

*KEYNOTE ADDRESS:*

**ENFORCEMENT OF COPYRIGHTS  
AND TRADEMARKS  
IN THE GLOBAL INFORMATION AGE**

**Judge M. Margaret McKeown\***

It's a pleasure to be here. I want to thank Professor Takenaka, with whom I've had a productive professional association for several years. It is wonderful to see what she has done with CASRIP, the intellectual property institute. I am humbled to be among so many distinguished international intellectual property lawyers. I recall a time when it was a real conversation stopper when you went to a party and somebody asked, "What do you do?" When you replied, "Well, I'm an intellectual property lawyer," that would, of course, bring an end to the conversation.

But now, I think the term "intellectual property lawyer" is a badge of honor, in light of what's happening in the world today. Intellectual property is truly on the cutting edge when it comes to applying law to changing technology. That brings me to my topic for today. You've heard the expression, "We don't do windows." Well, I'm going to say that where the circuit courts are concerned—except for the Federal Circuit—"We don't do patents." So, as a result of that limitation, I will try not tread on Judge Rader's territory (patents, that is) and thus avoid the risk of any mistakes (though when in private practice, I did do patent litigation). Instead, I am going to focus on the other arenas of statutory intellectual property law: copyright and trademark.

As a backdrop, let me take you on a short historical journey, from what I call "the Victorian Internet" to cyberspace. Somewhere between these two eras, I worked my way through college, counting snowflakes for scientists at a natural resources research institute. We would map them out, then we would enter data on IBM punch cards, and process the information on mainframe computers that, of course, were as large as this room. But that was a long time ago, before the digital revolution had begun. As a backdrop, let me take you on a short historical journey, from what I call "the Victorian Internet" to cyberspace. Somewhere between these two eras, I worked my way through college, counting snowflakes for scientists at a natural

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resources research institute. We would map them out, then we would enter data on IBM punch cards, and process the information on mainframe computers that, of course, were as large as this room. But that was a long time ago, before the digital revolution had begun.

So let's expand our time horizon slightly. It has been said of a certain innovation that "no invention of modern times has extended its influence so rapidly." So what comes to your mind? The computer? The Internet? No, they were talking about the telegraph, invented in the 1800s. The telegraph was the first technological revolution in communications. Foreshadowing later developments, it was called "the highway of thought." Now what do we call the Internet? The "information superhighway?" So it is not surprising, given these two nicknames, that the telegraph has recently been dubbed "the Victorian Internet." Now, unlike one of our politicians who apparently took credit for inventing the Internet, I'm not going to say that I invented this term, the Victorian Internet. That credit actually goes to a British journalist. The parallels between the telegraph in the 1800s and the Internet in the new millennium are somewhat striking. And they are instructive, as they relate to our topic today: the global reach of the law.

Think of it: "global revolution." That's what they said about the telegraph, and you read it every day about the Internet. But along with that term goes another, related parallel: government efforts to regulate. The telegraph started off as basically unregulated. Then the government sought to figure out how to control it, how to tax it, how to control secret codes. Essentially the telegraph ended up as a legal monopoly. Sound familiar?

Today, the Internet is the Wild West of cyberspace. It's virtually unregulated. But what do you see worldwide—efforts to begin to regulate the Internet, through taxation, encryption, privacy restrictions, e-commerce regulations and the like. So while the Internet operates today as more or less a free market system, it remains to be seen whether it will go the way of the telegraph.

It's also interesting that the telegraph and the Internet are both neutral technology—that is, they are not aimed to advantage or disadvantage anything—but they've both been used opportunistically. As soon as the telegraph was introduced, we had one of the first big stock fraud cases in the telegraph world—a fraud on the Paris Stock Exchange. What do we have today? Bogus emails and Internet rumors that can "deep 6" initial public offerings. We have major international law enforcement efforts. And we have major encryption and security issues. As with the telegraph, so it goes with the Internet.

