associate those products with the source indicated by the mark. Consumers may be surprised or disappointed by such inferior quality and develop an unwarranted negative impression of the mark owner’s products or services. This damages the reputation and goodwill of the mark owner, potentially causing both a loss of future business and a loss of the investment that the mark holder has made in developing recognition of the mark.

2. Business Incentives

In addition to its consumer and business reputation protection function, trademark law may also serve to enhance the quality of goods and services offered in the marketplace. This occurs because protection of distinctive trademarks serves to protect investments in business reputation and goodwill. As businesses invest in the quality of their products or services, that level of quality is associated by consumers with the identifying mark of the particular business. Businesses will be prompted to make such investments, knowing that the identifying mark cannot be appropriated by companies offering cheaper substitute goods. Were trademarks not protected, competitors might be tempted to “free ride” off of the goodwill and recognition associated with the initial user of the mark. Competitors of the mark’s owner could sell inferior substitute goods under the same or similar mark, and because the inferior substitutes could be more cheaply made, they could be offered at a price lower than the initial mark user’s goods. This could force the initial user to lower his price in order to compete, a cost reduction that could likely only be


17. See 1 MCCARTHY, supra note 11, § 2:15, at 2-34 to -35 (noting that trademark litigation protects goodwill as well as the symbol).


21. See 1 MCCARTHY, supra note 11, § 2:30, at 2-54.
accomplished by also using inferior quality goods. Then, competitors could undercut the new price, and a downward spiral toward the poorest viable quality would ensue. Such a race to the bottom is forestalled by protecting the initial users' investments as signaled by their trademarks.

3. Product Information

The importance of trademark protection will vary depending on the type of branded goods or services at issue. Economists divide goods into three classes based on the manner in which consumers acquire information about the goods. Consumers can assess the first class of goods, called "inspection goods," for quality and value by observation; for example, with goods such as fresh fruit, consumers can determine their quality and value simply by inspecting them. Contrarily, consumers cannot assess the second class of goods, called "experience goods," simply by observation. Experience goods only yield information about their qualities over time. Like a new automobile, the latent defects or performance advantages of the good become apparent only after the consumer has lived with the good for some time.

This issue of hidden quality becomes far more pronounced with the third type of goods, called "reliance" or "credence goods." This type of good will never yield its secrets to the consumer, either via inspection or experience. Consumers either lack access to information about the good or lack the expertise to evaluate the available information. Instead, consumers must rely on the assessment of some trusted third party, usually an expert, whose expertise allows the expert to assess the good on the consumers' behalf. In an increasingly complex, technical society, large portions of available goods and services—everything from medical advice to computer hardware—will tend to fall into this category.

Consumers rely on trademarks as signals of quality, depending upon the type of goods to which the marks are affixed. Trademarks tend to be least important in the case of inspection goods, because the consumer can determine the quality of the goods directly, without reliance on the mark's signal. Conversely, trademarks tend to be most important in the case of inspection goods, because the consumer is unable to assess the quality of the goods himself, and may rely on the reputation

24. Id.
27. Id.; LANDES & POSNER, supra note 23, at 284.
28. LANDES & POSNER, supra note 23, at 284-85; Darby & Karni, supra note 26, at 69.
embodied in the mark. This may also be true of experience goods, because reliance on the mark may save the consumer the time required to test the goods for quality. In essence, the mark encapsulates the past experience of the consumer or other consumers, becoming a sort of "expert" signal on which the consumer relies.

B. Electronic Commerce

The roles played by trademarks in traditional commerce indicate the desirability of facilitating trademark protection in the electronic marketplace. Trademark protection can be expected to facilitate consumer recognition, embody business goodwill, and prompt product quality online as well as off. However, the degree to which trademark protection succeeds in these roles depends to some extent on both the nature of the electronic marketplace and the types of goods and services exchanged in electronic commerce.

I. Physical Goods

The reputational functions of trademark law will be of critical importance to online commerce. Internet commerce appears to be developing into two general categories of transactions. The first category involves selecting, ordering, and even paying for physical goods via the Internet. However, goods ordered in this manner will be delivered in a conventional way, such as by parcel post. This type of commerce essentially uses the Internet as a sophisticated form of mail-order catalog. Likewise, this type of commerce entails many of the same legal and practical problems as mail-order catalogs. The second category of Internet commerce involves traffic in digitized goods such as music, data, software, and movies. For these kinds of informational goods, selection, ordering, payment, and delivery of the goods can all take place online. Accordingly, this latter type of commerce raises new and difficult legal questions.

Trademarks will be important to the first type of Internet commerce much as they are to current mail-order businesses. Names or symbols embodying a firm's goodwill and reputation will be relied upon by consumers because the consumer will be unable to directly examine the goods until they arrive. While the consumer can return defective or otherwise unacceptable goods, the time and effort required to do so represents an extra cost to the consumer. If consumer fraud or abuse occurs, the physical trail made during shipping can be used to trace the goods to their

30. Id. at 407.
32. Id. at 450.
source. However, this also represents an extra cost to the consumer and may not result in a consumer chargeback or refund.\textsuperscript{34} Because the Internet can seamlessly put the consumer in contact with businesses almost anywhere in the world, consumer reliance upon firm reputation will be heightened. Locating and resolving disputes with businesses in distant jurisdictions may be especially time consuming; consequently, online shoppers are likely to deal with businesses that they trust will not involve them in such lost-opportunity expenditures.

2. \textit{Digitized Goods}

Trademarks will be an even more important legal and business mechanism to the second type of Internet commerce, traffic in digital or informational goods. Consider the case of software, for example. Few consumers are likely to have the personal expertise required to assess more than the interface of a new web browser or HTML editor. They are even less likely to possess the knowledge required to assess products with which they do not directly interact, such as operating systems, hard disk optimizers, or cryptographic software. This lack of knowledge places those goods in the class of credence goods, goods for which the consumer must rely on an expert's assessment of quality. Occasionally, such goods may appear to be experience goods, as when a consumer eventually notices poor response times or incompatibility with other systems; however, for many consumers, they may never see any outward sign of poor performance.

For other types of digital goods, such as movies, music, and books, the experience is in fact what the consumer is purchasing—the experience of viewing the film, hearing the recording, or reading the book. Thus, the consumer can only evaluate the good during its use. Vendors of such items have traditionally resisted the return of these works once the consumer has experienced them, in part because consumers may falsely report that the experience was unsatisfactory or defective after having gained the benefit of one or more uses. Consumers who are in fact dissatisfied with the work may be penalized by such policies, and therefore may rely heavily on reputation when purchasing access to creative works. For example, if no ticket refunds are issued once the movie has been viewed, or the music cannot be returned once the package is opened, the reputation of the film director or musician may be a crucial factor in the consumer's decision to make the initial purchase.

Consumer reliance on reputation will be equally important as these works are delivered over the Internet. Additionally, reputational reliance may take on an added dimension for digital works. For physical embodiments of creative works, no-return policies are imperfect. For example, a bookstore may accept the return of a book and have no way of knowing whether or not the purchaser has already read it. This

\textsuperscript{34} \textit{See generally} John Goldring, \textit{Netting the Cybershark: Consumer Protection, Cyberspace, the Nation-State, and Democracy, in Borders in Cyberspace, supra note 33, at 322 (discussing consumer protection in electronic commerce).
will change with implementation of copyright management systems which monitor and charge for each use of a digitized work. Consequently, because every access to a work may be monitored and billed, consumers will be forced to rely even more heavily on reputation when purchasing access to works.

Finally, reputational reliance may reach its peak for purely informational works, such as data, that are delivered online. By definition, these works are credence goods. The data itself may be open to consumers' inspection, but they cannot assess the data’s accuracy or value without some prior or subsequent experience. This suggests that the distinction between inspection and experience goods may be largely arbitrary in the case of pure information. Where informational goods are concerned, two types of information are commingled: the information good itself and information about the information. It is the accessibility of this latter “meta-information” that distinguishes inspection, experience, and credence goods. When physical goods are concerned, the good and the information about its characteristics are readily separable. For informational goods, to the extent that the information is embodied in a tangible medium, the medium may cloak important characteristics of the information, revealing those characteristics over time as the user penetrates the embodiment.

As information becomes less embodied, approaching pure information, the information itself becomes more accessible, and none of its characteristics remain hidden. However, meta-information regarding the information’s value remains elusive because this type of information is not available from the good in isolation; rather, it lies embodied in context and relationships with other information. Such contextual and relational information may be encapsulated in a trademark “signal.” Indeed, John Perry Barlow has suggested that as information becomes easy to copy and distribute, the basis for value will lie in the context, relationship, and source of the information—in essence, a shift from copyright value to trademark value. Thus, control of trademark rights will take on a heightened importance to both consumers and businesses in electronic commerce.

III. DOMESTIC TRADEMARK RIGHTS

Having established the reasons for which trademarks will be critical to electronic commerce, we are ready to turn to a discussion of how trademark law will function against the backdrop of the Internet. The goal of this section is to demonstrate that current principles of trademark law can yield coherent results when applied to electronic commerce, beginning with application of United States


trademark doctrines to domestic Internet activity. Ironically, the crux of this argument rests upon what may seem to be the body of trademark law least adapted to usage in the online world, the law of remote concurrent trademark usage.

**A. Territorial Doctrines**

Much of the current legal focus on the Internet arises from the network's geographic indeterminacy; the Internet not only spans geography, it renders geography largely irrelevant to online operations such as electronic commerce. In many cases, this may create anomalies when current territorially based legal doctrines are applied to the Internet. Indeed, because trademark law is territorial, it is cited as a prime example of a legal doctrine that cannot be rationally applied to an online environment. But a closer examination of the function and purposes of such territorial doctrines indicates that they can indeed be translated into the context of electronic commerce. The legal needs that led to common-law development of those doctrines exist both online and offline.

