

3 A Ragged Landscape of Theories

It is difficult for people brought up under a different system of laws to unde[r]stand our situation. Under the Continental system, trade mark rights depend upon registration and “unfair competition” is a statutory wrong. The need of a better understanding becomes apparent the minute a group of men who are used to the different systems attempt to discuss the subjects of trade marks and unfair trading. They start at different points and diverge.

Edward S. Rogers, *Protection of Industrial Property*, 27 Mich. L. Rev. 491, 492 (1929)

Introduction

As the previous chapters have shown, trademark and unfair competition law in Europe and the United States tells two tales of proprietization—one of formal rights and another of informal value protection. Neither concept has ruined or ennobled doctrine at the domestic level. After all, substantive law in both jurisdictions provides a functioning system. Yet both versions of proprietization and value protection have brought conflicts doctrine into an imbalance. And while attempts to explain this conundrum can be found on both sides of the Atlantic, a clear understanding is still absent. As an overview of the plethora of concepts and theories on trademark and unfair competition conflicts law unveils, it is still true that, as Friedrich K. Juenger clarified decades ago, only three approaches to conflicts law, or choice of law, appear to exist: substantive law, unilateralist, and multilateralist.¹ This chapter explores all of these. It starts with the conservative theories of European territoriality doctrines and moves on to the more recent applications of principles of international economic law under the marketplace effects principle as well as models developed in international soft-law instruments and by academic institutions. As we will see, all European doctrines in the field of trademark and unfair

¹ Friedrich K. Juenger, *Choice of Law and Multistate Justice* 45–46 (1993).

competition conflicts still adhere largely to Savignian multilateralism. This penchant toward civil law structures has also permeated attempts to promulgate uniform rules of soft law internationally (interestingly, on both sides of the Atlantic). Quite differently, American theories of international trademark law have traditionally been founded on a unilateralist concept. This widely replicates the approach in US practice, as analyzed in the previous chapter. Finally, in between the opposing camps of multilateralist and unilateralist approaches—and very likely as a consequence of growing discontent with their results—theories of substantive law promulgation have witnessed a heyday more recently, particularly following the rise of the internet and the advent of socioeconomic globalization.

In addition to these classic approaches on Juenger's shortlist, however, closer scrutiny reveals a still widely unexplained trend toward a convergence of methods and approaches. In fact, trademark and unfair competition conflicts law is particularly apt at illustrating this phenomenon. Ever since Ulrich Huber laid the foundation for conflicts law in the doctrine of international comity in the seventeenth century,² the fields of public international law and private international law have been drifting apart. Huber may still have understood comity and choice of law as an element of public international law and, accordingly, expected conflicts resolution to reconcile conflicting nation-state concerns.³ The problem with this concept of comity, however, is that it has always been too nebulous to provide a practical guideline. Moreover, historical developments have invalidated the analytical and practical power that comity may have once had.⁴ Therefore, the nationalization and diversification of both national substantive laws and choice-of-law regimes in the nineteenth and twentieth centuries ultimately made the act of reconciling conflicting national policies, as Franz Kahn stated, a "quadrature of the circle."⁵ This particularly affected international trademark and unfair competition disputes where the growing politicization of substantive laws—that is, their increasingly regulatory character—made it ever more difficult to foster multilateral respect for foreign states' policies in choice of law.⁶

² See *infra* p. 398 *et seq.*

³ See original text and translation in: Ernest G. Lorenzen, *Huber's De Conflictu Legum*, 136, 162 *et seq.*, in *Selected Articles on the Conflict of Laws* (Ernest G. Lorenzen ed., 1947).

⁴ See, e.g., Tim W. Dornis, *Comity*, in *Encyclopedia of Private International Law* (Jürgen Basedow et al. eds., forthcoming 2017). For an extensive discussion, see *infra* p. 408 *et seq.*

⁵ Franz Kahn, *Über Inhalt, Natur und Methode des internationalen Privatrechts*, 255, 318, in *Abhandlungen zum internationalen Privatrecht, vol. I* (Otto Lenel & Hans Lewald eds., 1928). The challenge thus is to "reconcile the irreconcilable." See Friedrich K. Juenger, *Choice of Law and Multistate Justice* 21 (1993).

⁶ See *supra* p. 53 *et seq.*

And the counter-concepts to old-Europe multilateralism have not fared much better. Per se, US unilateralism in conflicts resolution regularly downplays or neglects foreign regulatory concerns. The built-in preference for the *lex fori*, as my analysis of US case law has shown, surfaces with particular candor in the *Bulova* test and *Steele* progeny.⁷ Scholarly analyses are also mostly prone to favor national policies at the expense of foreign states' regulatory concepts. Alternative theories of substantive law promulgation, finally, are prominently reflected in the cyberlaw movement and other concepts of modern theory on international intellectual property law. However, they hardly provide a better foundation of authority and legitimacy—not to speak of their impracticability. But that must not be the end of the inquiry. In fact, what makes international trademark and unfair competition law such an interesting object for analysis is a distinct convergence of functions and structures in both national substantive and conflicts law. In this regard, the field differs from many other areas of private law and private international law. First of all, it is densely predetermined by a framework of public international law underlying the national regimes, notably the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In addition, and most importantly, trademark protection and unfair competition prevention, at their core, aim to establish and uphold the free and unmanipulated flow of information within the marketplace. This shared structural foundation not only constitutes a thus far unexplored transnational architecture of market information infrastructure but also ultimately provides the blueprint for a uniform choice-of-law approach.

Before addressing issues of substantive law and public international law, as well as international comity, in more detail in the following chapters, however, I will lay the groundwork with an overview of the current scholarly debate. This is not an attempt to illustrate the entire panoply of positions in existence, for innumerable theoretical and practical suggestions have been made. Convincing arguments may be made for each of the models. Rather than furnishing a detailed microcritique of the status quo, this inquiry focuses on the way in which scholarship has dealt with the integration of economic concepts such as “competition” and “marketplace” into legal theory, the interplay between individual rights protection and public policy concerns, and the regulatory impact of choice-of-law norms. For this reason, my analysis excludes theories based on the country-of-origin principle, which, although falling within the wider context of the topic, are based on different considerations. While these approaches may be suitable for the European Union, which

⁷ See *supra* p. 159 *et seq.*

covers a widely uniform marketplace and is structured by its member states' largely homogeneous concepts of regulation, they are not immediately relevant to an analysis of conflicts law and choice of law in a sphere where no such underlying and overarching elements of convergence exist.⁸

Section 1 Traditional Civil Law Trademark Conflicts

Prima facie, the territoriality of trademark rights is obsolete. In the context of socioeconomic globalization, particularly the circumstances surrounding online environments, limiting trademark protection to the prevention of infringement by territorial conduct will often leave domestic rights unprotected. Yet extending protection beyond national borders may be similarly detrimental. If any use of a mark on the internet, for instance, were an infringement of potentially innumerable national rights, online marketing activity would ultimately come to a halt due to exorbitant legal uncertainty. Not surprisingly, therefore, scholarly commentary has also come to question extraterritoriality in international intellectual property law. It appears as if a return to traditional models of territorial rights protection could provide a more adequate and consistent structure for rights protection in the global arena.⁹

I *The Principle of Territoriality*

International trademark law is part of international intellectual property (IP) law. The public international law regime of intellectual property protection, especially under the Paris Convention and other IP-related international agreements, however, does not expressly provide for a territorial restriction of the scope of national laws and rights; nor does

⁸ The country-of-origin principle is an instrument of integration under the assumptions of both similar socioeconomic conditions and a preexisting level of substantive law harmonization. This particular focus, with its Europe-centric pedigree and the fact that it does not apply to non-European jurisdictions, makes the theory inapt to my analysis. For an extensive discussion of the country-of-origin principle in unfair competition choice of law, see Nina Dethloff, *Europäisierung des Wettbewerbsrechts—Einfluss des europäischen Rechts auf das Sach- und Kollisionsrecht des unlauteren Wettbewerbs* 282 et seq. (2001); more recently, see also Hamburg Group for Private International Law, *Comments on the European Commission's Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations*, 67 *RabelsZ* 1, 18–20 (2003); Oliver Baetzgen, *Internationales Wettbewerbs- und Immaterialgüterrecht im EG-Binnenmarkt* (2007). For an overview, see also Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 42 (Franz Jürgen Säcker et al. eds., 6th edn., 2015).

⁹ See, e.g., Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 *Va. J. Int'l L.* 505, 584 (1997) (concluding that “globalism may actually increase the need for territorialism”).

it set express choice-of-law rules for international conflicts.¹⁰ Nonetheless, it is widely agreed on that intellectual property—including trademarks—is governed by the so-called territoriality principle.¹¹

¹⁰ See, e.g., *Tod's and Tod's France*, C-28/04, para. 32 (30 June 2005), [2005] E.C.R. I-5781; BGE vol. 39 I 633, 635 (12 November 1913); Helmut Winer, *Wettbewerbsrecht und internationales Privatrecht* 38 et seq. (1960); Alois Troller, *Unfair Competition* (ch. 34), no. 34-1, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980); Frank Vischer, *Das Internationale Privatrecht des Immaterialgüterrechts nach dem schweizerischen IPR-Gesetzentwurf*, 1987 GRUR Int. 670, 676 et seq.; Kurt Siehr, *Das urheberrechtliche Folgerecht inländischer Künstler nach Versteigerung ihrer Werke im Ausland*, 1992 IPRax 29, 31; William Patry, *Choice of Law and International Copyright*, 48 Am. J. Comp. L. 383, 405 (2000); Richard Fentiman, *Choice of Law and Intellectual Property*, 129, 134, in *Intellectual Property and Private International Law—Heading for the Future* (Josef Drexl & Annette Kur eds., 2005); Nerina Boschiero, *Infringement of Intellectual Property Rights—A Commentary on Article 8 of the Rome II Regulation*, 9 Yearb. P.I.L. 87, 94 et seq. (2007); Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* para. 8.05 (2008); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 716 et seq. (2009); Karl-Heinz Fezer, *Markenrecht*, Einl H para. 24 (4th edn., 2009); James J. Fawcett & Paul Torremans, *Intellectual Property and Private International Law* para. 12.05 (2nd edn., 2011). The issue is contested for the protection of copyrights. See, e.g., E. Bartin, *Localisation territoriale des monopoles intellectuels (Propriété littéraire et artistique propriété industrielle)*, 61 Clunet 781, 793 et seq. (1934); Paul Heinrich Neuhaus, *Freiheit und Gleichheit im internationalen Immaterialgüterrecht*, 40 RabelsZ 191, 193 (1976); Ulrich Drobnig, *Originärer Erwerb und Übertragung von Immaterialgüterrechten im Kollisionsrecht*, 40 RabelsZ 195, 196 et seq. (1976); Heimo Schack, *Urheberrechtsverletzung im internationalen Privatrecht aus der Sicht des Kollisionsrechts*, 1985 GRUR Int. 523; for US doctrine, see, e.g., *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998); Jane C. Ginsburg, *Ownership of Electronic Rights and the Private International Law of Copyright*, 22 Colum.-VLA J. L. & Arts 165, 169–170 (1998); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 731 (2009). The dominant approach in modern commentary, however, contends a strict *lex loci protectionis* rule. See, e.g., OLG Koblenz 1968 GRUR Int. 164—*Liebeshändel in Chioggia* (14 July 1967); Alois Troller, *Das internationale Privat- und Zivilprozeßrecht im gewerblichen Rechtsschutz und Urheberrecht* 20 (1952); Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht—Rechtsvergleichende Untersuchung mit Vorschlägen für die Vereinheitlichung in der Europäischen Wirtschaftsgemeinschaft* 10–11 (1975); Otto Sandrock, *Die kollisionsrechtliche Behandlung der Deliktshaftung bei der Verletzung von gewerblichen Schutzrechten und Urheberrechten*, 380, 404 et seq., in *Vorschläge und Gutachten zur Reform des deutschen internationalen Privatrechts der außervertraglichen Schuldverhältnisse, vorgelegt im Auftrag der Zweiten Kommission des Deutschen Rates für Internationales Privatrecht* (Ernst von Caemmerer ed., 1983); Friedrich-Karl Beier, *Entwicklung und Grundprinzipien des internationalen Markenschutzes*, 85, 93, in *Festschrift till Stig Strömholm* (Ake Frändberg et al. eds., 1997); Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 547 et seq. (1997).

¹¹ Trademarks are treated under the same rules as copyrights and patent, design, and *sui generis* rights. See Karl Kreuzer, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. X, Nach Art. 38 EGBGB Anh. II para. 56 et seq. (Kurt Rebmann & Jürgen Säcker eds., 3rd edn., 1998). For Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), O.J. EU (31 July 2007), L 199/40, see recital 26.

Although the principle, as such, is not a genuine conflicts rule, it does provide for a limitation of rights¹²—in other words, rights are deemed valid only within national borders. Accordingly, there is a limited territorial domain within which intellectual property rights can be utilized and protected.¹³ Different national rights will be independent, and a rights owner may have several different national rights (known as a “bundle of rights”¹⁴). As a consequence of this territorial limitation and segmentation, it is widely acknowledged that rights’ creation and scope of protection are governed by the *lex loci protectionis*—the law of the protecting country.¹⁵ This is also the rule in article 8 of the Rome II Regulation.¹⁶ The *lex loci protectionis* is a multilateral rule, at least with respect to its practical results. It authorizes the application of the laws of any country specified by the plaintiff.¹⁷ Put another way, if a plaintiff claims that, in addition to her domestic right, foreign trademark rights are being

¹² See Leo Raape, *Internationales Privatrecht* § 60 (3rd edn., 1950); Karl Kreuzer, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. X, Nach Art. 38 EGBGB Anh. II para. 12 et seq. (Kurt Rebmann & Jürgen Säcker eds., 3rd edn., 1998); Jan Kropholler, *Internationales Privatrecht—einschließlich der Grundbegriffe des Internationalen Zivilverfahrensrechts* § 53 VI 2 (6th edn., 2006).

¹³ Karl Kreuzer, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. X, Nach Art. 38 EGBGB Anh. II para. 13 (Kurt Rebmann & Jürgen Säcker eds., 3rd edn., 1998); Johannes Christian Wichard, *Europäisches Markenrecht zwischen Territorialität und Binnenmarkt*, 2002 ZEuP 23, 27.