What I think is a challenge for the courts is the ways in which the technologies are complicated and misunderstood. When the telegraph started it was very much a misunderstood technology. You might say the same for the Internet. Perhaps it is for this reason that when lawyers take technology cases to court, whether they be Internet or otherwise, they wonder, "Do

these judges understand what is going on here?" We know what you say behind our backs: "No, they don't understand what's going on here."

But again, it is instructive to think back to the telegraph. When it was invented in the late 1800s, nobody really understood the technology. For example, somebody wanted to send a can of tomato soup over the telegraph. So they took it down to the telegraph office, and they presented a can of tomato soup. As soon as the telegraph company advertised that you could wire money, another gentleman wanted to send \$11.76 to his sister. Being more ingenious than most, he took \$12.00, because he knew that you could telegraph bills, but you certainly couldn't telegraph 76 cents. Then there were the people who thought that the telegraph actually consisted of a lot of little men who ran from place to place, physically carrying the messages.

So we laugh, and we say, "Well, that was then and this is now." But what about the Internet? I've collected a few stories, some from court cases, some from anecdotes, and some from the apocryphal web, and my conclusion is that our understanding of technology as it relates to the web is not so different from the telegraph. For example, someone called up an Internet company and said, "When I sign up for the Internet, do I need to be home?" You may say, "Ridiculous." He then asks, "Is the Internet open on the holidays?" Or, "How do I pay for my services? Do I just write the check out to 'The Internet?'" What this terminology suggests, of course, is that the Internet is a physical place, a place that we talk about, and a place where we can go. One person said, "I'd like to buy the Internet. How much does it cost?"

The answer, of course, is that it's both free, and worth billions of dollars. And that's the paradox of the Internet, and its challenge in the legal context. The other paradox is that the Internet is both everywhere and nowhere. It is everywhere in terms of coverage. In the industrial world, the Internet is ubiquitous, and it's free. But consider this: it cost \$1,000 per word (in today's dollars) to send an international telegram in 1920.

Now, think about today's global infrastructure for sending information over the Internet. It has gone from the province of a few academics, to worldwide coverage. In 1993 there were something like 50 web sites. In 1998, there were 320 million web pages. This year, it has been estimated, there are 1.7 billion web pages, and as we sit here, in the last 24 hours, three-and-one-half million were added. So this is a challenge for the courts, because we sit in bounded physical, geographic jurisdictions, and the Internet "sits" everywhere.

But at the same time, the Internet is nowhere. Cyberspace is not a place. Do you remember back in the 50s—and there are some of you, I think, who can remember back that far—when television was introduced, and people used to talk about "TV land," as if it were a place. "Those people in TV land are putting on the show today." "This is happening in TV land."

We also see—in pleadings, among other places—lawyers referring to cyberspace as if it were some physical place that we’re to regulate and look at. But that’s precisely the dilemma for the courts. For when we think of jurisdiction traditionally, what do we think of? We think of a physical place, or we think of geographic effects or a geographic location. But unlike outer space, for example, which has been heavily regulated as a physical place, cyberspace is not a place.

How, then, does cyberspace fit into the global context of intellectual property enforcement? To answer that question, we have to look at the realities Judge Rader has talked about. It is very difficult to enforce intellectual property internationally. So what I’d like to do this morning is focus on what tools are already in place, because some tools certainly exist in the copyright and trademark fields.

First, step back and ask what we mean by international enforcement. When I started practicing law, my very first case concerned the extraterritorial application of United States securities laws. I didn’t know anything about the U.S. securities laws, and I knew less about extraterritoriality, even though I was tasked to write the brief. The first layer of the international question is what “extraterritoriality” really means. Its true meaning is the application of one country’s law to conduct beyond its borders.

Extraterritoriality is not simply a question of whether there are foreign parties. The existence of foreign parties doesn’t make the issue extraterritorial. It’s not simply a case of applying foreign law in a U.S. or a Japanese court. In my view, that scenario is not true extraterritorial reach, although it is often referred to as extraterritorial. Nor is it simply that you have a foreign act. And it’s not the same as having personal jurisdiction, although that is a related question.

