

Introduction

We all know the story. Since the second half of the last century, the globalization of communication and transacting has gained enormous momentum. Global trade and commerce have multiplied. Most importantly, the rise of the internet has made cross-border marketing an everyday phenomenon. Today, one can buy virtually anything from anywhere in the world. Of course, this phenomenon has also brought a number of downsides. With respect to intellectual property—specifically, trademark and unfair competition law—the extension of marketplaces seems to have led to a rise in collisions between different countries’ trademarks, trade names, and similar designations, as well as to conflicts between different policies of unfair competition prevention. Most concretely, the fact that the use of a trademark on a website or any other commercial online communication can be accessed from anywhere on the planet also means that, at least in theory, infringement claims can emanate from anywhere on the planet. A recent American case is illustrative:

Cecil McBee, an American jazz icon with a more than fifty-year career, was appalled when he learned that Delica Co., a Japanese clothing retailer, had adopted the trademark Cecil McBee—his name—for a line of whimsical and arguably immodest fashion for young women. Delica had retail shops only in Japan and did not sell outside of the country. It did, however, operate the website cecilmcbee.net, which contained information on its products. After McBee unsuccessfully sued in Japanese courts to have the company’s trademark cancelled, he sought relief in a US federal court, where he claimed false endorsement and dilution under the Lanham Act.¹

One may find it arguable that an individual should have a right to protect his branded personality against someone who has taken great efforts to limit the reach of her activities. At the same time, these doubts may dissolve if the scenario is concerned not with a good-faith trademark user but with an actor intentionally seeking to extend international market shares—or even with the proverbial “trademark pirate.” While exact

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

2 Introduction

figures on injuries are hard to find, estimates run high. In Cecil McBee's case, the judge shed light on what she considered the detriment to be:

One can easily imagine a variety of harms to American commerce arising from wholly foreign activities by foreign defendants. There could be harm caused by false endorsements, passing off, or product disparagement, or confusion over sponsorship affecting American commerce and causing loss of American sales. Further, global piracy of American goods is a major problem for American companies: annual losses from unauthorized use of United States trademarks, according to one commentator, now amount to \$200 billion annually. . . . In both the antitrust and the Lanham Act areas, there is a risk that absent a certain degree of extraterritorial enforcement, violators will either take advantage of international coordination problems or hide in countries without efficacious antitrust or trademark laws, thereby avoiding legal authority.²

Whether or not we accept the judge's pessimistic perspective, her words demonstrate that international trademark and unfair competition disputes are not limited to cases of individual misery. The issue is actually more wide reaching and often becomes a question of public interest. Lawmakers and courts thus find themselves confronted with the basic conundrum arising from disputes over international commercial activities—the conflict between economics and politics. In a globalized world, marketplaces and territories no longer correspond to the same geographic area. The “market,” it seems, has acquired an existence of its own—one that is largely beyond the state and its territorial regulatory order. As a consequence, policy makers must choose between two opposing paradigms. The first is to go with tradition and rely on the territoriality of rights and laws. This option, however, inevitably leads to underprotection in many cases, a result barely palatable for activist judges and lawmakers, among others. The second option is to embrace transnational marketplace regulation by extraterritorially extending nation-states' legislative domain. Understandably, this choice not only suits individual plaintiffs but often also has more appeal for courts and regulators because it, at least *prima facie*, protects the interests of national right owners and, accordingly, of the national economy as a whole. The problem, however, is that neither of these two roads is very promising. While the first tries to move backwards in time toward nationally cabined rights and policies, the second bears a risk of chaos and confusion, for if all nation-states insisted on extraterritorial rights protection, we would ultimately find ourselves in a Hobbesian *bellum omnium contra omnes*.

It is therefore no surprise that trademark and unfair competition conflicts law, like many sectors of international economic law, has arrived at

² *Id.* at 119.

a crossroad that requires a reconceptualization of structure and technique. This is the point where we must ask whether and to what extent scholarship and practice have dealt with the relevant issues and have asked the right questions. Even though problems of this kind have been debated for a long time (far before the advent of digital communications and expedited international trade), our understanding of the fundamentals is still woefully incomplete. Of course, interest in intellectual property and unfair competition law, as well as conflicts law (also known as private international law or choice of law), has grown and is constantly increasing. Nonetheless, issues of *international* intellectual property and *international* unfair competition conflicts still seem to be situated in a legal “no man’s land.” Indeed, numerous scholarly desiderata exist. An especially problematic void in current scholarship is its blind spot with respect to the interrelation between substantive law policies and conflicts law. The fact that peculiarities of conflicts doctrine can be traced to substantive law structures is far from new wisdom. For example, the iconic Franz Kahn, one of Europe’s most influential nineteenth-century conflicts scholars, explained in 1898 that

[s]ubstantive law is both the origin and the terminus of private international law analysis. This is the natural cycle, not the all-too-often vicious circle. All conflicts norms have been developed—and will be developed anew every day—based on substantive law norms. Constructing a private international law regime without such a substantive law foundation would be akin to setting a spire into the vacuous air.³

Yet quite often the analysis of international trademark and unfair competition conflicts law remains limited to formal and technical issues of traditional conflicts law doctrine. In addition, questions of public international law and international comity have been, so far, a neglected aspect of international trademark and unfair competition law. Finally, the field’s history, particularly how it has played out in common law versus civil law regimes, has received insufficient attention. Even though singular forays into history and specific jurisdictions’ laws have been attempted in scholarly articles and sometimes even court decisions, a detailed historical-comparative account of common law and civil law doctrine is still missing.