¹⁴ See, e.g., Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht—Rechtsvergleichende Untersuchung mit Vorschlägen für die Vereinheitlichung in der Europäischen Wirtschaftsgemeinschaft 7 et seq.* (1975); Otto Sandrock, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 1985 GRUR Int. 507, 512–513 and 516; Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntImmGR para. 7 (Franz Jürgen Säcker et al. eds., 6th edn., 2015).

¹⁵ See also Otto Sandrock, *Die kollisionsrechtliche Behandlung der Deliktshaftung bei der Verletzung von gewerblichen Schutzrechten und Urheberrechten*, 380, 381 et seq., in *Vorschläge und Gutachten zur Reform des deutschen internationalen Privatrechts der außervertraglichen Schuldverhältnisse, vorgelegt im Auftrag der Zweiten Kommission des Deutschen Rates für Internationales Privatrecht* (Ernst von Caemmerer ed., 1983); Johannes Christian Wichard, *Europäisches Markenrecht zwischen Territorialität und Binnenmarkt*, 2002 ZEuP 23, 27; see also *IHT Internationale Heiztechnik v. Ideal-Standard*, C-9/93, para. 22 (22 June 1994), [1994] E.C.R. I-2789.

¹⁶ Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), O.J. EU (31 July 2007), L 199/40.

¹⁷ The characteristic of multilateralism, however, is not uncontested. For the debate, see, e.g., Karl-Heinz Fezer, *Markenrecht*, Einl H para. 54 (4th edn., 2009). For an understanding of the principle as a unilateralist rule, see, e.g., Otto Sandrock, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 1985 GRUR Int. 507, 518; Frank Vischer, *Das Internationale Privatrecht des Immaterialgüterrechts nach dem schweizerischen IPR-Gesetzesentwurf*, 1987 GRUR Int. 670, 678.

infringed, the court must treat the claim in different segments under all of the eligible regimes.

One aspect of rights territoriality is disturbing, though: infringement analysis is still often formalized insofar as a national right can be infringed on only by conduct *within* the national territory. Conduct outside the national territory will usually not lead to an infringement. Conversely, a foreign right may not be infringed on by conduct within the national territory.¹⁸ This concept of trademark territoriality has increasingly come

¹⁸ See, e.g., *IHT Internationale Heiztechnik v. Ideal-Standard*, C-9/93, para. 22 (22 June 1994), [1994] E.C. R. I-2789 (“[N]ational law can only provide relief in respect of acts performed on the national territory in question.”); for Germany, RGZ vol. 118, 76, 83—*Springendes Pferd/Hengstenberg* (20 September 1927); BGHZ vol. 22, 1, 13—*Flava Erdgold* (2 October 1956); BGHZ vol. 41, 84, 91—*Maja* (22 January 1964); BGH 2005 GRUR 431, 432—*HOTEL MARITIME* (13 October 2004) (“Ein Unterlassungsanspruch [nach dem Markengesetz] setzt deshalb eine das Kennzeichenrecht verletzende Benutzungshandlung im Inland voraus.”); BGH 2012 GRUR 1263, 1264—*Clinique happy* (25 April 2012); for Switzerland, e.g., BG 2000 GRUR Int. 639, 640–641—*Kodak II* (7 December 1999); Handelsgericht Zürich 1985 GRUR Int. 411, 411 (9 January 1984); among scholarly commentary, see, e.g., Arthur Nussbaum, *Deutsches internationales Privatrecht—Unter besonderer Berücksichtigung des österreichischen und schweizerischen Rechts* 338 (1932) (“Die im Inlande begangene Verletzung eines ausländischen Immaterialgüterrechts begründet ebensowenig einen Anspruch wie die im Auslande begangene Verletzung eines inländischen.”); Erich Lichtenstein, *Der gewerbliche Rechtsschutz im internationalen Privatrecht*, 1964 NJW 1208, 1212; Friedrich-Karl Beier, *Territorialität des Markenrechts und internationaler Wirtschaftsverkehr*, 1968 GRUR Int. 8, 12 (“Die Wirkung des so vom Schutzlande gewährten Markenrechts ist auf das Gebiet dieses Landes beschränkt: Das inländische Markenrecht kann nicht durch Auslandshandlungen, das ausländische Markenrecht nicht durch Inlandshandlungen verletzt werden. Örtlicher Schutzbereich und Verletzungsort müssen übereinstimmen.”); Lienhard Schikora, *Der Begehungsort im gewerblichen Rechtsschutz und Urheberrecht* 68–69 (1968); Tilman Weber, *Die Behandlung von Patent-, Warenzeichen- und Urheberrechtsverletzungen im internationalen Privat- und Zivilprozessrecht* 26 (1968); Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht—Rechtsvergleichende Untersuchung mit Vorschlägen für die Vereinheitlichung in der Europäischen Wirtschaftsgemeinschaft* 11 (1975) (“Grundsätzlich kann heute allgemein ... davon ausgegangen werden, daß der Anwendungsbereich der nationalen Gesetze auf die im Inland erfolgten Eingriffshandlungen beschränkt bleibt.”); Dieter Martiny, *Verletzung von Immaterialgüterrechten im Internationalen Privatrecht*, 40 RabelsZ 218, 220 (1976); Christian von Bar, *Territorialität des Warenzeichens und Erschöpfung des Verbreitungsrechts im Gemeinsamen Markt* 28, 29–30 (1977) (“Gewerbliche Schutzrechte können jedoch nur auf dem Gebiet des verleihenden Staates verletzt werden.”); Alois Troller, *Immaterialgüterrecht, vol. I*, ch. 3, § 9 III (3rd edn., 1983); Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, *Stellungnahme zum Entwurf eines Gesetzes zur Ergänzung des internationalen Privatrechts (außervertragliche Schuldverhältnisse und Sachen)*, 1985 GRUR Int. 104, 106 (“Für die Verletzung von Immaterialgüterrechten ... kann allein auf das Recht des Handlungsorts abgestellt werden, d.h. desjenigen Landes, in dessen Gebiet die beanstandete Verletzungshandlung jedenfalls teilweise begangen wurde. Dies folgt nicht nur aus dem Territorialitätsprinzip, sondern auch aus der Eigenart immaterialgüterrechtlicher Delikte. Die Verletzungstatbestände des gewerblichen Rechtsschutzes und Urheberrechts normieren Handlungsunrecht, sie knüpfen an die Vornahme bestimmter Verletzungshandlungen ... im Inland an, ohne Rücksicht darauf,

under pressure with the globalization of communication and trade. Not surprisingly, therefore, a number of scholarly suggestions have been brought forward to modify the doctrine of strictly territorial rights. One of these concepts attempts to distinguish between registered rights and use-based rights. As Heimo Schack argues, for instance, a world of emerging and merging markets requires territoriality to be the exception rather than the rule. He therefore suggests that only rights based on the state's formal act of registration should be territorially confined. Use-based rights should be understood as territorially unrestricted.¹⁹ I will address the registered/unregistered rights dichotomy in more detail below.²⁰ The principal defects of such a differentiation aside, it illustrates an important trend in modern scholarly theory—the conception of trademark policies being the component of an *overall* system of economic market regulation. Indeed, it is an understanding of converging policies in substantive law that has spurred modern theories to unify choice of law with respect to intellectual property, antitrust, and unfair competition. Alois Troller has been among the first to formulate such a theory for unfair competition and intellectual property

wo der schädigende Erfolg eingetreten ist.”); Christian von Bar, *Kollisionsrecht, Fremdenrecht und Sachrecht für internationale Sachverhalte im Internationalen Urheberrecht*, 108 UFITA 27, 39 (1988); Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 332; Gerhard Schricker, in *Großkommentar—UWG: Gesetz gegen den unlauteren Wettbewerb*, vol. I, Einl para. F 5 (Rainer Jacobs et al. eds., 1994); Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 547–548 (1997) (“[T]he national treatment principle implies a territorial approach to choice of law, pursuant to which the applicable law is the law of the place where the conduct in question occurs.”); Christopher Wadlow, *Enforcement of Intellectual Property in European and International Law—The New Private International Law of Intellectual Property in the United Kingdom and the European Community* 9 (1998); Frank Peter Regelin, *Das Kollisionsrecht der Immaterialgüterrechte an der Schwelle zum 21. Jahrhundert* 95 and n. 22, 220 (2000); Alexander Thünken, *Multi-state advertising over the Internet and the private international law of unfair competition*, 51 I.C.L.Q. 909, 917 (2002); Martin Ebner, *Markenschutz im internationalen Privat- und Zivilprozessrecht* 75 (2004); Rebekka Hye-Knudsen, *Marken-, Patent- und Urheberrechtsverletzungen im europäischen Internationalen Zivilprozessrecht* 7 (2005); Oliver Baetzgen, *Internationales Wettbewerbs- und Immaterialgüterrecht in EG-Binnenmarkt* para. 104 (2007) (*but see also id.* at para. 141); Karl-Heinz Fezer, *Markenrecht*, Einl H MarkenG para. 14 (4th edn., 2009); Richard Plender & Michael Wilderspin, *The European Private International Law of Obligations* para. 22–001 (4th edn., 2015).

¹⁹ Heimo Schack, *Internationale Urheber-, Marken- und Wettbewerbsrechtsverletzungen im Internet—Internationales Privatrecht*, 2000 MMR 59, 62; Heimo Schack, *Das auf (formlose) Immaterialgüterrechte anwendbare Recht nach Rom II*, 651, 661 *et seq.*, in *Die richtige Ordnung—Festschrift für Jan Kropholler zum 70. Geburtstag* (Dietmar Baetge ed., 2008); Heimo Schack, *The Law Applicable to (Unregistered) IP Rights after Rome II*, 79, 90, in *Intellectual Property and Private International Law* (Stefan Leible & Ansgar Ohly eds., 2009); following Schack: Fabian Ropohl, *Zur Anknüpfung der formlosen Markenrechte im Internationalen Privatrecht* 55 *et seq.* (2003).

²⁰ See *infra* p. 200 *et seq.*

conflicts.²¹ According to Troller, a uniform principle of territoriality would best correspond with the interests involved in international disputes on intellectual property rights and unfair competition. He concludes, however, that the law of the country where the relevant conduct (in unfair competition cases, “an act of competition”) occurred would govern the dispute.²² Working under the traditional assumption that unfair competition prevention is part of tort law, he explains that the “place of acting . . . [is] to be distinguished from the place where the effect occurred” and that the applicable regime must be determined by the former.²³

Under a similar lens, Otto Sandrock also changed directions with respect to the import of conduct and effects. He generally agrees with Troller on the overall idea that antitrust, intellectual property, and unfair competition conflicts should be treated uniformly.²⁴ But he embraces an ultimately antipodal technique for conflicts resolution. He rejects finding a uniform and universal concept for the place of violation or infringement. In particular, this place should no longer be determined by reference to an alleged infringer’s conduct. Where an act of infringement or violation has occurred should instead be established under the *lex loci protectionis*.²⁵ Lately, this conception has been brought forward with respect to an extension of trademark protection in internet cases. One modern approach

²¹ Alois Troller, *Das internationale Privat- und Zivilprozessrecht im gewerblichen Rechtsschutz und Urheberrecht* 273 *et seq.* (1952); Alois Troller, *Unfair Competition* (ch. 34), no. 34–14 and 34–16, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980).

²² Alois Troller, *Unfair Competition* (ch. 34), no. 34–14, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980).

²³ *Id.* at no. 34–4 and 34–16; see also Alois Troller, *Immaterialgüterrecht*, vol. II, ch. 19, § 60 V (3rd edn., 1985).

²⁴ Otto Sandrock, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 1985 GRUR Int. 507, 518 *et seq.*; see also Wolfgang F. Weber, *Die kollisionsrechtliche Behandlung von Wettbewerbsverletzungen mit Auslandsbezug—Eine Darstellung unter besonderer Berücksichtigung des österreichischen IPR-Gesetzes, des Schweizer Expertenentwurfs eines IPR-Gesetzes sowie der Möglichkeit von Harmonisierungsmaßnahmen im Kollisions- und Wettbewerbsrecht für die Europäische Gemeinschaft* 139 *et seq.* (1982); Wolfgang Weber, *Zum Anwendungsbereich des deutschen UWG beim Auslandswettbewerb zwischen Inländern*, 1983 GRUR Int. 26, 29–30.

²⁵ Otto Sandrock, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 1985 GRUR Int. 507, 515 (“Die Frage, an welchem Ort ein Immaterialgüterrecht verletzt worden ist, ist nach dem Recht des jeweiligen Schutzlandes zu beantworten. Es gibt also keinen einheitlichen Begriff des Deliktsortes, der etwa in einer allseitigen Kollisionsnorm der *lex fori* definiert werden könnte. Sondern der Deliktsort bestimmt sich—von Schutzland zu Schutzland unterschiedlich—nach der jeweiligen materiellrechtlichen ‚policy‘ der betreffenden Schutznorm.”).

suggests the application of a modified tort choice-of-law rule: based on the idea of a potential ubiquity of places where an infringement could be found, the *locus delicti* in internet-based infringements can be both the place where infringing content is uploaded *and* the place from which a website can be accessed. Accordingly, both places qualify as a point of attachment or connecting factor in choice of law. Ultimately, there is no more absolute need for inland conduct.²⁶

This shift from conduct to effects has also been implemented in practice. I have already introduced the German Bundesgerichtshof's *HOTEL MARITIME* decision.²⁷ Issued in the wake of the World Intellectual Property Organization's (WIPO) Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet,²⁸ the court's decision was groundbreaking in its application of a rule of commercial effects to international trademark law. Applying this rule, it jettisoned the principle of strict trademark territoriality, instead establishing that domestic effects may suffice for finding an infringement of national rights, even absent domestic conduct.²⁹ In order to restrict the potential overreach of national law under this extension, the court, however, set a *de minimis* threshold of sufficient relevance of inland effects (*hinreichender wirtschaftlich relevanter Inlandsbezug*).³⁰ Scholarly commentary has proposed similar concepts for limiting the effects test's tendency to overconnect. These concepts comprise approaches that provide for sanctions in proportion to the impact of the allegedly infringing activities on the respective market, tests for the avoidability of the alleged infringements at issue, and techniques that prescribe

²⁶ See, e.g., Rolf Sack, *Das internationale Wettbewerbs- und Immaterialgüterrecht nach der EGBGB-Novelle*, 2000 WRP 269, 277 *et seq.* Other commentary has extended the analysis to effects as such rather than individual conduct. See, e.g., Karl-Heinz Fezer, *Markenrecht*, Einl H para. 28 *et seq.*, para. 49 (4th edn., 2009) and *infra* section 3 I.