What we are talking about is subject matter jurisdiction in one jurisdiction, relating to conduct that occurs in another jurisdiction.

Let’s look at a unique example. Consider U.S. trade in China at the end of the 19th and the beginning of the 20th centuries. That trading relationship resulted in consular courts, in which diplomats from the United States enforced U.S. laws, but in China—an extreme form of extraterritoriality. Later, there were mixed U.S./China courts. Indeed, there were a series of institutions that resemble the mechanisms that today we see established by treaties. Under the consular structure, the courts were required to determine *how* to apply *which* law—Chinese, U.S., British?

By the early part of this century, there existed in China the equivalent of a United States District Court. It was called the U.S. Court for China, and it had a major effect on commercial relations between China and the United States. The British had a similar institution, as did the Russians and others. That came to an end in the 1940s due to both the rise of Chinese nationalism, and as you can imagine, much criticism of the idea of a foreign court applying foreign law in a sovereign country.

Now, nobody suggests that “extraterritoriality” must mean a domestic court located overseas. Nonetheless, today we still see the same uneasiness that was caused by a United States court sitting in China. As soon as you tell somebody that you’re going to apply U.S. law to foreign conduct, you are bound to get an emotional response. And the reverse is true; for example, when the Europeans seek to regulate conduct that occurs in the United States but has an effect on the European Community. You get a visceral reaction from government, from heads of state, from intellectual property owners and accused infringers, and from those who seek broader access and an open market free of intellectual property laws. Because when you apply one country’s law to foreign conduct, you inevitably step on somebody’s toes.

So let me turn to United States law, with which I’m most familiar. We have a presumption, repeatedly reinforced by our Supreme Court, against applying our law to international conduct occurring beyond our borders. We have expressed a very clear preference in this arena. But, along with that preference, of course, we have the difficulty Judge Rader referenced—that is, how to effectively monitor and enforce an international breach without going outside U.S. borders.

The reality is that there are some tools, albeit limited, that already exist within our intellectual property regime despite this very strong presumption. Notably, copyright and trademark laws treat the issue quite differently. I’ll begin with copyright law. If you carefully read the United States copyright statute, it does not express a clear intent to cover conduct that occurs outside the United States. Now some lawyers would argue the opposite—*i.e.*, that there’s no clear intent *not* to cover such conduct. Good lawyers like yourselves make such arguments to the courts, and judges sometimes fall prey to them. But ultimately, it is quite well accepted that our copyright laws are limited to infringement that occurs in the United States.

One of the leading cases on this subject happens to come out of my court, the Ninth Circuit. It involves the Beatles’ movie, *The Yellow Submarine*.<sup>1</sup> The lawyers argued—quite forcefully, I think—that even though the film was distributed internationally, that distribution had been authorized from within the United States. Therefore, they argued, the court should apply the U.S. copyright law to this worldwide distribution—which was alleged to be a copyright infringement—even though the accused actions took place abroad.

The court rejected this argument. So the lawyers said, “Well, let’s try another tack. If you won’t apply the copyright law generally to foreign conduct, why don’t you apply it to the special circumstances here? After all, when you distribute this film abroad, you as a copyright owner have a major

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<sup>1</sup> *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994).

impact or effect on United States commerce.” The court didn’t buy that argument either, and said, “No, that doesn’t work within the confines of the copyright statute.” So basically, the courts have held the line in the copyright field.

Some commentators have criticized the Ninth Circuit rule as too restrictive. Other courts, particularly district courts in New York, have said, “Well, if you have *part* of an act in the United States, even though you complete the infringing act abroad, you can still get jurisdiction.” So there is some tension among the courts in this area. Thus, I think the contention that copyright law doesn’t apply abroad may be too categorical; there is some give in the interpretation of the statute, but not much.

