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Trademarks - Extraterritorial Application of the Lanham Act

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TRADEMARKS—EXTRATERRITORIAL APPLICATION OF THE LANHAM ACT—Plaintiff, an American corporation, had manufactured and sold women's undergarments in the United States and Canada since 1917, under a U.S. registered trademark, "Vanity Fair." Defendant, a Canadian corporation, had registered the same trademark in Canada in 1915, and for this reason plaintiff's application for a Canadian trademark was denied in 1919. From 1945 to 1953, defendant purchased plaintiff's trademarked goods for resale in Canada. In 1953, defendant began selling goods of Canadian manufacture with its own Vanity Fair trademark, and threatened its competitors in Canada with infringement suits if they continued to sell plaintiff's trademarked goods. In an action brought in the United States District Court for the Southern District of New York, plaintiff sought an injunction against defendant's use of the trademark "Vanity Fair," claiming that defendant's Canadian sales constituted trademark infringement and unfair competition under both the Lanham Act¹ and the International Convention for the Protection of Industrial Property.² The district court dismissed for lack of federal question jurisdiction over the alleged infringement and unfair competition occurring in Canada.³ On appeal to the Court of Ap-

¹ 60 Stat. 427 (1946), 15 U.S.C. (1952) §§1051-1127.

² 25 Stat. 1372 (1887), as amended 53 Stat. 1748 (1939) (an international treaty to which both Canada and the United States were signatories).

³ Even though diversity of citizenship was present, the court of appeals affirmed the dismissal on the grounds that a district court is an inconvenient forum for the trial of issues relating to the validity of defendant's Canadian trademark, and that 1-2 Eliz. II, c. 49, §56 (1956) provided plaintiff with a remedy in the Exchequer Court of Canada.

peals for the Second Circuit, *held*, affirmed. Neither the Lanham Act, providing infringement remedies to trademark owners, nor the International Convention for the Protection of Industrial Property, providing for protection of trade names in signatory countries, apply to the acts of a foreign national in his home country, where the acts are done under a presumably valid trademark registration in that country. *Vanity Fair Mills v. T. Eaton Co.*, (2d Cir. 1956) 234 F. (2d) 633, cert. den. 352 U.S. 871 (1956).

Prior to the Lanham Act of 1946, the law of trademarks and unfair competition was a checkerboard of federal and state law. Early federal trademark statutes⁴ had dealt solely with procedural matters, leaving the determination of substantive rights in trademarks to the common law.⁵ After it was determined that there was no general federal common law of trademarks,⁶ a trademark owner's rights in one state differed widely from the rights which he enjoyed in another.⁷ It was primarily to remedy this uncertain situation that the Lanham Act was passed.⁸ By providing substantive rights in registration⁹ and conferring broad jurisdiction on the federal courts,¹⁰ it gave nationwide protection to registered trademarks.¹¹ Even prior to the Lanham Act, the United States had been a signatory to certain treaties¹² dealing with trademarks and unfair competition, and a secondary purpose of the act was to implement these treaties by providing foreigners with the same trademark rights and remedies as United States citizens¹³ and

⁴ 16 Stat. 198 (1870) [held unconstitutional in *Trade Mark Cases*, 100 U.S. 82 (1870)]; 21 Stat. 502 (1881); 33 Stat. 724 (1905), as amended 52 Stat. 638 (1938); 41 Stat. 533 (1920) repealed insofar as inconsistent with Lanham Act, 60 Stat. 444 (1946), 15 U.S.C. (1952) §1051.

⁵ Diggins, "Federal and State Regulation of Trade-Marks," 14 LAW AND CONTEMP. PROB. 200 (1949).

⁶ *Erie R. Co. v. Tompkins*, 304 U.S. 64 (1938). Holding the Erie doctrine applied in trademark cases, *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938).

⁷ Robert, "Commentary on the Lanham Trade Mark Act," preceding 15 U.S.C.A. (1948) §1051 at 265.