**1. Independent Adoption**

At common law, trademark rights encompassed only the geographic territory where the goods or services were actually sold, creating the possibility of concurrent usage of the same or similar marks in remote areas. In general, trademark usage was and is subject to a priority rule: the first or senior user of a mark holds superior rights to that mark, and subsequent, or junior, users could be forced to cease using the same or confusingly similar marks. However, this rule of priority applied only if the marks came into conflicting use within the same geographic area. Accordingly, if a subsequent user of the mark independently adopted the mark in an area remote from the senior user's territory, then the junior user could develop separate rights immune from the senior user's claim of priority.

The development of such concurrent usage rights is indicated by factors showing independent acquisition of business goodwill, including a good faith adoption of the mark by the junior user. If the junior user concurrently adopted the mark intending to trade off of the senior user's established reputation, or intending to capture business in areas that the senior user had not yet penetrated, then the

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40. Id. at 1077.
41. 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:6, at 26-12 (4th ed. 1997).
senior user is entitled to enjoin this use of the mark. Knowledge of the senior user's mark by the junior user at the time the junior user adopted the mark indicates that the junior user intended to appropriate the reputation acquired by the senior user. However, to constitute bad faith, the junior user's knowledge and intent must be directed to use of the mark in the same line of business as that of the senior user; knowledge of use in a different line of business is not sufficient.

Similarly, to avoid infringement, the junior user's employment of the mark must take place in a region geographically divorced from the senior user's area of use. This not only ensures against consumer confusion between the two users, but also provides some surety that the junior user's adoption was innocent and independent. However, the requirement that the uses be wholly remote from one another could be more easily satisfied in the nineteenth and early twentieth centuries when the doctrine was developed. Advances in communication and transportation have significantly eroded the isolation of most local markets. Initially, courts recognized this erosion in the context of motels and other travel-related services that depend on the interstate highway system to draw nonlocal customers, which requires the motels to advertise outside their local geographic area. This trend was soon recognized for businesses generally. National or international advertising is available even to small businesses via widely circulated print or electronic media. Moreover, because consumers are more mobile, frequently vacationing in or relocating to new areas, they bring with them associations between previously encountered businesses and their trademarks.

Thus, the question of determining geographic remoteness is closely intertwined with the question of determining market penetration for concurrent users of the same or similar mark. Sporadic or inconsequential use of the mark in an area is insufficient to bring it within the user's area of a common-law trademark. Rather,

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42. See Sweet Sixteen Co. v. Sweet "16" Shop, Inc., 15 F.2d 920, 924 (8th Cir. 1926).
44. See e.g., GTE Corp. v. Williams, 904 F.2d 536, 541 (10th Cir. 1990) (requiring intent to benefit from the reputation or goodwill of the senior user).
48. See, e.g., Holiday Inns of America, Inc. v. B&B Corp., 409 F.2d 614, 617 (3d Cir. 1969) (stating that "[i]nstant is our communication and so efficient our transportation that it can be said that the American market place for most nationally advertised products is the entire United States").
49. See 3A Altmann, supra note 46, § 20.48, at 380.
50. See Natural Footwear Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1400 (3d Cir. 1985); Sweetarts v. Sunline, Inc., 436 F.2d 705, 710 (8th Cir. 1971).
the market penetration of a user must be significant enough to create a real likelihood of confusion among consumers when confronted with the concurrently used mark. Factors including product advertising, volume of sales, growth or decline in sales, and number of customers have all been held relevant to assessing the scope of geographic rights. Advertising constitutes a particularly important consideration, as much of the recognition accrued by a product depends upon the level of promotion.

2. Zones of Expansion

The boundaries of market penetration are not pristine, and courts have tended to recognize a right to "zones of natural expansion" adjacent to the territory of actual use. The exact limits of an area into which a remote user might reasonably or naturally be expected to expand would again be a function of factors such as the size and rate of previous expansion, business activity, advertising, and geographic proximity; accordingly, mere hope of expansion is insufficient to establish such a zone. Additionally, the boundaries of the zone could be determined by priority of usage: because the expansion zone is an area of expected use, and not actual use, courts have established that the zone of expansion cannot preempt a "core" area where a concurrent user has actually established goodwill in a mark. However, where expansion zones might overlap, the priority of the senior user may overcome the expectation of the junior user.

We might represent this common-law approach by a Venn diagram, such as that shown in Figure 1. The two smaller black circles represent the core geographic area in which different trademark users, each adopting the same or similar mark for similar or identical goods or services, have used the mark in sales, advertising, or services. The circles do not intersect, indicating that there is no overlap in the respective geographic areas where the mark has been used. Each central core area is surrounded by a shaded area representing the geographic zone of expansion into which each user might naturally expand use of the mark. Like the core areas, these areas also do not overlap. Thus, the senior user of the mark has no claim sufficient to prevent the junior user from continued use of the mark in the core area or in the zone of expansion. The geographic markets are remote from one another; therefore, concurrent usage is possible.

52. Tally-Ho, Inc. v. Coast Community College Dist., 889 F.2d 1018, 1023 (11th Cir. 1989); Food Fair Stores, Inc. v. Lakeland Grocery Corp., 301 F.2d 156, 162 (4th Cir. 1962); Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 364 (2d Cir. 1959); Rainbow Shops, Inc. v. Rainbow Specialty Shops, Inc., 27 N.Y.S.2d 390, 392 (Sup. Ct. 1941).
53. See Blue Ribbon Feed Co. v. Farmers Union Cent. Exch., Inc., 731 F.2d 415, 422 (7th Cir. 1984).
54. See, e.g., Tally-Ho, Inc. v. Coast Community College Dist., 889 F.2d 1018, 1028 (11th Cir. 1989) (stating that "junior users whose uses are in good faith and 'remote' are protected").
Figure 2 illustrates the more complex situation that may occur when the same mark is independently adopted in geographically separate areas, but the likely zones of expansion overlap. The dark circles representing the geographic core usage areas are again quite separate, but the shaded areas representing the geographic zones of expansion intersect. The shading of the zones of expansion for the senior and junior users differ in this diagram. The shading for the senior user’s zone preempts that of the junior user’s zone where they overlap. However, the senior user’s zone of expansion does not preempt the junior user’s core area. By adopting the mark first, the senior user gains common-law priority for expansion but does not have priority in the areas where the junior user has previously employed the mark.

3. Federal Registration

In the United States, state common-law rules regarding territorial trademark rights have been incorporated into the system of federal trademark law under the Lanham Act, but are substantially altered by federal law. Federal registration of a mark affords nationwide constructive notice of use which legally negates the possibility of an innocent and independent duplication of a registered mark. This protects the federal registrant from a subsequent user’s adoption of his mark in a remote area.

However, the federal registrant is not necessarily protected from a subsequent user’s adoption of the same mark prior to federal registration. Federal trademark rights, as provided for in the Lanham Act, are largely an extension of or overlay upon the trademark rights developed by a user at common law—the goodwill or recognition developed by usage remain the foundation of federal registration. Between the time of the senior user’s adoption of the mark and his registration of the mark, a junior user may have developed common-law rights in the mark. The federal trademark scheme allows for recognition of those rights by both the courts and the registering authority. The Lanham Act provides for a “valid state right” exception to the rights granted by federal registration, and courts have recognized that this may negate the effect of federal registration in a local area where an independent user has developed goodwill in a mark prior to a senior user’s federal registration. However, federal registration freezes the junior user’s territorial expansion at its pre-registration boundary.

Additionally, the Lanham Act provides for recognition of such concurrent

56. See id. § 1072.
57. 3 McCARTHY, supra note 41, § 26:32, at 26-49.
58. See Spartan Food Sys., Inc. v. HFS Corp., 813 F.2d 1279, 1282 (4th Cir. 1987); Burger King of Florida, Inc. v. Hoots, 403 F.2d 904, 907 (7th Cir. 1968).
60. See Burger King, 403 F.2d at 907.
61. See 3 McCARTHY, supra note 41, § 26:45, at 26-74.
rights through a concurrent registration proceeding. The Trademark Office may issue concurrent registrations after a court finally determines that more than one person is entitled to use a mark. Alternatively, the Trademark Office can make its own determination that concurrent registration is proper if it finds that the concurrent uses began prior to the earliest filing date of any registration or pending application of the mark, provided that no confusion or deception will result from continued concurrent use. A concurrent user may initiate a Trademark Office concurrent use proceeding by filing a registration application that alleges usage prior to the opposing party’s filing date. The Trademark Office may then issue restricted registrations to the concurrent users, reflecting their respective superior rights in discrete areas.

The concurrent proceeding provision of the statute may also serve to implement the federal policy of rewarding early filing by penalizing prior users who have slept on their rights. Particularly when the junior user’s right to use the mark has become incontestible under federal law, the junior user becomes entitled to nationwide registration with a concurrent use reservation for the prior user’s area of usage. In determining the respective territorial restrictions, the Trademark Office considers factors such as the user’s level of business activity, plans for expansion, dominance of contiguous areas, and possible market penetration; in other words, the party’s zone of expansion. This leaves open the possibility for a prior user that files a tardy concurrent use application to preserve his common-law area of actual usage and zone of natural expansion.