²⁷ See *supra* p. 71–74.

²⁸ WIPO, *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (with Explanatory Notes)*, adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO September 24 to October 3, 2001 (WIPO Pub. No. 845(E)). See also *infra* p. 225 *et seq.*

²⁹ BGH 2005 GRUR 431, 432–433—*HOTEL MARITIME* (13 October 2004).

³⁰ See *id.* at 432; for further case law, see, e.g., LG Hamburg, 1999 MMR 612, 613—*Animal Planet* (5 May 1999); OLG Karlsruhe, 2002 MMR 814, 817–818—*Intel* (10 July 2002); OLG Hamm, 2004 MMR 177, 177—*nobia.se* (31 July 2003); OLG München, 2005 MMR 608, 609—*800-FLOWERS* (16 June 2005); OLG München, 2006 GRUR-RR 130, 131—*UltraMind* (12 January 2006).

a private-party interest balancing when looking for the reach of national trademark law and the extension of rights.³¹

II Analysis: The Curse of Formal Reasoning and Conduct Orientation

Evidently, strict territoriality will not fare well unless one is willing to acknowledge underregulation as an agreeable state of affairs.³² Yet the extraterritoriality of domestic rights is no less problematic, for extending the protection beyond national borders may stifle international marketing activities through the implicit threat of potentially innumerable national laws to be applied.³³ Attempts to streamline unfair competition law with intellectual property conflicts law illustrate how the problem can be approached. Nevertheless, full accordance has yet to be established, and the historical formalism of trademark rights protection lingers. Efforts have been made, but none have so far managed to fully do away with the obsolete dichotomy between trademark and unfair competition conflicts law. A critical look at the examples of scholarly commentary illustrated above helps clarify the problems.

Let us return to the registered/unregistered rights distinction suggested by Heimo Schack. In his attempt to distinguish between different

³¹ See, e.g., Annette Kur, *Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes: A European Perspective*, 2003 CRi 65, 72; Annette Kur, *Applicable Law: An Alternative Proposal for International Regulation—The Max-Planck Project on International Jurisdiction and Choice of Law*, 30 Brook. J. Int'l L. 951, 978 (2005); Ansgar Ohly, *Choice of Law in the Digital Environment—Problems and Possible Solutions*, 241, 254 *et seq.*, in *Intellectual Property and Private International Law—Heading for the Future* (Josef Drexel & Annette Kur eds., 2005); Stefan Koos, *Objektive Kriterien zur Feststellung des anwendbaren Rechts im Internationalen Wettbewerbs- und Immaterialgüterrecht*, 2007 IPPrax 414, 416; Karl-Heinz Fezer, *Markenrecht*, Einl H para. 44 *et seq.* (4th edn., 2009); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Wettbewerbsprivatrecht para. 731, 918, and 943 (15th edn., 2010); Reinhard Ingerl & Christian Rohnke, *Kommentar zum Markengesetz: Gesetz über den Schutz von Marken und sonstigen Kennzeichen*, Einleitung para. 59–60 (3rd edn., 2010).

³² See Leo Raape, *Internationales Privatrecht* § 61 II (3rd edn., 1950); more recently see, e.g., Ludwig Baeumer, *Anmerkungen zum Territorialitätsprinzip im internationalen Patent- und Markenrecht*, 803, 804, in *Festschrift für Wolfgang Fikentscher zum 70. Geburtstag* (Bernhard Großfeld et al. eds., 1998); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Wettbewerbsprivatrecht para. 493 *et seq.* and *passim* (15th edn., 2010); Christoph Brömmelmeyer, *Internetwettbewerbsrecht, Das Recht der Ubiquität—Das Recht der Domain Names—Das Recht der kommerziellen Kommunikation* 177 (2007); Josef Drexel, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntImmGR para. 251 *et seq.* (Franz Jürgen Säcker et al. eds., 6th edn., 2015).

³³ For the internet context, see, e.g., BGH 2005 GRUR 432—HOTEL MARITIME (13 October 2004); Christoph Brömmelmeyer, *Internetwettbewerbsrecht, Das Recht der Ubiquität—Das Recht der Domain Names—Das Recht der kommerziellen Kommunikation* 177 (2007).

categories of rights, he posits that territoriality would be adequate for registered marks, for these rights are state-granted instruments. He questions, however, whether territoriality would make sense for unregistered and use-based rights.³⁴ This distinction—as we have seen in this book’s historical analysis—trades on one particular aspect of traditional German and European trademark and unfair competition doctrine: use-based trademark rights do not seem to be granted by the state. Like tangible property, they must be acknowledged in their preexistence. Registered rights, by contrast, are understood as being genuinely created by the act of registration.³⁵ Of course, looking at use-based rights under a theory of market-based goodwill extension and protection of market information capital relies on the perception of a preexisting Something. This is not the case for registered rights, as Eugen Ulmer pointed out in the 1920s already.³⁶ *Prima facie*, therefore, a difference does exist. Yet the decision whether to acknowledge a preexisting stock of market information capital and to protect it under the guise of trademark rights is also an issue of legal policy. In essence, this is no different than rights registration. Protection for the preexisting and the newly created alike is a legal fiction. Ultimately, both registered and use-based rights are—as Jürgen Basedow has explained—“artifacts of positive law”³⁷ and are therefore necessarily state granted.³⁸ This means, however, that there can hardly be a difference regarding the territorial boundaries of registered and unregistered rights. Neither the validity of a state act nor the authority of a legal regime to prescribe protection for the preexisting Something will extend beyond a political boundary. In the end, this requires acknowledging that neither the formal right nor the entitlement granted *ex lege* by

³⁴ Heimo Schack, *Internationale Urheber-, Marken- und Wettbewerbsrechtsverletzungen im Internet—Internationales Privatrecht*, 2000 MMR 59, 62; see also Fabian Ropohl, *Zur Anknüpfung der formlosen Markenrechte im Internationalen Privatrecht* 55 *et seq.* (2003).

³⁵ Heimo Schack, *Internationale Urheber-, Marken- und Wettbewerbsrechtsverletzungen im Internet—Internationales Privatrecht*, 2000 MMR 59, 62; Fabian Ropohl, *Zur Anknüpfung der formlosen Markenrechte im Internationalen Privatrecht* 56–57 (2003). See also approvingly Karl-Heinz Fezer & Stefan Kooos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Immaterialgüterprivatrecht para. 885 (15th edn., 2010). For the history of German doctrine, see *supra* p. 9 *et seq.* and p. 27 *et seq.*

³⁶ See *supra* p. 42–46.

³⁷ Jürgen Basedow, *Foundations of Private International Law in Intellectual Property*, 3, 8, in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010).

³⁸ See also Frank Vischer, *Das IPR des Immaterialgüterrechts*, 363, 365–367, in *Kernprobleme des Patentrechts—Festschrift zum einhundertjährigen Bestehen des eidgenössischen Patentgesetzes* (Institut für gewerblichen Rechtsschutz (INGRES) ed., 1988); Alessandro L. Celli, *Internationales Kennzeichenrecht* 194 (2000); Josef Drexl, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntImmGR para. 27 (Franz Jürgen Säcker et al. eds., 6th edn., 2015).

a certain regime will “follow the trade” into a different sovereign’s territory, as was possible in the interstate and common law environment of *Tea Rose/Rectamus*.³⁹

Apart from this principal flaw, Schack’s theory of market-based extra-territoriality of nonregistered entitlements can be further criticized for an unjustified preference for use-based rights over registered rights.⁴⁰ If—as we have just seen—both registered and unregistered rights must be conceived of as being territorially limited, the question arises why the latter category (usually protected under rules of unfair competition prevention) should still be deemed largely nonterritorial. I will expand on this issue in the next chapter; here, a brief overview suffices to illustrate the paradox. The friction is the following: substantive rules of unfair competition prevention and intellectual property rights protection are usually closely interwoven. Indeed, the protection of rights in signs and symbols will often oscillate between both areas, depending on which legal regime one intends to apply.⁴¹ Against this backdrop, unfair competition law and trademark law are barely distinguishable on the basis of categories of property rights or absolute and exclusive entitlements.⁴² Accordingly, it is questionable why the former regime should have the capacity to cross national borders while the latter should not.

³⁹ See *supra* p. 129 *et seq.*

⁴⁰ See, e.g., Christoph Brömmelmeyer, *Internetwettbewerbsrecht, Das Recht der Ubiquität—Das Recht der Domain Names—Das Recht der kommerziellen Kommunikation* 182 (2007).

⁴¹ See, e.g., Alois Troller, *Unfair Competition* (ch. 34), no. 34–14, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980); Otto Sandrock, *Das Kollisionsrecht des unlauteren Wettbewerbs zwischen dem internationalen Immaterialgüterrecht und dem internationalen Kartellrecht*, 1985 GRUR Int. 507, 511–512; more recently, Rainer Hausmann & Inés Obergfell, in *Lauterkeitsrecht: Kommentar zum Gesetz gegen den unlauteren Wettbewerb (UWG)*, vol. I, Einleitung I para. 33 *et seq.* (Karl-Heinz Fezer ed., 2nd edn., 2010) (with further references).

⁴² But see Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht—Rechtsvergleichende Untersuchung mit Vorschlägen für die Vereinheitlichung in der Europäischen Wirtschaftsgemeinschaft* 22 and 25 (1975); Werner Riegl, *Streudelikte im Internationalen Privatrecht* 80 (1986); Gerhard Schricke, in *Großkommentar—UWG: Gesetz gegen den unlauteren Wettbewerb*, vol. I, Einl para. F 2 (Rainer Jacobs et al. eds., 1994); Rainer Hausmann & Inés Obergfell, in *Lauterkeitsrecht: Kommentar zum Gesetz gegen den unlauteren Wettbewerb (UWG)*, vol. I, Einleitung I para. 223 (Karl-Heinz Fezer ed., 2nd edn., 2010) (suggesting a differentiation on the basis of absolute and exclusive rights in trademarks as opposed to the socialized function of unfair competition law); Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 8 (Peter W. Heermann et al. eds., 2nd edn., 2014); Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntImmGR para. 3 and 163 (Franz Jürgen Säcker et al. eds., 6th edn., 2015) (distinguishing between rights protection (“Rechtsgüterschutz”) in trademark law and economic market regulation (“Schutz der Funktionsfähigkeit des Marktes”) in unfair competition law) and also Katharina de la Durantaye, in *Rome Regulations*, Art. 8 para. 10 (Gralf-Peter Calliess ed., 2nd edn., 2015) as well as Nadine Klass, in *Großkommentar—UWG: Gesetz gegen den unlauteren Wettbewerb*, vol. I, Einl. para. 33 *et seq.* (Otto Teplitzky et al. eds., 2nd edn., 2014).

In sum, the major problem of trademark territoriality is the increasing number of infringements where conduct and injury are geographically and territorially detached. Further, the formal distinction between the protection of registered rights and unregistered rights not only has been problematic historically speaking but also distorts contemporary conflicts doctrine. In this regard, the unification of trademark and unfair competition choice of law, as suggested by Otto Sandrock, is welcome. With respect to the method and technique for conflicts resolution, he proposes that rather than strict territoriality, a modification of the *lex loci protectionis* rule toward a non-conduct-based approach provides a more promising foundation for a reconceptualization. A look at modern European unfair competition conflicts law sheds light on some of the important details.

Section 2 Modern Civil Law Unfair Competition Conflicts

One aspect has become evident in this book's historical overview: US doctrine does not strictly distinguish between the area of trademark protection and that of unfair competition prevention, whether in substance or with regard to conflicts resolution.⁴³ European and German laws, on the other hand, do. In fact, the formal dichotomy between the two sectors can be described as the most determinative characteristic of the field in European civil law.

I *The Marketplace Principle, Determination of Effects, and the De Minimis Rule*

A **Collision-of-Interests and Substantive-Purpose Analysis**

European courts and legal scholars have come to acknowledge conflicts determination under a collision-of-interests, or marketplace, principle. Broad consensus existed throughout the region prior to the unification of European choice of law.⁴⁴ And today, there is wide agreement that the

⁴³ See *supra* p. 84 *et seq.* and p. 159 *et seq.*

⁴⁴ See *supra* p. 64 *et seq.* and BGH 1962 GRUR 243, 245—*Kindersaugflaschen* (30 June 1961). For scholarly commentary, see, e.g., Günther Beitzke, *Auslandswettbewerb unter Inländern—BGHZ 40, 391*, 1966 JuS 139, 143; Peter-Christian Müller-Graff, *Fakultatives Kollisionsrecht im Internationalen Wettbewerbsrecht?*, 48 RabelsZ 289, 307 (1984); Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, *Stellungnahme zum Entwurf eines Gesetzes zur Ergänzung des internationalen Privatrechts (außervertragliche Schuldverhältnisse und Sachen)*, 1985 GRUR Int. 104, 107; Adair Dyer, *Unfair Competition in Private International Law*, 211 Recueil des Cours 373, 431 *et seq.* (1988-IV); Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 322–323; Michael Kort, *Zur „multistate“-Problematik grenzüberschreitender Fernsehwerbung*, 1994 GRUR Int. 594, 598; Peter Mankowski,

marketplace principle has been incorporated into article 6(1) of the Rome II Regulation.⁴⁵ The theoretical debate started more than half a century ago.

Kamen Troller is often considered the first to have formulated the concept of interest collision, in 1962.⁴⁶ He rejected the traditional tort conflicts rule. Instead, he conceived of different categories of unfair competition and, *inter alia*, distinguished between conduct directed

Internet und Internationales Wettbewerbsrecht, 1999 GRUR Int. 909, 909 *et seq.*; Dieter Dubs, *Das Lauterkeitsstatut nach schweizerischem Kollisionsrecht—Zugleich ein Beitrag zur Materialisierung des Internationalprivatrechts* 57 *et seq.* (2000); Mirko Vianello, *Das internationale Privatrecht des unlauteren Wettbewerbs in Deutschland und Italien—Eine die europäischen und internationalen Harmonisierungsbestrebungen berücksichtigende Darstellung* 231 *et seq.* (2001); Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 108 (2004). For a general overview of European states' jurisdictions, see Peter Bernhard, *Das Internationale Privatrecht des unlauteren Wettbewerbs in den Mitgliedstaaten der EG* (1994).