⁸ S. Hearings before a subcommittee of the Committee on Patents, 78th Cong., 2d sess., p. 113 (1944). See generally March, "Territorial Scope of the Trade-Mark Act of 1946," 38 TRADE-MARK REP. 955 (1948). For an extensive annotation of commentaries on the Lanham Act, see 4 CALLMAN, LAW OF UNFAIR COMPETITION AND TRADEMARKS, 2d ed., §97.1, p. 2058, fn. 23 (1950).

⁹ See generally Robert, "Commentary on the Lanham Trade Mark Act," preceding 15 U.S.C.A. (1948) §1051.

¹⁰ 60 Stat. 440 (1946), 15 U.S.C. (1952) §1121.

¹¹ Whether the Lanham Act also provided a national law of unfair competition is still open to doubt. Compare *Stauffer v. Exley*, (9th Cir. 1950) 184 F. (2d) 962; *Pagliari v. Wallace China Co.*, (9th Cir. 1952) 198 F. (2d) 339 with *American Auto Assn. v. Spiegel*, (2d Cir. 1953) 205 F. (2d) 771, cert. den. 346 U.S. 887 (1953); *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, (3d Cir. 1954) 214 F. (2d) 649; *Ross Products, Inc. v. Newman*, (S.D. N.Y. 1950) 94 F. Supp. 566. See generally OPPENHEIM, UNFAIR TRADE PRACTICES 86 (1950); 60 HARV. L. REV. 1315 (1947).

¹² For text and commentary on the International Convention for the Protection of Industrial Property and the General Inter-American Convention for Trade-Mark and Commercial Protection, see 5 CALLMAN, LAW OF UNFAIR COMPETITION AND TRADEMARKS, 2d ed., p. 2487 (appx. xix), p. 2509 (appx. xx) (1950).

¹³ 60 Stat. 442 (1946), 15 U.S.C. (1952) §1126 (b). See generally H. Hearings before the Committee on Patents, Subcommittee on Trade Marks, 75th Cong., 3d sess., p. 195

to insure an effective protection against unfair competition.¹⁴ The principal case represents a limitation upon the protection available under the act. It may be conceded that the broad language of the act¹⁵ was meant to exercise fully the admitted power of Congress¹⁶ to reach acts of infringement occurring outside the United States¹⁷ where the acts have a substantial effect on interstate or foreign commerce.¹⁸ Indeed, the act has already been held applicable to acts of infringement done in Mexico by a United States citizen.¹⁹ There is no limitation in the act justifying a different result when the defendant is a foreign corporation subject to the jurisdiction of the court.²⁰ The controlling fact in the principal case is the defendant's prior registration of the trademark in Canada.²¹ An injunction against defendant's use of the mark would not only be difficult of enforcement,²² but would be an interference with Canadian sovereignty as well.²³ These

(1938); U.S. CODE CONG. SERV., 79th Cong., 2d sess., p. 1274 (1946); Ladas, "The Lanham Act and International Trade," 14 LAW AND CONTEMP. PROB. 269 (1949).

¹⁴ 60 Stat. 443 (1946), 15 U.S.C. (1952) §1126 (h); International Convention for the Protection of Industrial Property, note 2 supra, art. 10 Bis. See generally Wengler, "Laws Concerning Unfair Competition and the Conflict of Laws," 4 AM. J. COMP. L. 167 (1955).

¹⁵ "In the construction of this chapter, unless the contrary is plainly apparent from the context . . . [t]he word 'commerce' means all commerce which may lawfully be regulated by Congress. . . ." 60 Stat. 443 (1946), 15 U.S.C. (1952) §1127.

¹⁶ 2 NIMS, LAW OF UNFAIR COMPETITION AND TRADEMARKS, 4th ed., §363 (a), p. 1126 (1947).

¹⁷ The reach of the Sherman Act, 26 Stat. 209 (1890), 15 U.S.C. (1952) §§1-7, has been extended to conspiracies entered into abroad which substantially affect the foreign commerce of the United States. Compare *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909) with *Thomsen v. Cayser*, 243 U.S. 66 (1917). See generally 68 HARV. L. REV. 814 at 908 (1955).