The common-law principle illustrated in Figure 2 is extended by federal trademark law, shown in Figure 3. Once again, the two dark circles represent the core territories in which senior and junior registrants of the same mark independently developed business goodwill in the mark. However, federal registration of the mark by the senior registrant effectively enlarges the registrant’s zone of expansion, indicated by the hatched area, to the entire United States, including its territories and possessions. The constructive notice afforded by the publication of the mark on the principle register negates any zone of expansion by the junior registrant, but does not eliminate the junior registrant’s area of actual use. This area can be carved out of the senior registrant’s registration by the concurrent

62. See id. § 20:81, at 20-126.
64. Id.
65. Id.
68. 3 McCarthy, supra note 41, § 26:53, at 26-86.
registration power of the federal Trademark Office. Finally, Figure 4 illustrates the situation in which a senior user is the junior registrant. The senior registrant, although a junior user, is entitled by virtue of prompt federal registration to not only the senior registrant’s area of actual usage, represented by the dark circle, but also to a nationwide zone of expansion, indicated by the hatched area. The tardy senior user who files for concurrent registration retains the right to the senior user’s area of actual usage, which is carved out from the senior registrant’s national territory. Additionally, if the senior user can show a potential for expansion, the senior user may be entitled to a zone of expansion also carved out of the junior user’s national territory.

B. Market Segregation

The common law and federal doctrines allowing concurrent geographic use, reviewed above, entail a specialized form of a more general trademark principle, consumer confusion. The general principle is based upon the segregation of markets within which consumers recognize, evaluate, and purchase goods. Trademark users develop rights within these markets, which implies that the definition of the market, in electronic commerce or otherwise, defines the scope of the rights. Thus, an understanding of concurrent usage leads to a general theory of trademark rights, both online and off.

1. Infringement

The relation of concurrent territorial usage to market segregation analysis becomes clearer when we consider geographic scope as contained in doctrines of trademark infringement. Infringement occurs when there is a likelihood that consumers will confuse two similar marks. Federal courts hearing trademark infringement cases have developed a list of factors to be examined in determining whether confusion is likely. The exact list of these so-called “Polaroid factors” varies from circuit to circuit, but the core inquiry generally includes a comparison of the similarity of the goods, the channels of marketing and advertising, the strength of the marks, the respective cost of the goods, and the likelihood of expanding the lines of goods. Significantly, the geographic overlap of the similar marks is frequently a relevant infringement factor.

The inclusion of territorial scope within the list of Polaroid factors makes sense

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70. See supra text accompanying notes 68-69.
71. See 3A ALTMAN, supra note 46, § 20.48, at 379.
72. 2 GILSON, supra note 46, § 5.01[3], at 5-11.
73. Id. § 5.01[3][c][i], at 5-16.
74. Id. at 5-16 to -19. The term “Polaroid factors” stems from the seminal case Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).
75. 2 GILSON, supra note 46, § 5.06[1], at 5-100.
considering that infringement is in many ways the obverse of secondary meaning. A trademark user cannot have the user's rights infringed if the user has not developed any rights. In the case of territorial usage, geographically segregated consumers are unlikely to become confused about the source of products of which they have never seen or heard.\textsuperscript{76} One might say that territorially separated concurrent users of a mark have developed rights within distinct areas, or that the consumers in the distinct areas are unlikely to become confused, but the statements are largely equivalent.

Much the same may be said of the other \textit{Polaroid} factors. One might conceptualize the factors as a matter of likelihood of confusion, or as a matter of concurrent spheres of usage which may or may not overlap. For example, a software package called "Boodle" is unlikely to be confused with laundry detergent sold under the same name, which is to say that the software publisher has developed no rights in the area of laundry detergent sales. However, consumers may be confused if a competitor uses a confusingly similar mark on conceptually related goods, such as computer peripherals.\textsuperscript{77} This suggests that the holder of a mark may develop rights in the conceptual product area surrounding the mark's core usage—in essence, a zone of product expansion paralleling that defined in the concurrent territorial usage cases. Indeed, the courts used the term "zone of expansion" in discussing a mark user's rights in related product lines.\textsuperscript{78}

Similarly, a vendor that sells very expensive software called "Boodle" may not have developed recognition among purchasers of cheap software, and so cheap software with a similar trademark may not infringe. In other words, each of the \textit{Polaroid} factors contemplates a class of consumers within which two similar marks may have developed distinct or overlapping spheres of recognition; if there is recognition overlap, then one mark user's rights will be superior.

In general, classification of consumers defines what we call markets, and the \textit{Polaroid} factors are simply that—a list of market definitions. If the allegedly similar marks are affixed to different types of goods, then they are likely competing in different markets.\textsuperscript{79} Also, if the two products significantly differ in price, they are likely competing in different markets. And, of course, if they are known and sold in two geographically distinct areas, they are likely competing in different markets. The definition of these markets determines whether rights in a given mark conflict or not.

The confluence of these doctrines reveals that geographic scope is germane to trademark rights for the same reason that it is often germane to antitrust analysis: geographic scope may be relevant in determining the parameters of the relevant

\textsuperscript{76} See \textit{id.} § 5.06[2], at 5-111; Gross, \textit{supra} note 39, at 1078.

\textsuperscript{77} See 3 \textit{MCCARTHY, supra} note 41, § 24:6, at 24-13.

\textsuperscript{78} See \textit{id.} § 24:17, at 24-34 to -35.

market. In antitrust law, one must first define the relevant market before determining whether a business has market power in that market and thus may be guilty of an antitrust violation. Similarly, in trademark law one must define the relevant market in order to determine whether a mark has priority in that market or whether a confusingly similar mark is competing in that market.

Geographic scope is perhaps the best developed of these market definition doctrines. For example, Trademark Office carve-outs for product price do not exist, but no particular reason prevents us from creating them. Indeed, the Trademark Office will register the same mark for differing products, creating a sort of carve-out for product type.

Conceptually, then, we might well draw Venn diagrams, similar to those shown for geographic scope, for the other market-defining Polaroid factors. For example, consider the situation where similar marks are found on differing goods, perhaps on potatoes and automobile tires. In that instance, the marks appear to be competing in separate, nonoverlapping markets, much as illustrated by the circles in Figure 1. Also, each mark would presumably have some natural zone of expansion into adjacent lines of goods or services. For instance, the potato grower might expand into other lines of produce, and the tire manufacturer might expand into automotive repair. But even these expanded lines of commerce are unlikely to overlap, and so there is little likelihood of consumer confusion between the goods and services associated with the similar marks.

In some situations, however, goods bearing similar marks may be closer in market proximity, such as automobile tires and motorcycle mufflers. The core area of each good may be quite distinct, but the possibility for overlap in their zones of expansion, or “bridging the gap,” is more substantial. In such an instance, as in that of geographic scope, priority of use and priority of federal registration affects the allocation of the mark. Just as in the case of geographic zones of expansion, courts have held that a senior user cannot expand into a product line where a junior user has already developed rights, precisely as illustrated by Figure 2.

This principle is obscured if one supposes that “[t]rademark law is distinctly based on geographical separations.” In fact, a close examination of trademark doctrine yields quite a different conclusion: trademark law is distinctly based upon market separations, and that geographic separations are merely a surrogate or an

83. 3 McCarthy, supra note 41, § 24:18, at 24-36.
84. See id. § 24:20, at 24-38 to -41.
86. Johnson & Post, supra note 37, at 1368.
approximation for defining the relevant market. The basis for all trademark law is the goodwill or consumer reputation attached to a particular mark. Infringement arises from interference between consumers’ associations with respective marks. In order to assess the likelihood of such interference, one must determine who the relevant consumers may be, and this necessarily involves a determination of the relevant markets—geographic or otherwise—for the competing goods.

Thus, two similar products with similar marks are presumed not to compete with one another if they are in sufficiently distinct geographic markets. Conversely, two products with similar marks may coexist in the same geographic area if the products compete in sufficiently separate product consumption markets. The same may be said of the other market-defining Polaroid factors. And those factors may be applied to distinguish separate markets online as well as offline.

2. Virtual Enclaves

Despite the apparent continuity of the Internet, factors such as price, accessibility, consumer preference, and type of good will segregate online markets, just as offline markets have been segregated. One can imagine, for example, a merchant who develops goodwill in a mark used to sell antique tools on a Usenet newsgroup devoted to collectors of such antique tools. Such usage would not likely conflict with usage of a similar mark on a web site devoted to the sale of financial data services. First, the two groups of consumers probably will not overlap; and second, to the extent that a consumer may avail herself of both services, she is unlikely to confuse the source of the two products because the concurrent uses of the mark occur in different consumer markets. Thus, the use of the antique tool mark on the newsgroup occurs within a virtual enclave defined by consumer usage rather than by geographic distance.

This in turn suggests that the traditional rule governing offline concurrent trademark usage should be sufficient to govern online concurrent trademark usage, just as it has continued to govern concurrent usage in the face of previous media developments, such as nationally circulated magazines, network broadcast, and cable transmission. Consumer segregation by subject matter occurs in all these widely accessible media. For example, one could imagine a magazine with nationwide or even worldwide distribution devoted to collecting antique tools. Despite the wide distribution of the magazine, those who are not collectors may not recognize trademarks associated with it; as with the Internet, in reality the majority of people do not become familiar with the mark although it is widely available. The same would likely hold true for marks associated with specialized businesses

87. See 3A ALTMAN, supra note 46, § 20.48, at 379.
88. Id.
advertising in the magazine; despite the wide availability of the advertising medium, those marks could be essentially unknown to the average consumer.

With respect to the Internet, the presence of virtual enclaves means that independent concurrent trademark rights can develop online and can be recognized in the registration process. Just as the Trademark Office has long registered marks with geographic carve-outs, it could just as well register marks with virtual carve-outs. The concurrent use provisions of the Lanham Act authorize the Trademark Office to issue concurrent registrations when the Office determines that two entities have been making concurrent lawful use of a mark and that confusion, mistake, or deception is not likely to result from the continued use of the mark under conditions or limitations as to the mode or place of use of the marks. Sufficiently segregated online usages could constitute distinct modes of usage under the statute. Alternatively, we could leave such divisions to the courts under a likelihood of confusion test, as we have done with the majority of the Polaroid factor market definitions.