⁴⁵ Most recently for German case law, GemS-OGB 2013 GRUR 417 para. 15—*Medikamentenkauf im Versandhandel* (22 August 2012); in scholarly commentary, see, e.g., Jan von Hein, *Die Kodifikation des europäischen Internationalen Deliktsrechts*, 102 ZVglRWiss 528, 555 (2003); Karl F. Kreuzer, *Die Vergemeinschaftung des Kollisionsrechts für außervertragliche Schuldverhältnisse (Rom II)*, 13, 36, in *Europäisches Kollisionsrecht* (Gerte Reichelt & Walter H. Rechberger eds., 2004); Michael Sonnentag, *Zur Europäisierung des Internationalen außervertraglichen Schuldrechts durch die geplante Rom II-Verordnung*, 105 ZVglRWiss 256, 285 (2006); Gerhard Wagner, *Internationales Deliktsrecht, die Arbeiten an der Rom II-Verordnung und der Europäische Deliktsgerichtsstand*, 2006 IPRax 372, 380; Francisco J. Garcimartín Alférez, *The Rome II Regulation: On the way towards a European Private International Law Code*, 7 EuLF-I 77, 86 (2007); Abbo Junker, *Die Rom II-Verordnung: Neues Internationales Deliktsrecht auf europäischer Grundlage*, 2007 NJW 3675, 3679; Gerhard Wagner, *Die neue Rom II-Verordnung*, 2008 IPRax 1, 8; Christian Handig, *Neues im Internationalen Wettbewerbsrecht—Auswirkungen der Rom II-Verordnung*, 2008 GRUR Int. 24, 27; Rolf Sack, *Internationales Lauterkeitsrecht nach der Rom II-VO*, 2008 WRP 845, 846; Pedro A. De Miguel Asensio, *The Private International Law of Intellectual Property and of Unfair Commercial Practices: Convergence or Divergence?*, 136, 151 *et seq.*, in *Intellectual Property and Private International Law* (Stefan Leible & Ansgar Ohly eds., 2009); Andreas Spickhoff, in *Beck'scher Online-Kommentar zum Bürgerlichen Gesetzbuch*, Art. 6 Rom II para. 4 (Heinz Georg Bamberger & Herbert Roth eds., 36th edn., 2013); Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 133 *et seq.* (Peter W. Heermann et al. eds., 2nd edn., 2014); Matthias Weller, in *Nomos-Kommentar-BGB, Rom-Verordnungen*, vol. VI, Art. 6 Rom II para. 1 and 16 (Rainer Hüfstege & Heinz-Peter Mansel eds., 2014); Wolfgang Wurmnest, in *juris-Praxiskommentar zum BGB*, Art. 6 Rom II para. 2 (Markus Würdinger ed., 7th edn., 2014); Nadine Klass, in *Großkommentar—UWG: Gesetz gegen den unlauteren Wettbewerb*, vol. I, Einl. para. 19 and 203 *et seq.* (Otto Teplitzky et al. eds., 2nd edn., 2014); Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 102 *et seq.* (Franz Jürgen Säcker et al. eds., 6th edn., 2015); Karsten Thorn, in *Palandt: Kommentar zum Bürgerlichen Gesetzbuch mit Nebengesetzen*, Art. 6 Rom II para. 9 (75th edn., 2016).

⁴⁶ Kamen Troller, *Das internationale Privatrecht des unlauteren Wettbewerbs in vergleichender Darstellung der Rechte Deutschlands, Englands, Frankreichs, Italiens, der Schweiz und der USA* (1962); for an early, quite similar critique of the traditional tort doctrine of unfair competition conflicts law, see Andreas Froriep, *Der unlautere Wettbewerb im internationalen Privatrecht* 57 *et seq.* (1958).

toward a competitor's activity or organization and conduct actually affecting a competitor's market position or capacity.⁴⁷ He still considered unfair competition prevention as being primarily aimed at protecting competitors, not consumers.⁴⁸ Yet unfair competition was not infringement on a property right or a competitor's absolute entitlement—it was a violation of an objective rule of market conduct. Therefore, there was no actual place of damage.⁴⁹ Instead, the “marketplace” served as the point of attachment for determining the applicable law. Only in cases where the competitor's market activity was not directly concerned but where her production capacity or business organization was affected did the seat of her business serve as the point of attachment.⁵⁰

Around the same time, and with results similar to Troller's collision-of-interests approach, Erwin Deutsch formulated a theory of unfair competition conflicts resolution that gave regard to substantive legal purposes.⁵¹ His concept also placed ultimate emphasis on the interests involved in international unfair competition conflicts. In most cases, therefore, his results mirror the outcome under a marketplace rule. As Deutsch explained, if the legal norm at issue was to protect consumer interests, then the law of consumers' residence (usually the place of the sales market) would govern. Similarly, violations of competitor-protecting norms, if intended to protect a multitude of competitors, would be governed by the law of the marketplace.⁵² Only in cases where competitive conduct was targeted toward a single competitor would, for instance, the parties' *lex domicilii communis* govern.⁵³

⁴⁷ Kamen Troller, *Das internationale Privatrecht des unlauteren Wettbewerbs in vergleichender Darstellung der Rechte Deutschlands, Englands, Frankreichs, Italiens, der Schweiz und der USA* 127 et seq. (1962). For the Swiss Bundesgericht, see, e.g., BGE vol. 91 II, 117, 123 et seq. (30 March 1965). For a similar categorization, see Helmut Wirner, *Wettbewerbsrecht und internationales Privatrecht* 110 et seq. (1960).

⁴⁸ Kamen Troller, *Das internationale Privatrecht des unlauteren Wettbewerbs in vergleichender Darstellung der Rechte Deutschlands, Englands, Frankreichs, Italiens, der Schweiz und der USA* 116–117 (1962).

⁴⁹ *Id.* at 127; see also Max Kummer, *Anwendungsbereich und Schutzgut der privatrechtlichen Rechtssätze gegen unlauteren und gegen freiheitsbeschränkenden Wettbewerb* 114–115 (1960); Verena Trutmann, *Das internationale Privatrecht der Deliktsobligationen—Ein Beitrag zur Auseinandersetzung mit den neueren amerikanischen kollisionsrechtlichen Theorien* 181 (1973).

⁵⁰ These cases comprised, inter alia, the enticing away of employees or a theft of trade secrets. See Kamen Troller, *Das internationale Privatrecht des unlauteren Wettbewerbs in vergleichender Darstellung der Rechte Deutschlands, Englands, Frankreichs, Italiens, der Schweiz und der USA* 139 et seq. (1962).

⁵¹ Erwin Deutsch, *Wettbewerbsstatbestände mit Auslandsbeziehung* 43 et seq. (1962).

⁵² *Id.* at 47 et seq. and 59 et seq.; see also Stephan Briem, *Internationales und Europäisches Wettbewerbsrecht und Kennzeichenrecht* 33 et seq. (1995).

⁵³ Erwin Deutsch, *Wettbewerbsstatbestände mit Auslandsbeziehung* 48 and 64 et seq. (1962). For modifications of this rule if no common domicile of the competing parties exists, see

Another contemporary approach, despite emanating from US scholarship, is conceptually similar to the early Swiss and German doctrines. In 1958, Jack J. Rappeport put forth what he called a “bull’s-eye approach” to unfair competition conflicts. He maintained that multijurisdictional unfair competition should be seen as a composite and integrated tort, thereby rejecting the idea that cross-border unfair competition could create separate causes of action in different jurisdictions.⁵⁴ Instead, Rappeport argued that interstate or international unfair competition claims should constitute a single cause of action for all states or countries involved. He listed a number of considerations, all well known in traditional European conflicts doctrine, for selecting the applicable regime: *inter alia*, the “desire for a reasonable connection between the governing law and the place of injury,” concerns for “ease and certainty of application,” “predictability,” and the “prevention of either party’s ability to choose the applicable law.”⁵⁵ While this “true singleness of liability”⁵⁶ is unique to Rappeport’s theory, his technique of regime selection reflects a concern of substantive-policy analysis that can also be found in 1960s German and Swiss theories. Categorizing different causes of action, Rappeport classified cases according to the parties’ domicile and the place of the harm, or according to whether the conduct at issue could be identified as exclusively or primarily harming either competitors or consumers. Accordingly, if the issue was the appropriation of business interests and there was “relatively little misleading of consumers,”⁵⁷ the law of the plaintiff’s place of business would apply. By contrast, if an infringement constituted primarily consumer confusion or deception, the law of the respective marketplace would be preferable.⁵⁸

This distinction between marketplace effects and individual-competitor injury also extends into modern doctrine. While early commentary still emphasized a rather unspecific “center of gravity” or “most significant part” of unfair competition as being determinative for choice-of-law attachment,⁵⁹ modern positions, even before the unification of choice of law under the Rome II Regulation, seemed to be more precise. They required identifying the place where the complementary side of the

id. at 49 and 66 (in these cases, the place where the parties actually compete should determine the applicable regime).

⁵⁴ Jack J. Rappeport, *Trade-Mark and Unfair Competition in International Conflict of Laws: An Analysis of the Choice of Law Problem*, 20 U. Pitt. L. Rev. 1, 29 (1958).

⁵⁵ *Id.* ⁵⁶ *Id.* at 30. ⁵⁷ *Id.* at 31.

⁵⁸ *Id.* In addition, a common domicile of the parties was always a strong argument in favor of the *lex domicilii communis*. See *id.* at 31–32.

⁵⁹ See, e.g., Heinz Binder, *Zur Auflockerung des Deliktsstatuts*, 20 RabelsZ 401, 467, 494–495 (1955); Helmut Wirner, *Wettbewerbsrecht und internationales Privatrecht* 106 *et seq.* (1960); see also Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht—Rechtsvergleichende Untersuchung mit Vorschlägen für die Vereinheitlichung in der Europäischen Wirtschaftsgemeinschaft* 21 (1975).

market (consumers, purchasers, or suppliers) was approached and affected.⁶⁰ This usually made it necessary to consider the place of actual impact on the other side (*Einwirkungsort*).⁶¹ Quite often, it was the *situs* of the customer that was determinative.⁶² Yet if the conduct at issue was directed at a competitor's assets or other interests and was thus without direct effect on the marketplace, the general tort conflicts rule governed.⁶³

I have already mentioned the Bundesgerichtshof's 1961 *Kindersaugflaschen* decision.⁶⁴ In essence, the court's reasoning in *Kindersaugflaschen* represents the governing version of the marketplace rule in unfair competition choice of law. As the court explained, unfair competition is deemed to occur at the place where competitors' interests collide; only at this place can a public policy of preventing unfair conduct be implemented.⁶⁵ This rule does not pose problems as long as advertising and transacting occur within the same jurisdiction. The issue, however,

⁶⁰ See, e.g., Nina Dethloff, *Europäisierung des Wettbewerbsrechts—Einfluss des europäischen Rechts auf das Sach- und Kollisionsrecht des unlauteren Wettbewerbs* 65 (2001); in addition, e.g., Helmut Köhler, in: Helmut Köhler & Joachim Bornkamm, *Gesetz gegen den unlauteren Wettbewerb*, Einl UWG para. 5.7 (33rd edn., 2015).

⁶¹ See, e.g., Karl F. Kreuzer, *Wettbewerbsverstöße und Beeinträchtigung geschäftlicher Interessen (einschl. der Verletzung kartellrechtlicher Vorschriften)*, 232, 272 and 277, in *Vorschläge und Gutachten zur Reform des deutschen internationalen Privatrechts der außervertraglichen Schuldverhältnisse, vorgelegt im Auftrag der Zweiten Kommission des Deutschen Rates für internationales Privatrecht* (Ernst von Caemmerer ed., 1983); Werner Riegl, *Streudelikte im Internationalen Privatrecht* 81 *et seq.* (1986); Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 324; Dieter Dubs, *Das Lauterkeitsstatut nach schweizerischem Kollisionsrecht—Zugleich ein Beitrag zur Materialisierung des Internationalprivatrechts* 58 (2000); Andreas Höder, *Die kollisionsrechtliche Behandlung unteilbarer Multistate-Verstöße—Das Internationale Wettbewerbsrecht im Spannungsfeld von Marktort-, Auswirkungs- und Herkunftslandprinzip* 35–36 and 116 (2002).

⁶² Peter Mankowski, *Internet und Internationales Wettbewerbsrecht*, 1999 GRUR Int. 909, 909; Jost Kotthoff, *Werbung ausländischer Unternehmen im Inland—Die Beurteilung grenzüberschreitender Werbung nach dem internationalen Privatrecht, dem Wettbewerbsrecht und dem Recht der Europäischen Union* 18 *et seq.* (1995); Walter F. Lindacher, *Zum Internationalen Privatrecht des unlauteren Wettbewerbs*, 1996 WRP 645, 647; Wolfgang Drasch, *Das Herkunftslandprinzip im internationalen Privatrecht—Auswirkungen des europäischen Binnenmarktes auf Vertrags- und Wettbewerbsstatut* 327–328 (1997).

⁶³ Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 323 *et seq.*; Rolf Sack, *Marktortprinzip und allgemeine Ausweichklausel im internationalen Wettbewerbsrecht, am Beispiel der sog. Gran-Canaria-Fälle*, 1992 IPRax 24, 24 *et seq.*; Rolf Sack, *Das internationale Wettbewerbs- und Immaterialgüterrecht nach der EGBGB-Novelle*, 2000 WRP 269, 272; see also Walter F. Lindacher, *Zum Internationalen Privatrecht des unlauteren Wettbewerbs*, 1996 WRP 645, 649–650; Andreas Höder, *Die kollisionsrechtliche Behandlung unteilbarer Multistate-Verstöße—Das Internationale Wettbewerbsrecht im Spannungsfeld von Marktort-, Auswirkungs- und Herkunftslandprinzip* 116 *et passim* (2002).

⁶⁴ See *supra* p. 68–71.