¹⁸ *Bulova Watch Co. v. Steele*, (5th Cir. 1952) 194 F. (2d) 567; 47 N.W. UNIV. L. REV. 677 (1952).

¹⁹ *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), distinguished in the principal case on grounds that the defendant was a U.S. citizen, over whom U.S. courts had broad regulatory power, even as to acts committed abroad.

²⁰ 60 Stat. 441 (1946), 15 U.S.C. (1952) §1126. Cf. *United States v. Aluminum Co. of America*, (2d Cir. 1945) 148 F. (2d) 416, where a Canadian corporation was liable for conspiracy under the Sherman Act, note 17 supra.

²¹ In *Steele v. Bulova Watch Co.*, note 19 supra, defendant's Mexican trademark registration had been cancelled. Courts have not always considered the effect of defendant's having a valid foreign trademark. *Vacuum Oil Co. v. Eagle Oil Co.*, (D.C. N.J. 1907) 154 F. 867, (3d Cir. 1908) 162 F. 671, cert. den. 214 U.S. 515 (1909); *Morris v. Altstedter*, 93 Misc. 329, 156 N.Y.S. 1103 (1916), affd. 173 App. Div. 932, 158 N.Y.S. 1123 (1916); *Hecker H-O Co. v. Holland Food Corp.*, (S.D. N.Y. 1929) 31 F. (2d) 794, (2d Cir. 1929) 36 F. (2d) 767. But see *George W. Luft Co. v. Zande Cosmetic Co.*, (2d Cir. 1944) 142 F. (2d) 536, cert. den. 323 U.S. 756 (1944).

²² Compare *United States v. Imperial Chemical Industries*, (S.D. N.Y. 1952) 105 F. Supp. 215 (where defendant British corporation was ordered to grant immunity under its foreign patents) with *British Nylon Spinners v. Imperial Chemical Industries*, 1 Ch. 19 (1953) (where the same defendant was enjoined from such action). But see *Western Clock Mfg. Co. v. Smith*, 2 TRADE-MARK REP. 523 (1912) and *City of Carlsbad v. Kutnow*, (S.D. N.Y. 1895) 68 F. 794, where defendant was enjoined even though he had a valid foreign trademark.

²³ What amounts to an act of the foreign sovereign, interference with which will be avoided? The determining fact of the principal case would seem to be Canada's prior adjudication of the parties' rights in the trademark. Absent this fact, it is arguable that

considerations, however, are not so relevant to the question of the intended scope of the Lanham Act as they are to the propriety of an injunction in this particular situation.²⁴ On this narrower ground, the principal case seems rightly decided. Still, it is to be doubted whether the court had to reach the question of extraterritoriality at all, in view of defendant's advertisements, purchases and sales in the United States,²⁵ which could be viewed as part of a plan to appropriate the good will of the plaintiff's trademark and to engage in unfair competition.²⁶

William R. Luney, S.Ed.

the administrative acts of foreign trademark officials are not such affirmative acts of the foreign sovereign as to justify non-interference. Compare *Bulova Watch Co. v. Steele*, note 18 *supra*, with *American Banana Co. v. United Fruit Co.*, note 17 *supra*.

²⁴ GOODRICH, *CONFLICT OF LAWS*, 3d ed., §78, p. 219 (1949); *CONFLICT OF LAWS RESTATEMENT* §382 (2) (1934).

²⁵ Cf. *Vacuum Oil Co. v. Eagle Oil Co.* (purchase and shipment in U.S.), *Morris v. Altstedter* (receipt of proceeds in U.S.), *Hecker H-O Co. v. Holland Food Co.* (shipment in U.S.), note 21 *supra*.

²⁶ 4 CALLMAN, *LAW OF UNFAIR COMPETITION AND TRADEMARKS*, 2d ed., §99.2, p. 2208 (1950).