The other way that the U.S. copyright laws have been invoked extraterritorially is in the context of contributory infringement. We know that if there is a domestic infringement, you can attack the infringement in a U.S. court. If Judge Rader infringes a copyright in Washington, D.C., he can be sued in U.S. courts. But what are we going to do about all of you all over the world? There is some authority for saying that contributory infringement, which has been going on internationally, may come within the province of U.S. courts.

Another related doctrine—which has been called an exception to the rule against extraterritorial application, although I don’t think it’s really an exception—concerns profits. The question is what happens when the infringement occurs in the United States, so you can get jurisdiction in the United States, but the profits from the infringement are extraterritorial. This issue is fairly important, as there are very few companies today that operate in one state or one country, let alone one continent. Many companies’ profits are international and, in effect, extraterritorial. They come from all over the world. According to one line of precedent, if the infringement occurs and is prosecuted in the United States, you may well be able to recover your damages worldwide.

These exceptions notwithstanding, I would not hold out much hope in the copyright field for a substantial change in the law, absent legislation in which Congress expresses a clear intent to apply the copyright law extraterritorially.

The trademark arena is a completely different situation. Trademark protection in the United States comes under the Lanham Act, which refers to “commerce which may lawfully be regulated by Congress.”<sup>2</sup> So, the question is, what’s “commerce?” The Supreme Court has said that “commerce” means not only trade between countries, but it also means international commerce—in other words, commerce that has an international flavor, but with an effect in the United States.

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<sup>2</sup> 15 U.S.C. § 1127.

This interpretation grew out of a 1950s Supreme Court case involving Bulova watches.<sup>3</sup> The watches, assembled in Mexico by a U.S. citizen, were making their way into the United States. This was a classic case of unfair competition. (The Lanham Act, although we call it a trademark law, governs not only traditional trademark and trade dress protection, but also encompasses what I'll call the stew pot of unfair competition.) The Supreme Court found that the district court had jurisdiction under the Lanham Act, and could enjoin the manufacturing activity in Mexico in order to protect the mark in the U.S. The bottom line was that the infringing conduct had an effect on commerce within the United States.

So what grew out of that *Bulova* case? The Court said that you should look to see whether the infringement had an effect on U.S. commerce. Not long afterwards, the Second Circuit announced what we now refer to as the *Vanity Fair*<sup>4</sup> test to determine whether there is extraterritorial jurisdiction. It's a pretty easy test. The first two steps don't take much legal analysis. The first question is whether the defendant was a U.S. citizen. That's usually easy to answer—yes or no. The second question is whether there is a conflict with foreign trademark law. Again, that's usually pretty easy to answer. Then there's the third factor: What is the effect on U.S. commerce? This is the linchpin issue in extraterritorial enforcement. The test is easy to state but not so easy to apply.

In the Ninth Circuit, we weren't content to follow the Second Circuit approach. Looking at "commerce" in the context of an antitrust claim, we created our own test. We developed what I call the "three part/ten part" test, which is somewhat broader than the Second Circuit's "effects" test.

Let me lay out the Ninth Circuit test in broad terms. The Ninth Circuit took the three-part test from *Vanity Fair*, and said there are seven things you can consider in determining the link to U.S. commerce.<sup>5</sup> I'm not going to list all of the factors—that's up to you to explore. Broadly: The activity has to have some effect on U.S. commerce. There has to be an injury to the plaintiff. There has to be a sufficiently strong interest and link to U.S. foreign commerce (which is where the issue of comity with the foreign jurisdiction comes in). Courts in the Ninth Circuit continued to apply this test, and 15 years after *Timberlane*, the court reiterated the factors in a trademark case including counterfeit athletic shoes.<sup>6</sup> The Ninth Circuit is

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<sup>3</sup> *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952).

<sup>4</sup> *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

<sup>5</sup> *Timberlane Lumber Co. v. Bank of Am. Nat'l Trust & Sav. Ass'n*, 549 F.2d 597 (9th Cir.1976).