⁶⁵ BGH 1962 GRUR 243, 245—*Kindersaugflaschen* (30 June 1961); more recently, see BGH 2010 GRUR 847, 848—*Ausschreibung in Bulgarien* (11 February 2010); GemS-

becomes complicated once the impact on the consumer (or purchaser or supplier) and the ensuing market effects diverge—notably if conduct and effects occur in different jurisdictions. The Bundesgerichtshof's 1990 *Kauf im Ausland* decision—also known as the *Gran Canaria* ruling—is paradigmatic of such a scenario. *Kauf im Ausland* concerned advertising by a German company targeting German tourists during their holidays in Spain. The advertising materials were written in German and did not target Spanish customers. The products (merino wool duvets and pillows) were delivered after the tourists' return in Germany. As the court explained, the final transaction (i.e., the actual delivery of the product) and potential damages to competitors on this market were indirect effects of the improper conduct and, therefore, had to be disregarded in the choice-of-law analysis. Similarly, the consumers' nationality, their place of residence, and the occurrence of preparatory activities were deemed irrelevant.⁶⁶ Accordingly, whenever the location of an alleged infringer's advertising conduct diverges from the place of the actual transaction, dominant opinion in practice and commentary acknowledges governance of the regime of the so-called advertising market.⁶⁷

Ultimately, at the level of European unified choice of law, the market-place principle has been integrated into article 6(1) of the Rome II Regulation.⁶⁸ This is mostly a consequence of the fact that the principle had already been established in many continental jurisdictions prior to the unification.⁶⁹ Yet the regulation's terminology and explanatory materials

OGB 2013 GRUR 417 para. 15—*Medikamentenkauf im Versandhandel* (22 August 2012).

⁶⁶ BGH 1991 GRUR 463, 464—*Kauf im Ausland* (15 November 1990); BGH 1998 GRUR 419, 420—*Gewinnspiel im Ausland* (26 November 1997).

⁶⁷ See BGH 1991 GRUR 463, 464—*Kauf im Ausland* (15 November 1990); BGH 1998 GRUR 419, 420—*Gewinnspiel im Ausland* (26 November 1997); BGH 2005 GRUR Int. 338, 339—*Rotpreis-Revolution* (13 May 2004); see also BGH 1972 GRUR 367, 369—*Besichtigungsreisen I* (3 December 1971); BGH 1976 GRUR 316, 317—*Besichtigungsreisen II* (7 November 1975); BGH 1977 GRUR 672, 673—*Weltweit-Club* (13 May 1977); OGH 1981 GRUR Int. 401—*Fremdenverkehrsverband* (8 July 1980). See also Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 323–324; Peter Mankowski, *Internet und Internationales Wettbewerbsrecht*, 1999 GRUR Int. 909, 911; Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 182 (2004); Martin Illmer, in *Rome II Regulation*, Art. 6 para. 46 (Peter Huber ed., 2011); Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch, vol. XI, IntLautR* para. 17 (Franz Jürgen Säcker et al. eds., 6th edn., 2015); Matthias Weller, in *Nomos-Kommentar-BGB, Rom-Verordnungen, vol. VI, Art. 6 Rom II* para. 18 (Rainer Hüßtege & Heinz-Peter Mansel eds., 2014).

⁶⁸ See *supra* p. 203–204.

⁶⁹ See again *supra* and further, e.g., Commission of the European Communities, *Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations* ("Rome II"), Brussels, 22 July 2003, COM(2003) 427 final, 2003/0168 (COD), 16.

also reveal a distinctive attempt to further modernize the law by means of “translating” economic phenomena into legal concepts. Indeed, Rome II aims quite expressly at a regulation of marketplaces. The place of attachment in article 6(1) is defined as the country where “competitive relations or the collective interests of consumers are, or are likely to be, affected.” Further, recital 21 makes clear that a triple purpose of protection must be considered:

In matters of unfair competition, the conflict-of-law rule should protect competitors, consumers and the general public and ensure that the market economy functions properly. The connection to the law of the country where competitive relations or the collective interests of consumers are, or are likely to be, affected generally satisfies these objectives.⁷⁰

As the European Commission has further explained, competitive relations and collective consumer interests will be affected where “competitors are seeking to gain the customer’s favour.” More concretely:

This solution corresponds to the victims’ expectations since the rule generally designates the law governing their economic environment. But it also secures equal treatment for all operators on the same market. The purpose of competition law is to protect a market; it pursues a macro-economic objective.⁷¹

Only “[w]here an act of unfair competition affects exclusively the interests of a specific competitor” does the general tort conflicts rule apply (article 6(2)). In particular, attempts to “economize” rules on unfair competition conflicts—notably by precisely defining market effects—and to strictly demarcate between market-related and bilateral acts pose both theoretical and practical problems. Before I address these issues, however, an illustration on the solutions presented for issues of multistate infringements shall complete the overview.

B Multistate Scenarios: Determination of Marketplace Effects and *De Minimis* Limitations

Toward the end of the last century, in the internet context, a potential extraterritorial overreach of national unfair competition regimes was identified as a pressing problem.⁷² If minimal effects on a market would

⁷⁰ Recital 21 of Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), O.J. EU (31 July 2007), L 199/40.

⁷¹ Commission of the European Communities, *Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations (“Rome II”)*, Brussels, 22 July 2003, COM(2003) 427 final, 2003/0168 (COD), 16.

⁷² For some of the first extensive analyses with respect to internet conflicts, see, e.g., Hermann-Josef Omsels, *Die Kennzeichenrechte im Internet*, 1997 GRUR 328, 336–337; Nina Dethloff, *Marketing im Internet und Internationales Wettbewerbsrecht*, 1998 NJW 1596, 1599 *et seq.*; Peter Mankowski, *Internet und Internationales Wettbewerbsrecht*, 1999

suffice to hold the corresponding national regime applicable, virtually all cross-border activities might be subject to a plethora of national norms. In the end, the most stringent law would govern. But this problem has never been limited to the online world.⁷³ In fact, all cross-border marketing and trade activity raises the question of where to locate unfair competition violations in order to find a point of attachment for conflicts analysis. Many offline cases may also require limiting the number of eligible regimes. In this regard, it has never been contested that marginal effects must not suffice for finding the corresponding state's regime applicable.⁷⁴ The methods and details of such limitation, however, are still far from clear.

The question first became apparent in the context of media spillover cases. In the pre-online environment, when print or radio media were distributed or broadcast to more than one national territory, the effects of such activities could be found in several "national markets." The issue at hand was what kind and intensity of effects should be required to find a certain national law applicable. For German doctrine, the Bundesgerichtshof set a rudimentary first standard in its 1970 *Tampax* decision.⁷⁵ The case concerned allegedly unfair advertising in a Swiss newspaper that was also sold in Germany. As the court explained, unfair competition could be found in both Switzerland and Germany since the newspaper was targeted to and sold in both jurisdictions. The spillover was part of a regular sale and distribution scheme for the newspaper at issue; effects on competition in Germany were foreseeable and thus sufficient to trigger the application of German law.⁷⁶

GRUR Int. 909; Rolf Sack, *Das internationale Wettbewerbs- und Immaterialgüterrecht nach der EGBGB-Novelle*, 2000 WRP 269, 278.

⁷³ The internet only intensifies traditional problems of multistate advertising and marketing. See Jost Kotthoff, *Die Anwendbarkeit des deutschen Wettbewerbsrechts auf Werbemaßnahmen im Internet*, 1997 CR 676, 677.

⁷⁴ See, e.g., Gerhard Schricker, *Die Durchsetzbarkeit deutscher Werberegeln bei grenzüberschreitender Rundfunkwerbung*, 1982 GRUR Int. 720, 724; Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, *Stellungnahme zum Entwurf eines Gesetzes zur Ergänzung des internationalen Privatrechts (außervertragliche Schuldverhältnisse und Sachen)*, 1985 GRUR Int. 104, 108; Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 328–329; Jost Kotthoff, *Die Anwendbarkeit des deutschen Wettbewerbsrechts auf Werbemaßnahmen im Internet*, 1997 CR 676, 680; Jochen Glöckner, *Wettbewerbsverstöße im Internet—Grenzen einer kollisionsrechtlichen Problemlösung*, 99 ZVglRWiss 278, 293 *et seq.* (2000).

⁷⁵ BGH 1971 GRUR 153—*Tampax* (23 October 1970). For a critical commentary, see Erwin Deutsch, *Commentary to BGH, decision of 23 October 1971 (I ZR 86/69)—Tampax*, 1971 JZ 732, 732 *et seq.*

⁷⁶ BGH 1971 GRUR 153, 154—*Tampax* (23 October 1970). In order to determine so-called minimum perceptibility ("Spürbarkeit") in general, subsequent scholarship and

Today, the debate's major focus is on online advertising and trademark use. For these cases, the WIPO's Joint Recommendation⁷⁷ provides a succinct compilation of relevant aspects. Its list of factors to be considered in order to determine whether there are sufficient "effects" to trigger the application of a certain regime reflects the state of the debate in practice and scholarship.⁷⁸ As the WIPO recommendation states, in determining the commercial effects of using a sign on the internet, all relevant circumstances must be considered. Among the circumstances enumerated in a nonexhaustive list (art. 3(2)) are the intentions of the user of doing business within the jurisdiction at issue and the actual level and character of commercial activity. Further, the decision maker will have to consider whether customers have actually been served, whether postsale activities have occurred, and whether the product at issue may be lawfully delivered within the jurisdiction. In addition, disclaimers on a website (and actual adherence to these disclaimers), as well as information on the website concerning language, contact data, and currency of the available payment options, must be taken into account.⁷⁹

What remains a contested issue is the question whether the minimum threshold should be determined by giving regard to the defendant's state of mind. It is little surprise that a tort-founded perspective requires "finality" of

practice have developed a number of tests and factors. See, e.g., Jost Kotthoff, *Die Anwendbarkeit des deutschen Wettbewerbsrechts auf Werbemaßnahmen im Internet*, 1997 CR 676, 680; Peter Mankowski, *Internet und Internationales Wettbewerbsrecht*, 1999 GRUR Int. 909, 915 *et seq.*; for later analyses, see, e.g., Andreas Höder, *Die kollisionsrechtliche Behandlung unteilbarer Multistate-Verstöße—Das Internationale Wettbewerbsrecht im Spannungsfeld von Marktort-, Auswirkungs- und Herkunftslandprinzip* 66 *et seq.* (2002); Christoph Brömmelmeyer, *Internetwettbewerbsrecht, Das Recht der Ubiquität—Das Recht der Domain Names—Das Recht der kommerziellen Kommunikation* 129 *et seq.* (2007); for a representative overview, see, e.g., Helmut Köhler, in Helmut Köhler & Joachim Bornkamm, *Gesetz gegen den unlauteren Wettbewerb*, Einl UWG para. 5.8 (33rd edn., 2015).

⁷⁷ WIPO, *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (with Explanatory Notes)*, adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO September 24 to October 3, 2001 (WIPO Pub. No. 845(E)). For a closer analysis, see also *infra* p. 226–228.

⁷⁸ For a representative overview on the relevant factors to be considered see, e.g., Helmut Köhler, in Helmut Köhler & Joachim Bornkamm, *Gesetz gegen den unlauteren Wettbewerb*, Einl UWG para. 5.8 (33rd edn., 2015).

⁷⁹ For a similar factor analysis in German case law, see, e.g., BGH 2005 GRUR 431, 432—*HOTEL MARITIME* (13 October 2004) (trademarks); BGH 2006 GRUR 513, 515—*Arzneimittelwerbung im Internet* (30 March 2006) (unfair competition); for the implementation of the WIPO guidelines to scholarly commentary, see Ansgar Ohly, in Ansgar Ohly & Olaf Sosnitzer, *Gesetz gegen den unlauteren Wettbewerb mit Preisangabenverordnung (UWG)*, Einf B para. 24–26 (6th edn., 2014).

unfair competitive conduct.⁸⁰ As proponents of such an individualized perspective argue, neither turnover nor market-share numbers can provide testimony of the unfairness of competitive conduct. Instead, one must look at the conduct's underlying objective and aim—its targeting of a specific market. This necessarily requires considering the defendant's motivation.⁸¹

The contrary position suggests an objective perspective denying the relevance of the alleged infringer's intent. Proponents of this approach look only at the predictability or foreseeability of market effects. Such an approach has notably been put forward by the Institut de Droit International. During the institute's 1983 session, which resulted in the Cambridge Resolution on the Conflict-of-laws Rules on Unfair Competition, rapporteurs Willis Reese and Frank Vischer explained:

Where injury is caused to a competitor's business in a particular market by conduct which could reasonably have been expected to have that effect, the internal law of the State in which that market is situated should apply.⁸²

⁸⁰ See, e.g., Erwin Deutsch, *Commentary to BGH, decision of 23 October 1971 (I ZR 86/69)—Tampax*, 1971 JZ 732, 733; Klaus-Georg Mook, *Internationale Rechtsunterschiede und nationaler Wettbewerb—Rechtliche Möglichkeiten zur Abwehr von Wettbewerbsstörungen und ihre Grenzen* 68–69 (1986); Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 328; Jürgen Möllering, *Das Recht des unlauteren Wettbewerbs in Europa: Eine neue Dimension*, 1990 WRP 1, 7; Jost Kotthoff, *Werbung ausländischer Unternehmen im Inland—Die Beurteilung grenzüberschreitender Werbung nach dem internationalen Privatrecht, dem Wettbewerbsrecht und dem Recht der Europäischen Union* 22–23 (1995); Jost Kotthoff, *Die Anwendbarkeit des deutschen Wettbewerbsrechts auf Werbemaßnahmen im Internet*, 1997 CR 676, 680; Peter Mankowski, *Internet und Internationales Wettbewerbsrecht*, 1999 GRUR Int. 909, 915 *et seq.*; Nina Dethloff, *Europäisierung des Wettbewerbsrechts—Einfluss des europäischen Rechts auf das Sach- und Kollisionsrecht des unlauteren Wettbewerbs* 58 *et seq.*, 92–93 (2001); Christoph Brömmelmeyer, *Internetwettbewerbsrecht, Das Recht der Ubiquität—Das Recht der Domain Names—Das Recht der kommerziellen Kommunikation* 129 (2007). For case law, see, e.g., BGH 2006 GRUR 513, 515—*Arzneimittelwerbung im Internet* (30 March 2006); BGH 2007 GRUR 245, 245—*Schulden Hulp* (5 October 2006); OLG München, 2009 IPRax 256, 257 (6 December 2007); BGH 2010 GRUR 416, 463—*The New York Times* (2 March 2010).