Other types of market segregation may also occur in online commerce. Electronic markets are also segregated by technological barriers—physical division of hardware or virtual separation via software. For example, some electronic shopping areas or virtual malls on the Internet use password protection or cryptographic authentication to exclude users on the basis of subscription, much as wholesale shopping clubs exclude nonsubscribers in realspace. Proprietary networks such as America Online (AOL) and Prodigy require such subscriptions for access to the content and services of their networks. These and other technological barriers yet to be developed create market spaces within the network by excluding certain consumers. This in turn implies that trademark recognition or goodwill may differ between the included and excluded classes of consumers.

Indeed, assuming the Trademark Office is empowered to authorize concurrent online usage, virtual carve-outs might be implemented online via the use of access

90. See Johnson & Post, supra note 37, at 1395-96. The observation by Johnson and Post that the Internet contains discrete areas, where diverse rule sets may emerge, is somewhat at odds with their suggestion that territorial trademark principles will not map to the Internet. See supra text accompanying note 37.


93. See MITCHELL, supra note 92, at 88-92 (discussing the shopping analogy).

94. See Reidenberg, supra note 89, at 917.

95. Both Professors Lessig and Reidenberg have discussed how technological architecture can be used to define the parameters of online conduct. See Lawrence Lessig, Reading the Constitution in Cyberspace, 45 EMORY L.J. 869, 896-901 (1996); Joel R. Reidenberg, Lex Informatica: The Formulation of Information Policy Rules Through Technology, 76 TEX. L. REV. 553 (1998).
screening. Under such a system, a computer server may be instructed to deny access to all requests from computer clients having a particular Internet protocol address or domain origin. In the Boodle software example, registration for the trademark might be given to the Internet user with an exclusion for usage on AOL. Use of the mark on AOL would be given to the AOL Boodle seller. Of course, AOL subscribers, having access to the Internet through their provider gateway, could attempt to use the Internet Boodle rather than the AOL Boodle—unless the Internet Boodle server denied access to all client requests originating from AOL's Internet address. Such denial of access can technologically implement the legal allocation of trademark rights.

Thus, assuming that trademark usage will, at least in some cases, occur within non-overlapping market areas, concurrent usage may be allowed as under the realspace territorial rule. But what of the geographic zone of expansion rule? In theory, every point on the Internet is accessible from every other point if one only knows the name or location of a desired resource. Search engines and autonomous software agents readily provide names and locations. The Internet itself serves as a medium for advertising and promoting knowledge of online resources. Consequently, once product or service reputation expands out of a virtual enclave, it theoretically could expand to fill the whole Internet. In such a case, the common-law zone of expansion might resemble that of the federal rule illustrated in Figures 3 and 4 rather than that illustrated in Figures 1 and 2. Under these conditions, the notice provision of federal registration appears almost superfluous.

In some instances, of course, the limits of reputational expansion may in fact be the limits of the Internet itself. However, asserting this as the norm assumes that consumer search costs on the network will be near zero. The concept of virtual enclaves depends upon the observation that consumers will face obstacles in obtaining information about products and product sources on the Internet and that these costly barriers to acquiring such information exist in cyberspace as they do in realspace, where the cost of overcoming distance or other barriers is what makes the Polaroid factors relevant to determining consumer confusion. Thus, the same barriers that permit the existence of virtual enclaves will restrain the zone of online expansion.

Consequently, the analysis for online expansion zones does not differ substantially from the established territoriality rule. I hesitate to rely on the hackneyed "information superhighway" metaphor, but some limited comparison to the United States' interstate highway system may be appropriate in this instance. Courts long ago recognized that the availability of the interstate highway system could seriously erode the trademark doctrine of geographic scope, especially for travel-related services such as hotels and restaurants. Because the highway system made consumers more mobile, the likelihood of identical marks growing up in reputational isolation from one another was significantly diminished. Nonetheless,

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96. See Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826 F.2d 837, 844 (9th Cir. 1987) ("The rule
the availability of the highway system did not suddenly transform a hotel's zone of expansion to encompass the entire nation or even those areas accessible via the highway system.97

Hunting the myriad branches of the Internet for a given product or service may, for market segregation purposes, be equivalent to searching up and down the nation's interstate highway system for a product or service. The Internet contains such vast assemblages of information that no consumer can be personally conversant with all of them; indeed, consumers will likely experience information overload as more and more information vies for their attention. The current and foreseeable technology of search engines and indexes will be similarly inadequate to render all of the Internet's contents transparent. When technological barriers are added to these practical barriers, the likely expansion of many online trademark usages will be subject to measurable constraints.

3. Online "Crossovers"

Notwithstanding that the Internet is and will be segmented by economic, social, and technological divisions, those divisions will not necessarily map onto the geographic, political, and economic divisions already existing offline. We take as given the current technological structure of the Internet, which ignores customary political and geographical boundaries on which much of our legal system is based.98 The discussion thus far has shown that the network's present structure does not preclude application of territorial trademark principles. But Internet commentators have focused less on the potential for coherent application of law within the network than upon the potential for disjunct application of law between the network and the rest of the world.

Among such commentators, territorial trademark law is a principal example of existing law that cannot possibly work online, and they conclude that a radical overhaul of the law will be required to accommodate the new technology.99 In an extreme version of the argument, the suggestion that the Internet must become a separate jurisdiction with its own rules, governance, and adjudicatory mechanisms is based on the supposed collapse of territorially based law.100 Closely related to this

98. See Reidenberg, supra note 95, at 586-92 (pointing out that technology is not static and can itself be a means of regulation). Thus, the current architecture of the Internet could be redesigned in the future to take geographic position into account.
99. See Johnson & Post, supra note 37, at 1368-78 (setting out the trademark example in cyberspace).
100. Id. at 1387-91; see Henry H. Perritt, Jr., Cyberspace Self-Governance: Town Hall Democracy or Rediscovered Royalism? 12 BERKELEY TECH. L.J. 413, 417-19 (1997); David G. Post, Governing Cyberspace, 43 WAYNE L. REV. 155, 166-67 (1996) (describing the "law of the Internet"); see also Hardy, supra note 4, at 1052 (arguing that Internet users should form their own virtual court
proposal is the suggestion to treat cyberspace as lying outside the territorial jurisdiction of any nation, much as the high seas, the Antarctic continent, or outer space are now treated under international law.101

These arguments rest in part upon the premise that geographically based rules are simply unworkable for a medium that largely ignores geography. However, the above discussion demonstrates that, at least for trademark law, this assertion is untrue. By determining the purpose of geographically based trademark rules, we can adapt traditional rules to serve the Internet. The Internet may not have a relevant spatial geography, but it encompasses its own technological and market topology to which rules can be adapted. Indeed, the concept of separate reputational markets is a natural expansion of present trademark law that will capture many of the virtues of the “cyberspace-as-a-separate-jurisdiction” approach without demanding a radical and implausible overhaul of our jurisprudence.

Embedded within the debate over cyberspace sovereignty is an issue which might at first appear to challenge the virtual enclave model—Internet activity cannot be neatly compartmentalized into online and offline activity. Because Internet users actually reside in some territory, their online conduct will inevitably spill over into offline conduct. This overlap is of particular importance where legal questions of identity and business reputation are concerned. For example, Johnson and Post have suggested that “[i]f one country objects to the use of a mark on the web that conflicts with a locally registered mark, the rebuttal would be that the mark has not been used inside the country at all, but only on the web.”102 This of course is incorrect because consumers who see the mark online also see the mark in a different context offline, and carries those service or product associations with them from one context to the other. Confusion may well arise in the consumers’ minds, and a reputational conflict between the online user of the mark and the offline user of the mark is probably inevitable.

Thus, we cannot confine our discussion of trademark rights to online markets. Internet markets will overlap with “realspace” markets because people are common to both. Therefore, the question of separate trademark adoption will not be confined to virtual enclaves. In many instances, contests over similar marks may prove to be a contest between adoption in a cyberspace market and adoption in a realspace market. For example, the crossover between realspace and cyberspace has been the principal point of contention with regard to domain names: businesses that have developed goodwill in marks such as “Disney” or “Kodak” in realspace desire to use the mark in cyberspace, and with good reason. Internet users will likely be familiar with such marks from their experiences in realspace. Consumers could well be confused if Kodak were used by one business in realspace and by a different

102. Johnson & Post, supra note 37, at 1380-81.
business in cyberspace.

It is worth noting that, at some point, this type of reputational crossover will begin to flow the other way. Businesses that first establish themselves on the Internet may develop significant goodwill in certain trademarks, and because their online customers live in realspace, those businesses will desire that those marks be protected from confusing uses offline. We might speculate that Yahoo! or Amazon.com could be good candidates for businesses that will develop cyberspace reputations that will spill over into realspace markets.

The theory of rights in defined markets accommodates cross-over between cyberspace and realspace. Note that in some instances, the separate circles depicted in Figure 1 might stand for trademark rights in realspace and cyberspace applications. If there is no significant overlap between the use of the mark in an online market and independent adoption of the mark in an offline market, then each user of the mark may develop rights to the mark in virtual isolation from the other. It may be that Internet usage itself will in some instances delineate the proper border between zones of usage, and that use in one type of online market will never expand into use in a particular type of offline market. For example, consumers who use the Internet and recognize Yahoo! as a mark for particular services might be a group who will never encounter Yahoo! if used in a different market—perhaps the market for something like manual typewriters.