<sup>6</sup> *Reebok Int'l, Ltd. v. Marnatech Enters., Inc.*, 970 F.2d 552 (9th Cir. 1992).

consistent with a landmark Supreme Court case, *Hartford Fire*,<sup>7</sup> that dealt with the extraterritorial enforcement of the antitrust laws.

What the court is saying is, “What will happen if we enforce, in the United States courts, an infringement that really is occurring abroad? How much are we going to step on the toes of a foreign country? How important is it to U.S. commerce?” Some would say that this sounds like diplomatic talk, not judicial rhetoric, and that we are treading on issues of international law. But, like it or not, that’s the analysis we follow according to the Supreme Court. Because they introduced comity into the analysis, all of a sudden, instead of presidents and prime ministers talking about international comity, you’ve got lawyers (with experts in tow) talking about how important the intellectual property regime is to the United States and to international economies.

Thus, in a way, the courts have become a forum for a debate on international law. So in the trademark field, if you can show that the infringement has a “substantial effect” on U.S. commerce, you may well have a ground to argue for extraterritorial enforcement. That is fairly significant, because it’s unlike the patent law, where you don’t have much opening, and unlike the copyright law, where the doors are all but closed except for a few possibilities. In the trademark/unfair competition arena, the U.S. courts have been opened up for enforcement of infringements that occurred abroad, albeit with domestic effects.

Although the principles are easy to state, they are more difficult to apply, and the cases are very fact-specific. There is a heavy reliance on expert testimony, including testimony regarding international law. Jurisdiction under the “effects” tests has particular implications for the Internet, because the Internet economy opens up the international arena—and related domestic effects—in new ways.

Another way to approach this question is to look at what the courts have done in the cases that have worked their way through the judicial process. One good example is the *Nintendo*<sup>8</sup> case. There, the Fourth Circuit said that an extraterritorial injunction entered by a district court was invalid, but only because the court had failed to consider all three *Vanity Fair* factors. So implicitly, the Fourth Circuit told the infringing company that its foreign conduct was restricted. The court said that because the infringement has an effect on U.S. commerce, that foreign conduct could be regulated.

In another case—and because these cases are in the trademark arena, they’re names that you often know—*Playboy*, years and years ago, sued an Italian company for using the not-so-clever knock-off, *Playmen*. The use was fairly transparent, so Playboy got an injunction. Of course, when that injunction was entered, in 1981, there was no commercial Internet.

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<sup>7</sup> *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993).

<sup>8</sup> *Nintendo of Am., Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246 (4th Cir. 1994).

With the advent of the Internet, *Playmen* figured that it was home free. It figured that it could sell its product on the Internet, using an Italian server, never enter the United States, and have nothing to do with the United States. A court in New York disagreed and said that even though *Playmen* was using an Italian server, and wasn't directing solicitations to the United States, there was the possibility that the content would come into the United States.<sup>9</sup> Thus, because the conduct might "affect" the United States, the court took jurisdiction, and said that *Playmen* couldn't proceed with its solicitation.

The same is true of *Versace*.<sup>10</sup> The now-deceased Versace—who I'll call the "real" Versace—was locked in a multi-year war with an unrelated Versace distributor, and they had injunctions going back and forth. The distributor was trying to undertake all business outside of the United States, much like the defendant in the Playboy case. But, relying on *Playboy*, the court found that because the foreign activity had reached the United States via the Internet there was an effect on U.S. commerce.

One last case involves another household name, at least in the United States, *Crate & Barrel*.<sup>11</sup> They make furniture, dishes and household goods. A company in Ireland was also called Crate and Barrel, and the two companies became locked in a legal battle. The Irish company agreed not to sell or ship to the United States. But the American Crate & Barrel did what is often done in intellectual property enforcement cases, hire an investigator or other individual who tries to order products, to see if they are sold and shipped into the United States. So an agent of the American company, located in Illinois, ordered something from the Crate and Barrel in Ireland, but told the company not to ship the order to Illinois, but rather to deliver it in Ireland. The court, although it was still in a preliminary stage, said that this act was sufficient to constitute an impact on, or a connection with, the United States, even though the product was bought and shipped in Ireland.