⁸¹ Interestingly, proponents of this theory (somewhat contradictorily) claim that their approach disregards “subjective factors” in favor of “objective finality.” See, e.g., Jost Kotthoff, *Die Anwendbarkeit des deutschen Wettbewerbsrechts auf Werbemaßnahmen im Internet*, 1997 CR 676, 680; representatively for this opinion in scholarly commentary, see also Helmut Köhler, in Helmut Köhler & Joachim Bornkamm, *Gesetz gegen den unlauteren Wettbewerb*, Einl UWG para. 5.8 (33rd edn., 2015). See also BGH 2006 GRUR 513, 515—*Arzneimittelwerbung im Internet* (30 March 2006); BGH 2007 GRUR 245, 245—*Schulden Hulp* (5 October 2006).

⁸² Willis L. M. Reese & Frank Vischer (Rapporteurs of the twenty-first commission), *Institut de Droit International, Session of Cambridge—1983, The Conflict-of-laws Rules on Unfair Competition*, article II para. 1. See also Willis L. M. Reese & Frank Vischer, *The conflict-of-laws rules on unfair competition*, *Annuaire de L'Institut de Droit International* 60, I (1983), 159, 162–163; more recently on the objectivity of a finality rule, see, e.g., Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 219–220 (Peter W. Heermann et al. eds., 2nd edn., 2014).

A similar threshold of predictability has been implemented for general tort choice of law in Switzerland, particularly under article 133(2) of the Swiss Private International Law Act (IPRG).⁸³ Analogous application of this rule to unfair competition conflicts, as has been suggested, would mean that if a specific instance of effects or interest collision is unforeseeable, it will not overcome the threshold.⁸⁴

However, some voices have even rejected objective predictability or foreseeability for being an overly restrictive criterion. As Jochen Glöckner argues, internet activity necessarily implies the worldwide dissemination of communication and information. Accordingly, there should not be any requirement of foreseeability. Instead, a quantitative test of perceptibility should determine whether effects are sufficient to trigger the application of a particular national regime.⁸⁵ In effect, this replicates Gerhard Schricker's earlier suggestion based on a perceived paradigm shift: since unfair competition prevention has been transformed from a regime of competitor protection to a domain of market regulation, choice of law must give regard to effects alone.⁸⁶

⁸³ Article 133(2) of the IPRG reads: "Haben Schädiger und Geschädigter ihren gewöhnlichen Aufenthalt nicht im gleichen Staat, so ist das Recht des Staates anzuwenden, in dem die unerlaubte Handlung begangen worden ist. Tritt der Erfolg nicht in dem Staat ein, in dem die unerlaubte Handlung begangen worden ist, so ist das Recht des Staates anzuwenden, in dem der Erfolg eintritt, wenn der Schädiger mit dem Eintritt des Erfolges in diesem Staat rechnen musste."

⁸⁴ Anne-Catherine Imhoff-Scheier, *La loi applicable à la publicité internationale en droit international privé suisse*, 41 SchwJbIntR 57, 80 (1985). For arguments opposing such an analogous application, however, see, e.g., Rolf Bär, *Das Internationale Privatrecht (Kollisionsrecht) des Immaterialgüterrechts und des Wettbewerbsrechts*, 125, 166–167, in *Schweizerisches Immaterialgüter- und Wettbewerbsrecht, vol. I* (Roland von Büren & Lucas David eds., 2nd edn., 2002); Thomas Stäheli, *Kollisionsrecht auf dem Information Highway*, 597, 602, in *Information Highway—Beiträge zu rechtlichen und tatsächlichen Fragen* (Reto M. Hilty ed., 1996); Jochen Glöckner, *Wettbewerbsverstöße im Internet—Grenzen einer kollisionsrechtlichen Problemlösung*, 99 ZVglRWiss 278, 291 (2000); Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 202–203 (2004).

⁸⁵ Jochen Glöckner, *Wettbewerbsverstöße im Internet—Grenzen einer kollisionsrechtlichen Problemlösung*, 99 ZVglRWiss 278, 291 et seq. (2000); Jochen Glöckner, *Europäisches Lauterkeitsrecht* 298–299 (2006).

⁸⁶ Gerhard Schricker, *Die Durchsetzbarkeit deutscher Werberegungen bei grenzüberschreitender Rundfunkwerbung*, 1982 GRUR Int. 720, 723–724; see also Karl F. Kreuzer, *Wettbewerbsverstöße und Beeinträchtigung geschäftlicher Interessen (einschl. der Verletzung kartellrechtlicher Vorschriften)*, 232, 276–277, in *Vorschläge und Gutachten zur Reform des deutschen internationalen Privatrechts der außervertraglichen Schuldverhältnisse, vorgelegt im Auftrag der Zweiten Kommission des Deutschen Rates für internationales Privatrecht* (Ernst von Caemmerer ed., 1983); Rolf Sack, *Die kollisions- und wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach deutschem Recht*, 1988 GRUR Int. 320, 328–329; Rolf Sack, *Internationales Lauterkeitsrecht nach der Rom-II-VO*, 2008 WRP 845, 852; see also Michael Kort, *Zur „multistate“-Problematik grenzüberschreitender Fernsehwerbung*, 1994 GRUR Int. 594, 599.

An objectivized rule of minimum effects had also been initially suggested for the Rome II Regulation. The regulation's first draft indicated that the market would have to be "directly and substantially affected" in order to find the respective national regime applicable.⁸⁷ This provision, however, was removed from the final version. Nevertheless, according to dominant opinion, this noninclusion of a *de minimis* limitation must not be understood to mean that Rome II should be interpreted to cover even the slightest effects.⁸⁸ It may, however, be debated whether the limitation must be understood as a rule of choice of law or as an element of the respective substantive law regime.⁸⁹

II Analysis: The Obsolescence of Tort Foundations

The marketplace rule in action reveals a number of doctrinal and economic inconsistencies. The most fundamental problem concerns an unanalyzed and almost naïve overestimation of substantive-policy convergence. Many approaches of this kind are oblivious to the fact that absent international unification or harmonization, the *lex fori* cannot provide a universally valid blueprint of unfair competition policies. Each country is largely free to choose its own system of market competition rules. Accordingly, it is often incorrectly assumed that the arsenal of the *lex fori*'s policies would provide for a sufficiently consolidated basis for characterization and conflicts determination.⁹⁰ This problem surfaces, for instance, with respect to the demarcation between "market-related" and "bilateral" acts under article 6 of the Rome II Regulation. Consensus

⁸⁷ See article 5 para. 1 draft Regulation (version of COM(2003) 427 final) and article 7 para. 1 draft Regulation (version of COM(2006) 83 final).

⁸⁸ See, e.g., Stefan Leible & Matthias Lehmann, *Die neue EG-Verordnung über das auf außervertragliche Schuldverhältnisse anzuwendende Recht* („Rom II“), 2007 RIW 721, 729; Christian Handig, *Neues im Internationalen Wettbewerbsrecht—Auswirkungen der Rom II-Verordnung*, 2008 GRUR Int. 24, 28; Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht, Internationales Wettbewerbsprivatrecht* para. 643 and 652 (15th edn., 2010); Bert Keirsbilck, *The New European Law of Unfair Commercial Practices and Competition Law* 219 (2011).

⁸⁹ For the debate, see *infra* p. 499. See also, e.g., Rolf Sack, *Internationales Lauterkeitsrecht nach der Rom II-VO*, 2008 WRP 845, 854; Ansgar Ohly, in Ansgar Ohly & Olaf Sosnitza, *Gesetz gegen den unlauteren Wettbewerb mit Preisangabenverordnung (UWG)*, Einf B para. 26 (6th edn., 2014).

⁹⁰ For a similar critique, see Wilhelm Wengler, *Die Gesetze über unlauteren Wettbewerb und das internationale Privatrecht*, 19 RabelsZ 401, 401 (1954); more recently, Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 137 (Peter W. Heermann et al. eds., 2nd edn., 2014); see also Tim W. Dornis, *Das Kollisionsrecht der auftragslosen Geschäftsführung—Ein Beispiel für Materialisierung und Typisierung im modernen europäischen IPR*, 80 RabelsZ 543, 557 *et seq.* (2016).

may exist that derogation from the general rule in article 6(1) must be interpreted narrowly.⁹¹ Yet the determination of what should be characterized as a bilateral act under article 6(2) is still dominated by a tort-founded perspective on unfair competition policies. Not surprisingly, this invites nationally divergent results. One example is the European Commission's explanation of enticing away a competitor's employees as a bilateral act targeting a specific competitor:

It is not entirely excluded that such conduct may also have a negative impact on a given market, but these are situations that have to be regarded as bilateral. There is consequently no reason why the victim should not enjoy the benefit of Article 3 [i.e., article 4 in the final version] relating to the common residence or the general exception clause.⁹²

Scholarly commentary has followed in characterizing the scenarios explained by the commission—namely, the enticing away of a competitor's employees—as genuinely tortious.⁹³ Yet a more market-oriented perspective raises doubts: if there also exists a labor market where employers compete for employees, interference with the relations of a competitor's workforce will inevitably also be market related. Like improper solicitation of consumers, the enticing away of employees directly affects the market mechanism—the only difference is that it is a different market.⁹⁴ Why tort conflicts rules should then, however, prevail over the marketplace principle is hard to explain. The major

⁹¹ See, e.g., Costanza Honorati, *The Law Applicable to Unfair Competition*, 127, 157, in *The Unification of Choice of Law Rules on Torts and Other Non-Contractual Obligations in Europe—The “Rome II” Proposal* (Alberto Malatesta ed., 2006); Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* para. 6.28 (2008); Walter F. Lindacher, *Die internationale Dimension lauterkeitsrechtlicher Unterlassungsansprüche: Marktterritorialität versus Universalität*, 2008 GRUR Int. 453, 457; Martin Illmer, in *Rome II Regulation*, Art. 6 para. 3 (Peter Huber ed., 2011).

⁹² Commission of the European Communities, *Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations (“Rome II”)*, Brussels, 22 July 2003, COM(2003) 427 final, 2003/0168 (COD), 16.

⁹³ See, e.g., Helmut Köhler, in Helmut Köhler & Joachim Bornkamm, *Gesetz gegen den unlauteren Wettbewerb*, Einl UWG para. 5.44 (33rd edn., 2015); Ansgar Ohly, in Ansgar Ohly & Olaf Sosnitzer, *Gesetz gegen den unlauteren Wettbewerb mit Preisangabenverordnung (UWG)*, Einf B para. 21 (6th edn., 2014); Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 242–243 (Peter W. Heermann et al. eds., 2nd edn., 2014); but see Josef Drexl, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 159 (Franz Jürgen Säcker et al. eds., 6th edn., 2015). For a more detailed analysis, see *infra* p. 566 *et seq.*

⁹⁴ The existence of competition on a “market for employees” becomes evident if looking at the historical origin of the cause of action in English law. The Black Plague in the fourteenth century made labor a scarce resource. Courts therefore soon began to sanction the enticing away of workforces. See Adair Dyer, *Unfair Competition in Private International Law*, 211 *Recueil des Cours* 373, 412 (1988-IV).

reason seems to be a desire to stick to traditional structures of tort/unfair competition demarcation.⁹⁵

This problem reflects what my historical inquiry has brought to light: European unfair competition doctrine—notably in choice of law—still adheres to a paradigm of the past. The field is stuck between two divergent models. While choice of law under the marketplace principle determines the applicable regime through an analysis of competitive interests and marketplace conditions, its doctrinal foundation can still be found in international tort law.⁹⁶ Accordingly, the intentional and purposive—but, most importantly, tangible—impact on the consumer, supplier, or other market participant is what accounts for the place of the tort conduct (*Begehungs- and Einwirkungsort*).⁹⁷ This perspective remains rooted in a policy of regulating actual conduct and delimiting spatial spheres of market activity.⁹⁸ It thereby neglects, if not overlooks, the fact that

⁹⁵ See again Commission of the European Communities, *Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations* (“Rome II”), Brussels, 22 July 2003, COM(2003) 427 final, 2003/0168 (COD), 16.

⁹⁶ For traditional tort terminology and foundation, see, e.g., BGH 1962 GRUR 243, 245—*Kindersaugflaschen* (30 June 1961); BG 1961 GRUR Int. 544 (9 May 1961); BG 1967 GRUR Int. 364, 365—*Sihl/Silbond* (15 November 1966); BGH 1991 GRUR 463, 464—*Kauf im Ausland* (15 November 1990); BGH 1977 GRUR 672, 673—*Weltweit-Club* (13 May 1977); see also Heinz Binder, *Zur Auflockerung des Deliktsstatuts*, 20 *RabelsZ* 401, 412 (1955); Lienhard Schikora, *Der Begehungsort im gewerblichen Rechtsschutz und Urheberrecht* 83–84 (1968); Alois Troller, *Unfair Competition* (ch. 34), no. 34–3 and 34–4, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980); Gerhard Schricker, *Die Durchsetzbarkeit deutscher Werberegungen bei grenzüberschreitender Rundfunkwerbung*, 1982 GRUR Int. 720, 722; Klaus-Georg Mook, *Internationale Rechtsunterschiede und nationaler Wettbewerb* 68 (1986); Christof Regelmann, *Die internationalprivatrechtliche Anknüpfung des Gesetzes gegen unlauteren Wettbewerb* 6–7 (1988); Walter F. Lindacher, *Zum Internationalen Privatrecht des unlauteren Wettbewerbs*, 1996 WRP 645, 646; Rolf Sack, *Das internationale Wettbewerbs- und Immaterialgüterrecht nach der EGBGB-Novelle*, 2000 WRP 269, 272; Andreas Höder, *Die kollisionsrechtliche Behandlung unteilbarer Multistate-Verstöße—Das Internationale Wettbewerbsrecht im Spannungsfeld von Marktort-, Auswirkungs- und Herkunftslandprinzip* 27 (2002); Josef Drexl, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 1–10 (Franz Jürgen Säcker et al. eds., 6th edn., 2015); Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 9–10 (Peter W. Heermann et al. eds., 2nd edn., 2014).

⁹⁷ See BGH 1991 GRUR 463, 464—*Kauf im Ausland* (15 November 1990); more recently, BGH 2010 GRUR 847, 848—*Ausschreibung in Bulgarien* (11 February 2010); GemS-OGB 2013 GRUR 417 para. 15—*Medikamentenkauf im Versandhandel* (22 August 2012). See also *infra* p. 539 *et seq.*

⁹⁸ See, e.g., Josef Drexl, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 15 *et seq.* (Franz Jürgen Säcker et al. eds., 6th edn., 2015) (“Das Lauterkeitsrecht bestimmt die Zulässigkeit des Einwirkens von Unternehmen auf Märkte und grenzt dabei über die Definition von Verhaltensregeln die Verhaltensspielräume von Wettbewerbern gegeneinander ab. Abzustellen ist deshalb auf das unzulässige Einwirken auf einen Markt.”); Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 142 (Peter W. Heermann et al.

unmanipulated consumer decision making and transacting is fundamental for the market mechanism to function properly. As I will discuss in more detail in the next chapter, the actual transaction (or its forbearance) is what constitutes the structural foundation of all marketplace activity. For choice of law, this means that the actual place of competitor conduct is no longer necessarily determinative.