Yet the separation of markets on the basis of Internet usage will rarely be so pristine or simple, particularly if Internet usage becomes as ubiquitous as its devotees suggest. At some point, independently adopted online and offline marks may begin to overlap. An example might be the use of the trademark “Cyberia,” which on the Internet has for some years been known as a listserv for discussion of the law of cyberspace. It has also been adopted, probably quite independently, as the title of a suite of software games distributed in realspace at computer stores. Although individuals who frequent online discussion fora may also be persons who would purchase game software, the two uses of the mark probably are not confusingly similar so long as one use is online and the other is offline. However, one can imagine that the natural zone of expansion for the Cyberia software vendor might be to offer the product over the Internet or perhaps even to begin a discussion group of the same name for players and enthusiasts of the software. However, if the owner of the online Cyberia discussion forum has developed significant recognition for his listserv, his common-law rights might serve to block the expansion of the realspace software vendor into cyberspace markets.

4. Dilution

An additional difficulty regarding the application of current trademark laws to online usage of trademarks concerns the doctrine of dilution. Dilution is the blurring, or even tarnishment, that can occur when a famous mark is used concurrently on different types of goods—the use is actionable because the
concurrent use of the mark diminishes its distinctiveness.\textsuperscript{103} Dilution is a matter of particular relevance to the development of online trademark law, since the recently enacted federal dilution statute has become a favorite vehicle for Internet-related trademark claims.\textsuperscript{104} Dilution claims have been used to prevent use of domain names similar to existing trademarks, even where there was little likelihood of confusion because the goods or services at issue were quite different than those offered under the same mark by the plaintiff.\textsuperscript{105}

Thus, dilution may appear to upset the market territory model outlined here: dilution may occur across consumer markets, encompassing claims against use of a similar mark on non-competing goods. Under a dilution theory, concurrent uses of a mark in separate virtual enclaves appear to be precluded. However, dilution theories are in fact consistent with the virtual enclave model. Dilution, particularly by blurring, delineates a different type of market or territory. The cause of action for dilution recognizes that modern trademarks do not compete for market share so much as they compete for mindshare, that is, for the attention of the consumer.\textsuperscript{106}

Economists have recognized that attention and clutter can be significant costs in the marketplace.\textsuperscript{107} Consumers have limited attention, and the more goods that are offered in the marketplace, the more difficult it is for consumers to find what they want. This implies that any trademark may lose incremental value as the number of goods competing for consumer attention increases. Marks are increasingly selected for their ability to capture attention, not simply to signal a source. Thus, a particular loss of value occurs when a famous mark is used repeatedly in the marketplace, even on goods or services that are unlikely to be confused. As the famous mark becomes commonplace, it loses its ability to attract a share of consumers' finite attention.\textsuperscript{108} The claim for dilution is properly limited to famous marks that are most likely to compete for mindshare in this way.

Thus, a Venn diagram for dilution would not represent the extent of a product market held by a trademark owner, but rather the share of consumer attention commanded by the mark. The definition of dilution will dictate that the attention area will resemble that of the federal registrant in Figure 3. Diminution of

\textsuperscript{103} See 3 MCCARTHY, supra note 41, § 24:67 to :69, at 24-115 to -117.


\textsuperscript{105} See generally 2 GILSON, supra note 46, § 5.11[4][b], at 5-239 (discussing domain name dilution cases).

\textsuperscript{106} Cf. Landes & Posner, Trademark Law, supra note 15, at 307 (explaining that dilution prevents “distracting and inappropriate associations”).


\textsuperscript{108} Cf. Richard A. Posner, When is Parody Fair Use?, 21 J. LEGAL STUD. 67, 75 (1992) (asserting that trademarks are less efficient as signals when the consumer must sort through multiple associations).
mindshare will not be confined to a particular product market any more than it will be confined to a particular geographic market—the famous marks protected are those that will have penetrated essentially every geographic market. Nor will dilution be confined by the parameters of online and offline usage; online usage will still lead to dilution offline. Thus the dilution cause of action does not contradict the virtual enclave model, it simply contemplates a separate type of enclave from product markets.

IV. INTERNATIONAL TRADEMARK RIGHTS

The discussion of trademark rights thus far has focused primarily on the application of existing law to online usage within the United States and has shown that current law can be readily adapted to such usage. However, because the Internet is international in scope, only a theory that encompasses international trademark usage will be truly conducive to the development of global electronic commerce. Thus, we must turn our attention to whether the analysis set out above is sufficiently robust to address such international usage, or whether substantial modifications are necessary. The applicability of the market zone approach to international usage may differ somewhat between the two sources of trademark rights analyzed above, respectively, the common law and federal statutory law.

A. Common-Law Rights

Because the geographic market inquiry is grounded in the likelihood of confusion test, common-law principles are quite capable of spanning national borders. The inquiry is not whether an unauthorized use has occurred within a certain territory, but whether a particular use is likely to cause confusion. Inquiry into the limits of geographic or other market boundaries is merely an aid to determine the likelihood of confusion. Thus, famous or well-known marks may well leap oceans and rivers, cross national borders, and span language barriers to achieve international recognition. They may frequently be protectable even when the foreign good or service to which they are attached is not yet readily available.

Early illustrations of this principle occurred in the context of restaurant names. For example, in Vaudable v. Montmartre, Inc., restaurant operators in New York adopted the name and decor of the internationally famous Parisian restaurant, Maxim’s. On the basis of their international reputation, the owners of the Parisian Maxim’s successfully enjoined the use of the name even though they did not operate and had no intention of operating an establishment in New York. Although the case was decided on unfair competition grounds rather than strict

109. See Vaudable v. Montmartre, Inc., 193 N.Y.S.2d 332 (Sup. Ct. 1959); see also Stork Restaurant, Inc. v. Sahati, 166 F.2d 348, 364 (9th Cir. 1948) (issuing an injunction against a San Francisco user of a mark associated with a famous New York nightclub).

110. Vaudable, 193 N.Y.S.2d. at 334.
trademark law, it has led to an expectation that famous marks will be protected from appropriation in the United States, even if they have never been used here, thus effectively recognizing an international zone of expansion.

This principle has most often been associated with the question of whether adoption of a mark known outside the United States by a subsequent U.S. user was in bad faith. If a mark was adopted with knowledge of the foreign mark, and in order to capitalize on its reputation, then the adoption may have been in bad faith. This doctrine largely tracked the territorial rule for adoption of a mark by a remote junior user under common-law principles of concurrent territorial usage. However, in *Person's Co., Ltd. v. Christman*, the Federal Circuit expressly declined to apply doctrines of concurrent territorial use and severely restricted the meaning of bad faith. Although the Japanese owner argued that the defendant was equivalent to a remote junior user whose adoption of the mark was in bad faith, the court held that knowledge of prior use in a foreign nation did not constitute bad faith if the U.S. user was unaware that the foreign user intended to enter the U.S. market and the foreign mark was not famous. Because the Japanese user had no goodwill in the United States for the defendant to misappropriate, adoption of the mark could not have been in bad faith.

Where truly territorial usage is at issue, the common-law zone of expansion rule may span national borders, whether or not a mark is famous. In *Koffler Stores, Ltd. v. Shoppers Drug Mart, Inc.*, Koffler operated retail drug outlets in Ontario, Canada, in close proximity to the U.S. border. Koffler engaged in Canadian radio advertising which spilled over the U.S. border into Detroit and beyond. In a dispute that arose when the Detroit-based defendant subsequently used a similar mark for retail drug stores, the court applied common-law territoriality principles to hold that the Detroit defendant was within Koffler's natural zone of expansion. The fact that Koffler's zone of expansion happened to extend over the border was of no consequence to delimiting the area.

In the world of electronic commerce, either of these lines of cases may be

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111. *Id.* at 335.
113. 900 F.2d 1565 (Fed. Cir. 1990).
114. *Id.* at 1566-67.
115. *Id.* at 1569-70.
118. *Id.* at 699.
119. *Id.*
120. *Id.* at 704.
sufficient to afford foreign trademark holders common-law protection in the United States. The Internet may make many marks internationally known due to spill over from online usage to offline recognition. Additionally, it will be harder for a junior U.S. adopter to deny the knowledge necessary for bad faith because online usage of the mark will make entry into U.S. markets almost inevitable. Similarly, under a Koffler analysis, the Internet may make U.S. markets part of an online user’s natural zone of expansion, much as outlined above for domestic common-law users.

Cases considering common-law rights of foreign trademark holders suggest that they can develop areas of territorial recognition, and even zones of expansion, that extend into United States territory. The inverse of this principle presents a rather more complicated question: whether the reputational ambit of U.S. firms can properly be extended beyond U.S. borders. The obstacles here arise largely from the nature of the federal system: common-law trademark recognition is a matter of state law, but as parts of a federation, the states are not wholly independent legal actors. Although the states retain many aspects of sovereignty, their local laws may be constrained by either the interests of their sister states or by the interests of the nation as a whole. In particular, the federal constitution allots to the federal government primary responsibility for dealing with foreign governments.121

Where cybermarks are concerned, at least two situations raise these federalism concerns. First, the court must be able to exercise personal jurisdiction over the foreign defendant before common-law rights can be enforced against a foreign defendant. However, the constitutional requirements of the Fourteenth Amendment’s Due Process Clause limit the ability of state courts to reachextraterritorial defendants.122 The United States Supreme Court has set out minimum contacts criteria for assertion of personal jurisdiction: the defendant must have reasonably foreseen the possibility of defending a suit in that forum.123 I have elsewhere articulated at length several reasons why the technological limitations of online interaction may make these criteria difficult to meet, but they are in essence the same reasons that I have argued will make trademark law important for electronic commerce: within a networked system it is extremely difficult to determine who one is interacting with and where that person is located.124

The confluence of these effects may have anomalous results with regard to personal jurisdiction in trademark suits. When a defendant engages in purposefully passing off online goods or services through trademark misappropriation and a plaintiff brings suit in a state where consumer confusion has or is likely to occur, the defendant has by definition purposefully directed his activity toward the forum.125 Several decisions in the domain name area have already reached this

121. U.S. CONST. art. I, § 8, cl. 3.
125. See Dan L. Burk, Jurisdiction in a World Without Borders, 1 VA. J. L. & TECH. 3, ¶¶ 44-52
conclusion. However, the situation is far more ambiguous in the case of innocent or negligent trademark infringement where a foreign user innocently adopts a mark confusingly similar to a U.S. mark with no intention or expectation of directing his activity toward any state in the United States. Innocent infringement scenarios make the argument for purposeful direction of activity toward the plaintiff's home forum far less compelling.