That's a short summary of where we are. As a practical matter, what does it mean to you? First of all, it means that copyright and trademark are treated very differently in terms of their extraterritorial application. Why? Although there are differing views and a great deal of speculation, much of the difference stems from the fact that in the trademark arena we are interpreting the word "commerce." Until recently, the courts have defined "commerce" quite broadly. Whether, in light of some of the recent Supreme

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<sup>9</sup> *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp 1032 (S.D.N.Y. 1996).

<sup>10</sup> *A.V. by Versace, Inc. v. Gianni Versace S.p.A.*, 87 F. Supp. 2d 281 (S.D.N.Y. 2000), extraterritorial application of injunction recognized, 126 F. Supp. 2d 328 (S.D.N.Y. 2001).

<sup>11</sup> *Euromarket Designs, Inc. v. Crate & Barrel Ltd.*, 96 F. Supp. 2d 824 (N.D. Ill. 2000).

Court cases involving the Commerce Clause, that trend will continue, is hard to say.

Second—and this is even more problematic for companies that deal with copyright and trademark issues internationally—is the fact that the circuit where your case is heard can make a difference in how the law is interpreted. Unlike in the patent arena, we do not have a unified circuit for copyright and trademark. The different courts have different tests and different approaches. In terms of sheer numbers, many of the cases come out of the Ninth Circuit, which is home to Silicon Valley and Microsoft Valley, and the Second Circuit, where the entertainment and publishing industries and Silicon Alley are located.

The third issue I note is that we are starting to see the Internet cases in the trademark area—not so much with regards to extraterritorial jurisdiction (yet), but in general terms. If you survey the trademark cases involving the Internet, it appears that the courts are establishing a framework for understanding trademark on the Internet, particularly in the context of domain names. This framework will likely be carried over to the next wave of cases, the ones which will involve extraterritorial application.

Fourth, despite the presumption against extraterritorial application in the U.S. courts, the legal framework may ultimately change in ways that have important effects on enforcement. The first possibility for change rests with Congress. Intellectual property has been an important issue among constituents. So there may well be some very specific laws coming out of Congress.

We are also likely to see executive action. Reference has already been made to TRIPS and the various treaties. However, it is unclear how effective this will be. If you look at how long it took to negotiate TRIPS, and then you look at where we are now with TRIPS, and where we might be going, you have to have a lot of patience if you want to go that route. As the relationship between trade and intellectual property becomes more important, the focus may be on the executive branch.

I also think that you'll see more and more of the intersection between antitrust and intellectual property. A case in point: the Boeing/McDonnell Douglas merger. That was a domestic merger. Boeing was a U.S. company. McDonnell Douglas was a U.S. company. But the European Commission, through its antitrust authority, sought to regulate various aspects of the transaction—including intellectual property—that was essentially based in the U.S. Ultimately, the intersection between antitrust and intellectual property affected some of the terms and conditions of that merger, so the result was an extraterritorial application of European antitrust laws to a U.S. merger. Again, I foresee more and more of this brand of international action via enforcement mechanisms that are already in place.

Finally—although I don't consider this an issue of extraterritorial application—you'll continue to see U.S. courts struggling to figure out whether and how to apply foreign laws within U.S. courts.

So I'll leave you with one thought, which relates to the telegraph-Internet comparison that I mentioned earlier. The telegraph, although it posed some interesting problems at the turn of the century, really didn't spawn a legal revolution. The technology itself wasn't pervasive enough, and it came at a time when legal action was less common. I suggest that the change in the culture of lawsuits, coupled with the change in technology and globalization, will result in a far different scenario for the Internet than for the telegraph. We have seen only the tip of the iceberg in terms of the complexities of the Internet and the intersection with the judicial systems worldwide.