In addition, further defects of tort foundation become obvious when looking at the issue of *de minimis* effects.⁹⁹ In terms of determining whether a sufficient quality and quantity of market effects has occurred, the understanding that “finality” should be determinative is questionable per se. Essentially, the alleged infringer’s or violator’s state of mind is beyond the range of modern policies in unfair competition doctrine.¹⁰⁰ The market mechanism seldom follows the individual’s will. At best, the parties’ intent can be an issue of proof. Courts’ adherence to finality is thus due more to an adherence to traditional tort structures and to concerns of procedural efficiency than to doctrinal consistency and economic reason.

But initiatives to implement a more uncompromising modernization have not been very successful, either. Attempts to transfer or translate economic concepts into legal doctrine have actually led to more confusion than clarity. Definition and determination of the “market” as such is already complex and invites debate. Even more complicated, however, is elevating the concept of “markets”—with all its related issues, such as “competition” and “effects”—to the level of legal analysis.¹⁰¹ *Prima facie*,

eds., 2nd edn., 2014); Martin Illmer, in *Rome II Regulation*, Art. 6 para. 38 (Peter Huber ed., 2011). For Swiss law, see, e.g., Anton K. Schnyder, *Wirtschaftskollisionsrecht—Sonderanknüpfung und extraterritoriale Anwendung wirtschaftsrechtlicher Normen unter besonderer Berücksichtigung von Marktrecht* § 18 para. 498 (1990); Dieter Dubs, *Das Lauterkeitsstatut nach schweizerischem Kollisionsrecht—Zugleich ein Beitrag zur Materialisierung des Internationalprivatrechts* 64 (2000) (“Das Recht des unlauteren Wettbewerbs ist im weiteren marktordnendes Verhaltensrecht und insofern in erster Linie handlungsorientiert; mittels Verhaltensnormen soll das Regelungsziel eines lautereren und unverfälschten Wettbewerbs erreicht werden.”).

⁹⁹ See *supra* p. 209 *et seq.* For a deeper analysis, see *infra* p. 507 *et seq.*

¹⁰⁰ See WIPO, *Protection Against Unfair Competition—Analysis of the Present World Situation*, Publ. no. 725(E), 24 (1994) (“[S]ubjective elements are therefore not essential to the notion of fairness in competition. Indeed, with certain exceptions, rather objective standards are applied for the purposes of establishing an act of unfair competition”); for the US, see, e.g., Restatement of the Law—Unfair Competition (Third), § 1, comment c (1995); for Europe (Germany), e.g., Jochen Glöckner, in *Gesetz gegen den unlauteren Wettbewerb (UWG)*, UWG Einl C para. 102 (Henning Hartebavendamm & Frauke Henning-Bodewig eds., 3rd edn., 2013). See also *infra* p. 505–507 and p. 517–518.

¹⁰¹ For a representative critique, see Dieter Martiny, *Die Anknüpfung an den Markt*, 389, 390–391, and 407, in *Festschrift für Ulrich Drobnig zum siebzigsten Geburtstag* (Jürgen Basedow et al. eds., 1998) (*id.* at 407: “Von einer Anknüpfung an den ‘Markt’ zu sprechen, ist zu pauschal; es handelt sich um einen mehrdeutigen und vielschichtigen Begriff. Die Hoffnung, ein Geschehen einem Markt zuzurechnen und daraus die

therefore, relying instead on a “collision of interests” appears to provide a handy escape from the conundrum of defining marketplace effects or of determining where competition takes place. But the concept of interest collision is a deceptive proxy. A closer look at current commentary highlights the problem. As Costanza Honorati has explained, for instance, the marketplace can be defined as “the (legal) place where the bundle of all the individual and collective economic interests and relations meet and find their balance.”¹⁰² Yet the whole bundle of all potentially involved interests is hard to grasp. It may actually be impossible in some cases to locate all imaginable concerns within a single jurisdiction.¹⁰³ This problem is most illustratively reflected in the *Gran Canaria* scenario, in which the advertising market in Spain (*Werbemarkt*) served as the point of attachment. Effects on the sales market in Germany (*Absatzmarkt*) were deemed irrelevant.¹⁰⁴ Hence, all interests seemed to conflict or collide where the consumers were first affected—in this case, in Spain. But such a perspective hardly covers the full range of interests that are (or could be) involved and affected. Looking at the place of conduct in the advertising market alone will, for instance, disregard consumer interests that lie beyond it—interests that are usually located in the consumer’s place of residence.¹⁰⁵ In addition, disregarding German law under the *Gran Canaria* rule neglects interests that may exist among the group of German-based competitors. A slight modification of the case facts highlights these defects: if the German tourists had bought more expensive

Entscheidung der Rechtsanwendungsfrage ablesen zu können, dürfte sich nicht erfüllen. Auf den Markt abzustellen, ist nämlich nur sinnvoll in Verbindung mit bestimmten Rechtsfragen und Aktivitäten. Der Ort der Marktaktivitäten läßt sich zwar einer Rechtsordnung zuordnen, allerdings nur, wenn er zuvor unter Zuhilfenahme weiterer Kriterien konkretisiert worden ist. Dies schränkt die Eignung des Marktes als Anknüpfungspunkt ein.”).

¹⁰² Costanza Honorati, *The Law Applicable to Unfair Competition*, 127, 148, in *The Unification of Choice of Law Rules on Torts and Other Non-Contractual Obligations in Europe—The “Rome II” Proposal* (Alberto Malatesta ed., 2006). Equating “market” and “interests” similarly: Richard Plender & Michael Wilderspin, *The European Private International Law of Obligations* para. 20–050 (4th edn., 2015) (“The view that ‘competitive relations or the collective interests of consumers’ equates to ‘the market’ as connecting factors is, it is submitted, correct.”); see also Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* para. 6.49 (2008).

¹⁰³ Christopher Wadlow, *The new private international law of unfair competition and the “Rome II” Regulation*, 11 J. Intell. Prop. L. & Pract. 789, 793 (2009).

¹⁰⁴ See *supra* p. 203 *et seq.*

¹⁰⁵ See, e.g., Harald Koch, *Commentary to BGH, decision of 15 November 1990—I ZR 22/89 (Kauf im Ausland)*, 1991 JZ 1039, 1041 (1991); Norbert Reich, *Rechtsprobleme grenzüberschreitender irreführender Werbung im Binnenmarkt*, 56 RabelsZ 444, 507–508 (1992); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Wettbewerbsprivatrecht para. 628 (15th edn., 2010).

goods (e.g., jewelry or automobiles) in Spain, their foreign-based transactions would have accommodated demand that would very likely have otherwise been taken care of by sellers at the place of the tourist-consumer's residence in Germany.¹⁰⁶

In this respect, we can return to the issue of bilateral acts under article 6(2) Rome II Regulation. The deplorable state of scholarly commentary with respect to determining “markets” and defining “effects” is further illustrated by the variety of views on how to determine inter-competitor “exclusivity” required for finding a bilateral act. English commentary in particular has suggested a largely quantitative approach to determining the relevant effects for a demarcation. What is said to matter for the application of article 6(2) is whether the conduct at issue exerts significant effects primarily on a single competitor. Hence, if there is a preponderance of intercompetitor effects, the actual or potential concurrence of effects on the marketplace as a whole may be considered irrelevant.¹⁰⁷ Problems of such seemingly clear-cut quantification become evident, however, once the particular facts of a case do not allow for a simple “counting” of effects. The theft of trade secrets provides one example. Here, proponents of the quantitative analysis suggest that the theft, upon its completion, might tilt the scales for future competition, in turn immediately affecting the market. Accordingly, since the effect does not primarily play out in the inter-competitor relationship, article 6(1) should apply.¹⁰⁸ A contrary position tries to more qualitatively distinguish whether the theft is market related or competitor related. On this basis, looking at whether the impact on a competitor is “market mediated,” some voices reject any finding of directness and recommend the application of article 6(2).¹⁰⁹ Others suggest further differentiation: with respect to the theft of a trade secret as such, they

¹⁰⁶ For a detailed analysis, see *infra* p. 539 *et seq.*

¹⁰⁷ See, e.g., Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* para. 6.28–6.29 (2008); James J. Fawcett & Paul Torremans, *Intellectual Property and Private International Law* para. 16.08 (2nd edn., 2011); Dicey, Morris & Collins, *The Conflict of Laws, vol. II* para. 35–058 (Lord Collins of Mapesbury gen. ed., 15th edn., 2012); Richard Plender & Michael Wilderspin, *The European Private International Law of Obligations* para. 20–034–20–035 (4th edn., 2015).

¹⁰⁸ See again Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* para. 6.29 (2008); Richard Plender & Michael Wilderspin, *The European Private International Law of Obligations* para. 20–037 (4th edn., 2015).

¹⁰⁹ See, e.g., Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch, vol. XI, IntLautR* para. 157 (Franz Jürgen Säcker et al. eds., 6th edn., 2015). See also, e.g., Francisco J. Garcimartín Alférez, *The Rome II Regulation: On the way towards a European Private International Law Code*, 7 *EuLF-I* 77, 86 (2007); Walter F. Lindacher, *Die internationale Dimension lauterkeitsrechtlicher Unterlassungsansprüche: Marktterritorialität versus Universalität*, 2008 *GRUR Int.* 453, 457; Rolf Sack, *Art. 6 Abs. 2 Rom-II-VO und „bilaterales“ unlauteres Wettbewerbsverhalten*, 2012 *GRUR Int.* 601, 604–605.

claim, no immediate impact on the market or the victim-competitor's position exists. Upon the thief's use of the secret information, however, competitive relations will be directly affected—then, article 6(1) should apply.¹¹⁰ This status of the debate reflects what we have already seen: an analysis of “effects” or “interests” alone is far too imprecise. Effects may not only be hard to find; more often, they are ubiquitous. In the end, any instance of competitive conduct will have a certain effect on the market.¹¹¹ Any kind of quantitative analysis, as well as an effects-balancing or interest-balancing approach, will thus necessarily be flawed in principle. What is required is a consistent qualification of effects.

With respect to modern European choice of law, we can conclude that the substantive law doctrine of unfair competition prevention has begun to emancipate itself from traditional tort foundations; but this development is still to be completed. In addition, choice-of-law doctrine has started to implement insights from economic theory. Yet this also needs a more detailed analysis. In sum, choice of law must be unmoored from its tort foundations and must start to embrace a more precise understanding of economic concepts of market regulation.

Section 3 The New Paradigm—A Law of Market Regulation

As the foregoing discussion suggests, a more economic approach is needed in both substantive unfair competition law and choice of law. Such an approach has actually been brought forward as part of attempts to merge antitrust and unfair competition conflicts law. While this, at first sight, appears to accommodate the need to overcome the field's traditional tort foundation and to bring economic concepts into the focus, attempts to combine the two sectors into a uniform doctrine have ultimately remained unsuccessful.

I *Antitrust Conflicts Reloaded: The Effects Principle*

With regard to substantive law policies, antitrust and unfair competition laws have always been characterized as closely interrelated and complementary parts. Indeed, modern unfair competition law no longer provides protection for private rights and interests alone. Instead, it requires the

¹¹⁰ See, e.g., Peter Mankowski, in *Münchener Kommentar zum Lauterkeitsrecht*, vol. I, IntWettbR para. 333 (Peter W. Heermann et al. eds., 2nd edn., 2014). For the argument that impact should always be “unfair” (requiring improper consumer manipulation), see Helmut Köhler, *Wettbewerbsstatut oder Deliktsstatut? —Zur Auslegung des Art. 6 Rom-II-VO*, 501, 508, in *Festschrift für Dagmar Coester-Waltjen* (Katharina Hilbig-Lugani et al. eds., 2015).

¹¹¹ See *supra* p. 218.

extension of policies to protect the public's interest in undistorted competition. By this means, it seems, unfair competition law—together with antitrust doctrine—has become part of an overarching regime of market communication and regulation.¹¹² Not surprisingly, the unification of conflicts principles has also become an issue of debate. This appears to allow for an implementation of the basic antitrust conflicts rule under which virtually any effect can trigger the application of the legal regime governing an affected market.¹¹³

Suggestions of this kind are not new. In 1954, Wilhelm Wengler was the first to suggest that market effects should be the indicator and point of attachment not only in international antitrust law but also in international unfair competition conflicts.¹¹⁴ Nonetheless, a broader debate did not commence until the end of the century. Gerhard Schricker again extended the concept by reference to substantive law's development from individual rights protection to market regulation.¹¹⁵ More recently, doctrinal unification of the substance of antitrust, trademark, and unfair competition laws and conflicts has been suggested by Karl-Heinz Fezer and Stefan Koos.¹¹⁶ And the issue has not been limited to scholarly commentary—Swiss statutory law has implemented an effects rule for unfair competition conflicts. While early Swiss practice still applied the *lex*

¹¹² For the substantive policies involved, see *infra* p. 325 et seq.

¹¹³ The Rome II Regulation has, however, implemented a separate conflicts norm for antitrust violations that can be characterized as genuine effects rule. See art. 6 para. 3 (“The law applicable to a non-contractual obligation arising out of a restriction of competition shall be the law of the country where the market is, or is likely to be, affected.”).

¹¹⁴ See Wilhelm Wengler, *Die Gesetze über unlauteren Wettbewerb und das internationale Privatrecht*, 19 *RebelsZ* 401, 415 et seq. (1954); Wilhelm Wengler, *Laws Concerning Unfair Competition and the Conflict of Laws*, 4 *Am. J. Comp. L.* 167, 180–181 (1955). See also Rolf Bär, *Kartellrecht und Internationales Privatrecht* 366 et seq. (1965).