The minimum contacts inquiry also entails weighing several fairness factors to help determine whether subjecting an out-of-state defendant to a legal proceeding comports with traditional notions of fair play and substantial justice. When jurisdiction over foreign nationals is at issue, the Court has articulated two particular fairness factors that must be considered. First, the court must consider the potential interference with "the procedural and substantive policies of other nations whose interest is affected by the assertion of jurisdiction." Second, the court must consider whether the assertion of jurisdiction might impact or impede the foreign relations policies of the United States. As electronic commerce becomes increasingly international, the instances where these questions arise will become increasingly common. It may be that exercise of state court jurisdiction over online trademark disputes will frequently appear imprudent, either because of interference with other sovereigns or because of interference with a federal policy.

The second potential limitation on the exercise of state authority over online
trademark usage is found in the negative implications of the foreign commerce clause. The jurisprudence of the dormant Foreign Commerce Clause is more scanty than that of the Due Process Clause, but striking parallels exist, especially with regard to relations of the states to foreign nations. The Court has indicated that states have considerable latitude when handling foreign entities within the area of their traditional powers. However, at some point, uncoordinated state action against foreign entities begins to intrude upon the foreign commerce powers reserved to the federal government; at that point, state regulation may be constitutionally preempted. Similar to the due process international fairness factors, the advent of international online commerce likely will multiply the situations in which state regulation and taxation may exceed the limits necessitated by the federal system.

B. Extraterritorial Activity

The constitutional discussion above suggests that Congress, rather than the states, is in the best position to determine whether U.S. law should be extended into the international arena. Such an extraterritorial extension of the law first requires some prescriptive basis for Congress to authorize extraterritorial application of the law, and second, an indication to the courts that Congress has in fact done so. Current trademark jurisprudence addresses each of these requirements in a unique manner which has important consequences for online trademark usage.

1. Legislative Competence

In considering the extraterritorial dimensions of a statutory scheme, the fundamental inquiry must be of the basis of legislative authority. Depending upon the prescriptive authority recognized, the sovereign may or may not have the ability to prescribe law at a given time or in a given place. Canons of international law recognize a variety of bases for such sovereign authority, including:

territorial jurisdiction—the principle that a sovereign has authority within its geographic territory;

133. See generally Burk, supra note 124, at 1123-34 (discussing dormant commerce limitations on state Internet regulation).


135. See Japan Line, Ltd. v. County of Los Angeles, 441 U.S. 434, 450-51 (1987); see also Zschernig v. Miller, 389 U.S. 429, 435 (1968) (holding that a state probate disposition testing the “democracy quotient” of foreign nations violates federal prerogatives in foreign relations).


nationality jurisdiction—the principle that a sovereign has authority over its citizens, wherever they may be geographically located; objective jurisdiction—the principle that a sovereign has authority over conduct directed toward producing an effect within its territory; universal jurisdiction—the principle that any sovereign has authority over certain universal crimes, such as piracy or genocide, wherever the perpetrators are found; protective jurisdiction—the principle that a sovereign may assert authority over perpetrators of certain acts, such as forgery of the sovereign’s currency, that threaten the sovereign’s stability, wherever those acts take place; and passive personal jurisdiction—the principle that a sovereign may assert jurisdiction over persons whose extraterritorial actions substantially affect the sovereign’s nationals, wherever located.

The oldest and best recognized of these doctrines is that of territoriality, which ties the exercise of power to the fairly predictable geographic boundaries controlled by the sovereign. Nationality jurisdiction also enjoys wide acceptance, as it again channels the conduct of sovereigns into relatively predictable areas which will generally tend not to conflict with the sovereignty of other nations. However, other prescriptive doctrines, such as objective or passive personal jurisdiction, tend to facilitate more free-ranging exercises of power and may give rise to international conflicts, especially when an assertion of sovereignty intrudes on another sovereign’s borders.

The general presumption in U.S. law, articulated repeatedly by the Supreme Court, has been that unless Congress expressly indicates otherwise, statutes are presumed to be territorially circumscribed. This presumption was adopted in part

FOREIGN RELATIONS LAW; see also Mark W. Janis, An Introduction to International Law 322-24 (2d ed. 1993).

139. See FOREIGN RELATIONS LAW, supra note 137, § 402(1)(c); JANIS, supra note 137, at 326-28.
140. See FOREIGN RELATIONS LAW, supra note 137, § 402(3); JANIS, supra note 137, at 329.
141. See Demjanjuk v. Petrovsky, 776 F.2d 571, 583 (6th Cir. 1985) (regarding Nazi war criminal who committed crimes against Israel and all other nations); JANIS, supra note 137, at 328-29.
142. Id. at 330.
143. Id. at 322.
144. See id. at 326-30.
to avoid potential conflicts with the substantive law of other nations.\textsuperscript{146} Thus, the presumption places the majority of U.S. statutes on the most firm and widely accepted basis of sovereign authority, while recognizing legislative competence to exercise sovereignty on some other basis. Congress can exercise authority on one of these other more controversial bases, but the Court will not presume this to be the case without some indication that the legislature intends to do so.\textsuperscript{147} Additionally, this approach also implies an inherent separation of powers rationale: if Congress, with its responsibilities for foreign relations, wishes to potentially intrude on the prerogatives of other sovereigns, then it can explicitly do so, but the courts will not take it upon themselves to infer such an intent.

The federal statutes that give rise to intellectual property contain no express exercise of extraterritorial authority, but due to the territoriality presumption, courts have repeatedly held that U.S. patent and copyright law is territorial in nature.\textsuperscript{148} Courts have treated federal trademark law differently, in part because of its constitutional pedigree. Unlike the patent and copyright statutes, which rest upon the patent and copyright clause, the Lanham Act draws upon the constitutional commerce power, and the statute contains language extending the Act to "all commerce" that may be lawfully regulated by Congress.\textsuperscript{149} This would include not only interstate commerce, but also foreign commerce. The courts have interpreted this language as express authority to apply the Lanham Act extraterritorially, and they have done so with some frequency.\textsuperscript{150}

For example, the seminal case applying the Lanham Act to acts outside of U.S. borders is the Court's decision in \textit{Steele v. Bulova Watch Co.}.\textsuperscript{151} The defendant, Steele, had been purchasing unmarked watch components from the United States and Switzerland; he assembled and sold them in Mexico under the mark Bulova.\textsuperscript{152} Some of these watches found their way back into the United States, and the Bulova Watch Company, a U.S. company and registrant of the Bulova mark in the United States, sued for trademark infringement under the Lanham Act. Because the statute

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private contractor for work in Iran and Iraq); American Banana Co. v. United Fruit Co., 213 U.S. 347, 357 (1909) (property damage by Costa Rican Officers acting outside of Costa Rica's territory).

\textsuperscript{146} \textit{Arabian Am. Oil Co.}, 499 U.S. at 248.

\textsuperscript{147} See id. at 255.


\textsuperscript{150} See, e.g., Steele v. Bulova Watch Co., 344 U.S. 280, 284-87 (1952); Nintendo of America, Inc. v. Aeropower Co., 34 F.3d 246, 250 (4th Cir. 1994); American Rice, Inc. v. Arkansas Rice Growers Coop. Ass'n, 701 F.2d 408, 413 (5th Cir. 1983); see also Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733, 745 (2d Cir. 1994) (discussing \textit{Steele}); Totalplan Corp. of America v. Colborne, 14 F.3d 824, 830 (2d Cir. 1994) (discussing \textit{Steele}).

\textsuperscript{151} 344 U.S. 280 (1952).

\textsuperscript{152} Id. at 285.
expressly indicated that it could be applied to all commerce, including foreign commerce, lawfully within Congressional purview, the Court held that relief was proper under the Act. The Court indicated three factors that favored extraterritorial application of the statute. First, even though the actions in question were extraterritorial, the facts showed that Steele was a U.S. citizen. Second, the Court found that Steele’s extraterritorial actions had an effect on U.S. commerce. Third, the Court found that exercising extraterritorial jurisdiction would not offend the substantive law of Mexico; although Steele had registered the Bulova mark under the Mexican trademark law, his registration had been canceled.

The test articulated in Steele generally fits well within the sovereignty framework of customary international law. The first two factors in the Court’s analysis accommodate the employment of the foreign commerce power to principles of legislative competence by placing the Lanham Act within the purview of nonterritorial bases for jurisdictional authority. The first factor, regarding citizenship, appears to rely on nationality authority, creating a basis for application of the Act to U.S. citizens, wherever they are located geographically. The third factor of the test, regarding interference with the substantive law of other nations, incorporates well-accepted notions of international comity into the analysis.