My inquiry seeks to fill all these gaps. I will start with a historical-comparative account in chapters 1 and 2. Even though it is always tempting

³ Franz Kahn, *Über Inhalt, Natur und Methode des internationalen Privatrechts*, 40 JherJB 1, 56 (1898) (“Das materielle Recht bildet sowohl Ausgangspunkt, wie Endpunkt der privaten internationalen Untersuchung. Das ist der natürliche Kreislauf, nicht etwa der so oft auf diesem Gebiete uns erschreckende circulus vitiosus. Aus der Sachnorm heraus hat man jede Kollisionsnorm entwickelt, und entwickelt man sie täglich neu. Ohne diese materielle Unterlage ein internationales Privatrecht konstruieren zu wollen, hieße einen Kirchturm in die leere Luft stellen.” (author’s translation)).

4 Introduction

for a comparativist to follow Ernst Rabel's advice to undertake a comparison of the "law of the whole world,"⁴ my focus will be on American and European law—not just for reasons of time and space but also because these legal systems lend themselves well to an illustrative analysis. The United States is the world's largest common law jurisdiction. Its trademark and unfair competition doctrine and conflicts law is representative of other common law systems in many respects. In addition, the long-time American penchant—not to say passion—for international market regulation through the extension of domestic rights and policies further makes it an apt object of investigation. The laws of the European Union and Germany (as Europe's largest civil law jurisdiction) present themselves as logical counterparts. An incidental look at other civil law jurisdictions—namely, France, Austria, and Switzerland—rounds out the picture. My portrayal of these legal systems' history will be complemented in chapter 3 by an analysis of the most influential theoretical and scholarly contributions to the field. Then, in chapter 4, in order to provide the groundwork for a more policy-oriented conflicts system, I will use a functionalist-comparative lens to analyze the underlying policies of trademark protection and unfair competition prevention. Finally, in chapter 5, I will look at the limitations of public international law and the principles of international comity with the aim of providing guidance for a modernized concept of jurisdictional self-restraint. These five chapters will bring out the optimal result that can be hoped for from such a comparative analysis—the building of a functionally coherent system that provides the context within which to contrast the nationally varying solutions.⁵ It is on this basis that I will present, in chapter 6, a reconceptualization of conflicts doctrine, notably a typology of international trademark conflicts and unfair competition violations. In this regard, the last part of chapter 6 will be particularly interesting for those who are open to what Konrad Zweigert and Hein Kötz have described as an "applied" version of comparative law—an approach suggesting the application of national (or supranational) rules in light of a larger international universe.⁶

In a broader context, my inquiry will show that trademark and unfair competition law, both in substance and with regard to conflicts law, is representative of a phenomenon that is often evoked in many sectors of the law but that is nowhere near as advanced and so emblematically evolved as here—the functional convergence of legal orders toward a truly

⁴ Ernst Rabel, *Aufgabe und Notwendigkeit der Rechtsvergleichung* (1924), reprinted in *Gesammelte Aufsätze*, vol. III (Hans G. Leser ed., 1967), 1, 5 („Der Stoff des Nachdenkens über die Probleme des Rechts muß das Recht der gesamten Erde sein . . .“).

⁵ Konrad Zweigert & Hein Kötz, *Introduction to Comparative Law* 45 (3rd edn., 1998).

⁶ *Id.* at 11 and 18.

transnational law. This convergence is most striking at the level of substantive law. Under modern regimes of trademark protection and unfair competition prevention, market information infrastructure can be described as the most basic and important subject matter of protection. Unmanipulated information transmission and consumer decision making are paramount for the functioning of competition mechanics in free marketplaces. Accordingly, the fields' core policies aim at protecting market information with regard to content, transmission, and processing—all with a focus on the consumer's ultimate transacting (or nontransacting). This orientation toward the quintessence of competition has also been laid out rudimentarily in public international law instruments on trademark protection and unfair competition prevention, notably the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights. Ultimately, as we will see, it is this infrastructure of market information regulation that also provides the foundation for a reconceptualized trademark and unfair competition conflicts doctrine. By this means, as Franz Kahn prophesied, conflicts law will be built on a transnationally uniform architecture of substantive law functions.

Before I start my inquiry, however, two terminological caveats are in order. First, with regard to substantive law, I will regularly need to refer to the purposes of a norm. Simply put, the “purpose” is what lawmakers intended to achieve by implementing a certain rule. I will call this aspect of normativity the “policy” of the law. While it may be familiar to common law jurists, readers with a civil law background should note that the issue is akin to an analysis of the so-called *Gesetzeszweck*, or *ratio*, of a law. Second, with respect to conflicts law, terminological affairs are more complicated. As Friedrich K. Juenger pointed out some decades ago, no name had ever been universally accepted for the discipline dedicated to determining the applicable law in cases with international elements.⁷ This situation has not changed. Today, the terms “private international law,” “conflict of laws,” and “choice of law” may be used to refer to this discipline. I will not tilt at windmills and shall thus also use “choice of law” and “conflict of laws” (or simply “conflicts law” or “conflicts”) interchangeably throughout the book. Worth pointing out, however, is the fact that my inquiry concerns issues of choice as such and of the territorial scope of the applicable law which is also debated under the doctrine of subject-matter jurisdiction. With this in mind, the reader should not stumble over an occasional recurrence to terminological subtleties.

⁷ Friedrich K. Juenger, *Choice of Law and Multistate Justice* 4 (1993).