The second factor, regarding the impact on U.S. commerce, ties the statutory grant of authority to principles resembling passive personal jurisdiction where the extraterritorial activity has an effect within the U.S. This factor of the test is perhaps the only potentially troubling portion of the analysis. As a basis for extraterritorial jurisdiction, nationality principles are fairly well accepted, but passive personal jurisdiction principles may be controversial. An offshore activity that has an effect on U.S. commerce may not provide a sufficiently clear tie to U.S. sovereignty to allow an uncontroverted assertion of jurisdiction. The application of the Steele standards to the Internet will likely feed this controversy.

153. Id. at 289.
154. Id. at 281.
155. Id. at 285.
156. See id.; accord Nintendo of America, Inc. v. Aeropower Co., 34 F.3d 246, 250 (4th Cir. 1994) (applying the tripartite test); Totalplan Corp. of America v. Colborne, 14 F.3d 824, 830 (2d Cir. 1994) (using the Steele factors to decline jurisdiction); American Rice, Inc. v. Arkansas Rice Growers Coop. Ass’n, 701 F.2d 408, 414 (5th Cir. 1983) (using the Steele factors to support extraterritorial jurisdiction). The Court of Appeals for the Ninth Circuit has developed its own multipart test, which essentially expands the Steele test. See Reebok Int’l, Ltd. v. Marmatech Enters., Inc., 970 F.2d 552, 554 (9th Cir. 1992).
157. See Hilton v. Guyot, 159 U.S. 113, 163-64 (1895) (“‘Comity’ ... is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws.”); Levi Strauss & Co. v. Sunrise Int’l Trading Inc., 51 F.3d 982, 983 n.1 (11th Cir. 1995) (discussing the Steele comity element).
2. Applying Steele to the Internet

In considering the extraterritorial application of trademark law to electronic commerce, the first question is whether the application of U.S. trademark law to offshore Internet activity is an extraterritorial application of the statute. Arguably, use of a mark on the Internet may constitute use of the mark in the United States when the materials displaying the mark are accessible in the United States. The case for domestic use is even stronger if goods associated with the mark are downloaded or shipped into the United States, or if services associated with the mark are performed for individuals or entities residing in the United States. Such uses might be said to occur in the United States regardless of the physical situs of the files containing the mark, the server hosting those files, or the individuals responsible for the files.

One case to date approaches this issue, albeit without directly answering the question. In *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.* the court discussed whether posting materials on an Italian web site was a distribution in the United States. Playboy had previously brought actions in both the United States and Italy to enjoin the Italian defendant’s use of the mark “Playmen” in a printed magazine; U.S. courts held that the magazine’s use infringed Playboy’s rights and issued a permanent injunction against distribution of the Italian magazine in the United States. Italian courts, however, held the magazine’s use of the mark permissible under Italian trademark law. The magazine subsequently developed a web site for “Playmen” which was based in Italy, but accessible worldwide. Playboy sought a contempt order for the web activity as a violation of the U.S. court’s permanent injunction. The U.S. court held that the web site was equivalent to distribution of the magazine in the United States and ordered the defendant to block access to U.S. Internet users.

This holding is intriguing, but should be approached with considerable caution. In evaluating the court’s decision in *Chuckleberry*, it is critical to place

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160. Id. at 1036.

161. Playboy Enters., Inc. v. Chuckleberry Publ’g, Inc., 687 F.2d 563, 571 (2d Cir. 1982).

162. Id. at 569 n.3.


164. Id. at 1039-40. On motion for rehearing, the court showed little sympathy for the fact that its order was essentially impossible to implement given present Internet technology. “If technology cannot identify the country of origin of e-mail addresses, these passwords and users IDs should be sent by mail.” Id. at 1045 n.4.

165. Some of the early commentary on this case has used the district court opinion as a launching point for rather wide-ranging speculation. See, e.g., Jane C. Ginsburg, *Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 VA. J. INT’L L. 587, 589 (“Assume that this
the opinion in its procedural context. The court was exercising continuing jurisdiction over the defendant under a permanent injunction entered pursuant to antecedent litigation regarding the defendant's North American distribution of a magazine under a mark confusingly similar to the plaintiff's. It is unclear whether the court could have asserted personal jurisdiction over the defendant in an original action disputing the use of the mark "Playmen" on an Italian web site. However, remedial equity acts in personam, and a court of equity has considerable latitude to achieve a just and fair result. Given that the defendant was already before the court subject to its previous order, a modification of the order required no new jurisdictional assertion.

Similar caution is required when considering the Chuckberry court's holding that a defendant's sponsorship of a web site was equivalent to a distribution of a magazine within the United States. In this case the court was interpreting the question of distribution for purposes of a previously issued injunction, not for purposes of the Lanham Act. Again, a court sitting in equity has considerable latitude in tailoring its remedy to achieve a just and fair result. The court acknowledged this in its consideration of whether the original injunction covered materials on the World Wide Web and candidly admitted that the Internet could not have been within the contemplation of the court when issuing the original order in 1981. The holding that the defendant was distributing material was an equitable determination designed to effectuate the purpose of the 1981 order, not an interpretive conclusion based on the trademark statute.

If the offshore physical situs of computer files, servers, or persons associated with an online mark are taken into account, rather than U.S. accessibility of the branded material, an offshore defendant might still be subjected to the standards of the Lanham Act under the extraterritoriality doctrine. Under the test articulated in Steele, confusingly similar uses that occur wholly outside the United States may be reached by U.S. courts if they have some impact on U.S. commerce. The ubiquitous reach of the Internet may actually help to satisfy the first requirement of the Steele test; as electronic commerce grows more common, use of a confusingly similar mark on the Internet has an increased probability of affecting U.S. commerce.

Such a result could also occur due to the reputational aspect of trademark rights. For example, in Levi Strauss the defendant manufactured unauthorized goods bearing the Levi Strauss label in the People's Republic of China. The unauthorized goods were shipped through the United States, but never offered for

[Chuckleberry case] had been a copyright infringement case rather than a trademark infringement case and that it had not arisen as a contempt proceeding.); see also Ginsburg, supra note 127, at 163-64 (discussing the Chuckberry distribution analysis in the context of contributory copyright infringement).

166. Chuckberry, 939 F. Supp. at 1036 n.4.
168. See id. § 2.4(7).
sale in the United States. However, relying on Steele, the court held that extraterritorial sales of substandard goods could adversely affect the plaintiff's business reputation and applied the Lanham Act extraterritorially. One can easily envision similar situations in electronic commerce where goods or services sold outside the United States under confusingly similar marks may adversely impact American firms offering their goods or services online. This may become especially prevalent as U.S. firms use the Internet to penetrate international markets that they might not have previously reached.

The analysis in Levi Strauss suggests that as the reach of electronic commerce spreads, the first factor in Steele will be satisfied more often, and U.S. trademark holders may be able to reach confusingly similar use of online marks. At the same time, however, the global reach of the Internet may tend to shift the second and third factors of the Steele test against extraterritorial application of U.S. trademark law. As international access to electronic commerce grows, it will be increasingly likely that offshore use of confusingly similar marks will involve foreigners. The spread of electronic commerce will also increase the likelihood that application of U.S. law will substantially interfere with the law of other nations.

Additionally, to the extent that the Internet may increase the potential for expanded reach of U.S. trademark law under the first factor of the Steele test, this effect may concomitantly be balanced by an increased opportunity for foreign trademark users to reach U.S. infringers. In the past, U.S. courts have held that wholly foreign use of a mark, which has no impact on U.S. commerce, cannot give rise to a cause of action under the Lanham Act because Congress has not extended the Act's reach to such conduct. For example, such a reverse-Steele holding was reached by the Federal Circuit in Person's Co. v. Christman to deny relief to a Japanese trademark holder and its U.S. licensee. The defendant in the case had visited Japan, seen clothing sold there under the plaintiff's mark, returned to the United States, and begun manufacturing and selling copies under an identical mark, which it registered with the U.S. Trademark office. Prior to that, the plaintiff had done no business in the United States, but attempted to cancel the defendant's registration after expanding its business to the United States. Both the Trademark Trial and Appeal Board and the Federal Circuit declined to cancel the registration. The Federal Circuit held that the Japanese use of the mark could not form the basis for registration under the Lanham Act, because such wholly foreign use had no effect on U.S. commerce.

171. Id. at 984-85.
172. Id. at 985; accord Babbit Elec. Inc. v. Dynascan Corp., 38 F.3d 1161, 1180 (11th Cir. 1994) (applying the Lanham Act to sales of cordless telephones outside the United States when the telephones were shipped through a United States free trade zone).
173. 900 F.2d 1565 (Fed. Cir. 1990).
174. Id. at 1567.
175. Id.
176. Id. at 1568-69.
In an increasingly networked world, the holding in cases such as Person's Co. might be substantially altered as the Internet decreases the frequency with which use of a mark will be "wholly foreign." Employment of a mark on the Internet is more likely to reach the United States and, therefore, affect U.S. commerce. Just as the first Steele factor may more frequently be satisfied in a networked world because of the effect of foreign infringement on U.S. commerce, so too will the prerequisites for enforcement against domestic infringers more often be satisfied in a networked world.

3. International Registration

Offshore trademark owners will not be entirely without federal recourse against concurrent users or infringers in the United States. The Lanham Act provides for enforcement of common-law rights, and we have seen that foreign businesses may accrue such rights through online trademark usage. The United States is also signatory to the Paris Convention, an international treaty governing, among other things, standards of trademark law. Because of the U.S. treaty obligations under the Paris Convention, foreign trademark users do have a right under the Lanham Act to register their marks in the United States. A foreign trademark user may apply for U.S. registration under section 1 or 44 of the Lanham Act, either by showing intent to use or actual use of the mark in the United States. However, the registrant need not show actual use in the United States. Section 44 extends such registration rights to parties whose country of origin is either signatory to a convention or treaty relating to intellectual property rights to which the U.S. is also signatory, or a country which grants reciprocal rights to the U.S.

However, these provisions affect only registration, and not substantive rights in the mark. The Paris Convention itself is not a source of international trademark rights; rather, it is based upon principles of national treatment. Parties to the convention must accord the citizens of other signatory nations the same rights that

177. However, the foreign mark must also be in use in the United States. See Buti v. Perosa, S.R.L., No. 96-9630, 1998 WL 107690 (2d Cir. Feb. 24, 1998). Foreign broadcasts that reach the United States have been held insufficient to constitute such use. See Linville v. Rivard, 41 U.S.P.Q.2d (BNA) 1731, 1736-37 (1996); Mother’s Restaurants, Inc. v. Mother's Other Kitchen, Inc., 218 U.S.P.Q. (BNA) 1046, 1047-48 (1983). It is important not to confuse the delivery of digitized goods with advertising; for example, in a case such as Chuckleberry, the delivery of images was the service. See supra notes 159, 163-64 and accompanying text.

178. See Person's Co., 900 F.2d at 1570-71.


180. Id. at 313, 315.


183. See Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 640-41 (2d Cir. 1956); see also Person's Co., 900 F.2d at 1568 (“[T]rademark rights exist in each country solely according to that country’s statutory scheme.”).
they would accord their own citizens. As such, U.S. courts have consistently held the Convention territorial in nature: trademark users must perfect their rights nation by nation, proceeding in any given nation on the same basis as citizens of that nation would have to proceed. Thus, use of a mark outside the United States is not necessarily a sufficient basis to establish priority of usage against a domestic user.

This may create considerable difficulty for offshore trademark registrants. Unless the foreign registrant begins using the mark in the United States within a reasonable period of time, he may be deemed to have abandoned the mark. Additionally, registration without use is of limited utility because in an infringement action, the foreign registrant is unlikely to be able to show likelihood of confusion without use of the mark in the United States. Yet, the Internet may again change this dilemma. One effect of the Internet’s global reach is that foreign registrants may actually find it easier to prove use in the United States; online use of the mark will likely translate into use in the United States.

Nonetheless, even if the Internet gives foreign registrants claims in the United States and other nations, registrants must still perfect their trademark in every country. Conventional businesses that engage in international activity have long struggled with perfection, and it will be a problem for online businesses as well. In the past, international activity was largely the provenance of larger firms that were more likely to command the resources to engage in worldwide, multiple trademark registrations. The low cost of Internet activity will make electronic commerce accessible to smaller businesses, that may not have the resources to pursue trademark registration country by country.

An international registration system would therefore be highly desirable for the perfection of trademark rights in global electronic commerce. The possibility of a single international registration process has been raised before and even negotiated among nations. For example, the Madrid Protocol, an international trademark treaty, provides for one-stop international registration. Unfortunately, the United States

184. Paris Convention, supra note 179, at 313.
186. See Fuji Photo Film, 754 F.2d at 599; Scholastic, Inc. v. McMillan, Inc., 650 F. Supp. 866, 873 n.6 (S.D.N.Y. 1987). See generally 4 McCarthy, supra note 185, § 29.02, at 29-6 to -7 (discussing domestic priority controls).
188. See id. at 1580.
189. See cases cited supra note 177.
has never acceded to the Madrid Protocol. However, adoption of some international registration mechanism appears imperative to further the development of electronic commerce. With such a vehicle already available, utilization of the Madrid Protocol may be more desirable than attempting to develop a new mechanism.

4. Cyberspace Sovereignty, Again

The market segregation rule that I have outlined faces significant problems in considering the myriad national sovereigns. Advocates of cyberspace sovereignty might argue that this failure indicates the need for autonomous Internet governance. Yet, the argument for such radical reform continues to be unpersuasive. The need for international harmonization of online trademarks reflects a long-felt need in the international community for such a system—hence, the existence of the previously mentioned Madrid Agreement. The need for harmonization of online trademark usage is no different than that for any other international usage: in mail-order sales, international trade, and so on. This is not to deny that the growth of electronic commerce may well highlight or amplify the problem. But, because no truly novel problem presents itself when domestic trademark law is applied to a global computer network, no truly novel solution is required. What is needed is a degree of international uniformity for all international usage of trademarks.

The jurisdictional radicals might question whether the uniformity necessary for online trademark law could be better achieved by designating the Internet as an independent jurisdiction. Admittedly, this approach has a certain intellectual appeal, resting as it does on some fascinating philosophical assumptions about human cognition and the construction of legal paradigms. Internet interaction at times feels like an interaction in a separate intellectual construct,9 and people interact online according to certain rules that lend the appearance of a separate legal construct.193

Unfortunately, despite its ontological charm, declaring cyberspace to be a separate jurisdiction appears to be entirely unworkable for a variety of practical reasons. The most serious objection is that no one lives or works in cyberspace. Humans live in realspace, and engage in a variety of Internet-related activities that have effects at other points in realspace. By analogy, it is difficult to conceive of anyone seriously contemplating declaration of broadcast-space or telephone-space as separate jurisdictions. The Internet medium differs from these other media in a variety of respects, but not so radically that a declaration of sui generis jurisdictional status is required.

191. See 4 McCarthy, supra note 185, § 29.10[7], at 29-54.
193. See Johnson & Post, supra note 37, at 1388-89; see also Hardy, supra note 4, at 1033-40 (noting the role of online custom in developing Internet laws).
Additionally, although the concept of cyberspace as a separate jurisdiction holds an entrancing philosophical or theoretical appeal, it is simply unworkable as a practical matter. First, even though borders may be rendered more porous by new media, the nation-state is by no means defunct as an entity. It seems highly unlikely that nations would cede any appreciable portion of their sovereignty in the online world. As Michael Froomkin has pointed out, because people live in realspace rather than cyberspace, they will continue to be subject to the authority of the realspace in which one's body, home, and possessions are found. If anything, the trend of jurisdictional cases in the United States suggests that traditional governmental entities can and will use their power over realspace to assert jurisdiction over Internet-related activity.

This is not to say that present territorially based jurisdictional paradigms remain unchanged in the face of the Internet's geographic indeterminacy, only that such change will occur incrementally, via established legal and social institutions. For example, I have suggested here that the increased international usage of trademarks in electronic commerce can and should hasten the development and adoption of multinational trademark treaties such as the Madrid Protocol. Such a result would perhaps be less dramatic than the designation of cyberspace as a separate jurisdiction, but in the long run, may be eminently more useful.

V. CONCLUSION

I have argued here that traditional trademark law may be readily adapted to domestic Internet application, but that international application of trademark law will require new international cooperation. This position may appear somewhat at odds with conclusions I have drawn in previous discussions of online intellectual property protection. I have argued elsewhere that the transborder nature of the Internet may facilitate interjurisdictional competition and innovation in copyright incentives. The Internet serves as a conduit for digital goods, allowing consumers to easily search for such goods outside their immediate area, and thus allows vendors to relocate wherever local regulation enables them to maximize their profits. Jurisdictions may experiment with differing copyright regimes in order to attract businesses and consumers. The interjurisdictional regulatory competition that may arise may have the beneficial effect of curtailing inefficient protectionist legislation at the national level; consumers and online businesses may either

194. See A. Michael Froomkin, The Internet as a Source of Regulatory Arbitrage, in BORDERS IN CYBERSPACE, supra note 33, at 129, 152-54 (discussing the Internet's lack of effect on taxes and the police power).
196. See, e.g., Burk, supra note 33, at 231 (arguing that an international agreement should be postponed).
197. See id.
virtually or physically exit over-regulated regimes. Consequently, I have urged caution in attempting to regulate or even harmonize copyright at the international level because there may be considerable value in promoting local variations.

Yet, here I have suggested an entirely different prescription for trademark law—a movement toward regulation at the international level. This would tend to suppress or exterminate local experimentation. Why would I not advocate fostering a degree of international variation, as I have in the case of copyright? The answer is that, given trademark law's radically different role from that of copyright, the potential costs and benefits of permitting national experimentation differ substantially between the two types of intellectual property. A primary function of trademark law, which is absent from copyright, is to protect consumers from marketplace confusion or deception; and I have argued that this role will be heightened in electronic commerce. However, that role is also compromised by subjecting online consumers to fragmented or inconsistent local rules in every jurisdiction that the Internet may touch. Thus, international trademark harmonization yields benefits not part of the copyright calculus.

Additionally, the potential social costs of trademark protection will be less than those of copyright. Copyright conveys a property right that may severely restrict public access to a work that could otherwise be made available at a marginal cost near zero. No similar restriction on use or access to information is likely to happen in trademark protection, which conveys only an incomplete or quasi-property interest for a limited purpose. Although overly expansive trademark protection may restrict public access to some popular cultural icons, it is unlikely to facilitate monopolization of critical blocks of information in the manner of overly expansive copyright protection. Thus, international agreement on harmonization of trademark registration and enforcement would appear to be a desirable step to foster both consumer protection and business in the growth of global electronic commerce.

198. Id. at 224-25, 228; see also Burk, supra note 124, at 1101-02 (discussing "exit" from jurisdictions).
199. Burk, supra note 33, at 231.
APPENDIX

Common Law

Figure 1

* Market Area

Common Law

Figure 2

* Zone of Expansion

1st

2nd
Federal Registration

Figure 3

- Market Area
- Registered User's Zone of Expansion
Federal Registration

Figure 4

- Market Area
- Latter Registrant's Zone of Expansion
- Prior Registrant's Zone of Expansion