¹¹⁵ Gerhard Schricker, *Die Durchsetzbarkeit deutscher Werberegungen bei grenzüberschreitender Rundfunkwerbung*, 1982 *GRUR Int.* 720, 723; see also Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, *Stellungnahme zum Entwurf eines Gesetzes zur Ergänzung des internationalen Privatrechts (außervertragliche Schuldverhältnisse und Sachen)*, 1985 *GRUR Int.* 104, 107; Christof Regelmann, *Die internationalprivatrechtliche Anknüpfung des Gesetzes gegen unlauteren Wettbewerb* 129 and *passim* (1988); more recently also Stefanie Büniger, *Das Wettbewerbskollisionsrecht Deutschlands und Großbritanniens sowie seine europäische Harmonisierung* 105 et seq. (2006).

¹¹⁶ Stefan Koos, *Grundsätze des Lauterkeitskollisionsrechts im Lichte der Schutzzwecke des UWG*, 2006 *WRP* 499, 504 et seq.; Stefan Koos, *Rom II und das Internationale Wirtschaftsrecht*, 6 *EuLF* 73 et seq. (2006); Karl-Heinz Fezer, *Markenrecht*, *Einl H* para. 1, 22, 38 and *passim* (4th edn., 2009); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, *Internationales Wettbewerbsprivatrecht* para. 402 et seq., 864 et seq., 952 and *passim* (15th edn., 2010); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, *Internationales Kartellprivatrecht* para. 61 (15th edn., 2010).

loci delicti commissi to cases of cross-border unfair competition, the Bundesgericht soon considered applying the market-effects principle.¹¹⁷ With the enactment of article 136 of the IPRG, the effects approach appears to have become the statutory rule.¹¹⁸ Finally, some voices even contend that a bare effects principle also invigorates the Rome II Regulation's rule on unfair competition in article 6(1). Proponents of this approach refer in particular to the integrated model of modern unfair competition law. The macroeconomic perspective in substantive law, they argue, indicates a corresponding interpretation of European choice-of-law norms.¹¹⁹

Not surprisingly, under a traditional tort-based perspective, a critique of the effects principle as a conflicts rule in unfair competition is still based primarily on its disregard for individual rights. Unfair competition prevention may serve common interests by maintaining free and unhindered competition; yet, as is further explained, it still needs to consider individual competitors' rights and positions.¹²⁰ In addition, the criterion of

¹¹⁷ See Carl Baudenbacher, *Die wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach schweizerischem Recht*, 1988 GRUR Int. 310, 316 *et seq.* (with references to case law); Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 108 *et seq.* (2004); BGE vol. 91 II, 117, 123 *et seq.* (30 March 1965).

¹¹⁸ Article 136 of the IPRG provides: "Ansprüche aus unlauterem Wettbewerb unterstehen dem Recht des Staates, auf dessen Markt die unlautere Handlung ihre Wirkung entfaltet." See, e.g., BG 1997 GRUR Int. 167—*item communication* (9 August 1995); Ivo Schwander, *Das UWG im grenzüberschreitenden Verkehr*, 161, 174 *et seq.*, in *Das UWG auf neuer Grundlage* (Carl Baudenbacher ed., 1989); Lorenza Ferrari, *Die Anknüpfung an die Marktauswirkung im Schweizerischen IPRG und ihre Konkretisierung* 52 *et seq.* (1993); Rolf Bär, *Das Internationale Privatrecht (Kollisionsrecht) des Immaterialgüterrechts und des Wettbewerbsrechts*, 125, 158, in *Schweizerisches Immaterialgüter- und Wettbewerbsrecht, vol. I* (Roland von Büren & Lucas David eds., 2nd edn., 2002); Rolf H. Weber, *Internationale Harmonisierungsansätze im Lauterkeitsrecht*, 1998 sic! 158, 171; Jochen Glöckner, *Wettbewerbsverstöße im Internet—Grenzen einer kollisionsrechtlichen Problemlösung*, 99 ZVglRWiss 278, 280, 283 (2000); Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 127 *et seq.* (2004).

¹¹⁹ See, e.g., Stefan Koos, *Rom II und das Internationale Wirtschaftsrecht*, 6 EuLF 73, 76–77 (2006); Christian Handig, *Neues im Internationalen Wettbewerbsrecht—Auswirkungen der Rom II-Verordnung*, 2008 GRUR Int. 24, 28 and 29; Jochen Glöckner, in *Gesetz gegen den unlauteren Wettbewerb (UWG)*, UWG Einl C para. 106 *et seq.* (Henning Harte-Bavendamm & Frauke Henning-Bodewig eds., 3rd edn., 2013); Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Wettbewerbsprivatrecht para. 403 (15th edn., 2010); Hamburg Group for Private International Law, *Comments on the European Commission's Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations*, 67 *RechtsZ* 1, 19 (2003).

¹²⁰ See, e.g., Helmut Wirner, *Wettbewerbsrecht und internationales Privatrecht* 101–102 (1960); Erwin Deutsch, *Wettbewerbsstatbestände mit Auslandsbeziehung* 46–47 (1962); Kamen Troller, *Das internationale Privatrecht des unlauteren Wettbewerbs in vergleichender Darstellung der Rechte Deutschlands, Englands, Frankreichs, Italiens, der Schweiz und*

bare effects is denounced as being overly broad. Since effects can comprise almost any variation and alteration of market conditions or circumstances, domestic unfair competition law can apply virtually universally, and the number of potentially applicable regimes can rise to impracticability.¹²¹ In light of this critique, proponents of the effects principle have suggested a limitation, primarily by excluding instances of minimal and economically negligible impact. In 1954 already, Wengler suggested giving regard only to effects on the *sales* market.¹²² Since then, others have qualified the relevant effects by demanding that only direct or substantial effects be considered and that remote consequences of competitive conduct be neglected.¹²³

II Analysis: The Unboundedness of Unqualified Effects

The idea of a uniform approach under an overarching effects test is tempting. I have explained the apparent advantages in my critique of the collision-of-interests and market-effects rule.¹²⁴ But we have also seen that, so far, a clear structure of effects testing has not been brought forward. The approach's consistency and practicality remain questionable. The most evident problem is a widely uncritical, and thus imprecise, policy foundation of the effects test. Of course, both areas have a common purpose: both antitrust and unfair competition laws prevent the improper

der USA 126–127 (1962); more recently, Dieter Dubs, *Das Lauterkeitsstatut nach schweizerischem Kollisionsrecht—Zugleich ein Beitrag zur Materialisierung des Internationalprivatrechts* 65 (2000).

¹²¹ See, e.g., Rolf Sack, *Marktortprinzip und allgemeine Ausweichklausel im internationalen Wettbewerbsrecht, am Beispiel der sog. Gran-Canaria-Fälle*, 1992 IPRax 24, 26; Andreas Höder, *Die kollisionsrechtliche Behandlung unteilbarer Multistate-Verstöße—Das Internationale Wettbewerbsrecht im Spannungsfeld von Marktort-, Auswirkungs- und Herkunftslandprinzip* 85 (2002); Josef Drexler, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 16 (Franz Jürgen Säcker et al. eds., 6th edn., 2015).

¹²² Wilhelm Wengler, *Die Gesetze über unlauteren Wettbewerb und das internationale Privatrecht*, 19 RabelsZ 401, 417 (1954).

¹²³ This namely is contended in Swiss antitrust conflicts doctrine. See, e.g., Rolf Bär, *Kartellrecht und internationales Privatrecht* 377 et seq. (1965); Carl Baudenbacher, *Die wettbewerbsrechtliche Beurteilung grenzüberschreitender Werbe- und Absatztätigkeit nach schweizerischem Recht*, 1988 GRUR Int. 310, 318; Hans R. Schibli, *Multistate-Werbung im internationalen Lauterkeitsrecht mit besonderer Berücksichtigung der Internet-Werbung* 197 et seq. (2004); for the debate under Rome II, see also, e.g., Karl-Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Wettbewerbsprivatrecht para. 480 and para. 652 (15th edn., 2010); Martin Illmer, in *Rome II Regulation*, Art. 6 para. 97 et seq. (Peter Huber ed., 2011); Benedikt Buchner, in *Rome Regulations*, Art. 6 Rome II para. 37 and 38 (Graf-Peter Callies ed., 2011); Jochen Glöckner, in *Gesetz gegen den unlauteren Wettbewerb (UWG)*, UWG Einl C para. 49 et seq. (Henning Harte-Bavendamm & Frauke Henning-Bodewig eds., 3rd edn., 2013).

¹²⁴ See *supra* p. 203 et seq.

impingement of marketplace competition. Modern unfair competition doctrine (with its trinity of purposes) prescribes that protection of the market's functioning is inseparably linked to competitor and consumer protection.¹²⁵ Such an integrated model implies that it may be enough to protect fairness of competition as such in order to fulfill all three protection purposes under unfair competition law. A closer look, however, indicates a caveat: the field's core policy is not aimed at merely preventing market-distorting effects—rather, a more technical paradigm of “effects” governs.

This is where differences between antitrust law and unfair competition law become obvious. The former aims at preventing a wide array of conduct with anticompetitive market impact, and thus governs virtually *any* effect on free competition. Any change in market conditions and structure may be sufficient to trigger application of the respective regulatory regime.¹²⁶ In European antitrust conflicts law, therefore, the effects considered are conceived of broadly: territorial effect will be found upon almost any alteration of conditions in the domestic market or with regard to domestic competition.¹²⁷ Most generally, the demarcation between direct/indirect and substantial/insignificant effects is found by an analysis of market share alterations. In this regard, small changes in market share (<1%) may be deemed “effective” with regard to conflicts determination if an additional impact on the market can be found.¹²⁸ Alternatively, a change in market shares exceeding a threshold of 3% may suffice to constitute effects without further prerequisites.¹²⁹ And in the United States, the picture is not much different. While early practice still saw

¹²⁵ For an extensive analysis of unfair competition policies, see *infra* p. 295 *et seq.* and p. 348 *et seq.*

¹²⁶ See, e.g., *T-Mobile Netherlands and Others*, C-8/08, para. 38 (4 June 2009), [2009] E.C.R. I-4529; for instructive critique, see, e.g., Dieter Martiny, *Die Anknüpfung an den Markt*, 389, 390–391, and 399, in *Festschrift für Ulrich Drobnig zum siebzigsten Geburtstag* (Jürgen Basedow et al. eds., 1998).

¹²⁷ See, e.g., Ulrich Immenga, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntWettbR/IntKartellR para. 16 (Franz Jürgen Säcker et al. eds., 6th edn., 2015); Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Kartellprivatrecht para. 180 *et seq.* (15th edn., 2010). For article 6(3) Rome II Regulation, see, e.g., Peter Mankowski, *Das neue Internationale Kartellrecht des Art. 6 Abs. 3 der Rom-II-Verordnung*, 2008 RIW 177, 184 *et seq.*

¹²⁸ For instance, such an impact could be the defendant's access to know-how or additional production capacities. See, e.g., BGH 1979 GRUR 790, 791–792—*Organische Pigmente* (29 May 1979).

¹²⁹ See, e.g., Ulrich Immenga, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntWettbR/IntKartellR para. 27 *et seq.* (Franz Jürgen Säcker et al. eds., 6th edn., 2015); Heinz Fezer & Stefan Koos, in *Staudingers Kommentar zum Bürgerlichen Gesetzbuch: Internationales Wirtschaftsrecht*, Internationales Kartellprivatrecht para. 220 *et seq.* (15th edn., 2010).

antitrust law as strictly territorial,¹³⁰ over time, the courts developed the proverbial paradigm of antitrust extraterritoriality.¹³¹ In 1982, the Foreign Trade Antitrust Improvements Act established that the application of federal antitrust law requires a “direct, substantial and reasonably foreseeable effect” on US commerce (except for imports).¹³² In its 1993 *Hartford Fire* decision, the Supreme Court explained that US courts would have jurisdiction when “foreign conduct . . . was meant to produce and did in fact produce some substantial effect in the United States.”¹³³ The issue was further clarified in 2004 in *F. Hoffmann-La Roche*.¹³⁴ Yet even though the court limited effects jurisdiction, the actual degree of effects required to trigger application of US law is still largely undecided—and, as in European doctrine, structurally unqualified.

Unfair competition law, by contrast, has a more specific focus. Thus far, this focus has usually been expressed in the context of conduct-regulation and intention-based theories. As we have seen, these suggestions are not on point with respect to doctrinal and economic structures of the field.¹³⁵ In the following chapters, I will demonstrate that the core focus of both trademark protection and unfair competition prevention is not free competition as such. Rather, it is the market information infrastructure and its relevance for individual transacting—more concretely, the consumer’s decision making.¹³⁶ Accordingly, the analysis for choice of law must be more specific and precise, going beyond its obsolete tort foundations and staying behind the modern antitrust urge: it must not stop where the competitors’ conduct has come to a halt, and it must not extend beyond the consumer’s transaction by covering subsequent effects.

Section 4 Modern Soft Law—WIPO Recommendation, ALI Principles, and Others

In recent decades, a number of nongovernmental institutions and scholarly initiatives have brought forward alternative or supplementary norms for trademark and unfair competition conflicts resolution. I have already alluded to the Institut de Droit International and its 1983 Cambridge Resolution on the Conflict-of-laws Rules on Unfair

¹³⁰ See, e.g., *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909).

¹³¹ See also *infra* p. 445 *et seq.*

¹³² Foreign Trade Antitrust Improvements Act of 1982, § 402, 15 U.S.C. § 6a.

¹³³ *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993).

¹³⁴ *F. Hoffmann-La Roche Ltd. v. Empagran S.A.*, 542 U.S. 155, 164 (2004). See also *infra* p. 453 *et seq.*

¹³⁵ See *supra* p. 214 *et seq.* ¹³⁶ See *infra* p. 275 *et seq.*

Competition. An exhaustive analysis of all attempts is not necessary. A look at the most influential instruments shall highlight the relevant aspects. Among the most important examples of alternative institutional suggestions are the Paris Union/WIPO Joint Recommendation on trademark use on the internet and the ALI and CLIP Principles on international intellectual property conflicts.

I Nonbinding Suggestions of Substantive Law and Conflicts Resolution

A The Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet

In September 2001, the General Assembly of WIPO and the Assembly of the Paris Union for the Protection of Industrial Property adopted a set of recommendations¹³⁷ that seeks to “facilitate the application of existing laws relating to marks and other industrial property rights in signs”¹³⁸ to legal disputes arising from international conflicts on the internet. As the Joint Recommendation’s preface explains, the instrument’s provisions are not designed to determine the applicable law. Choice of law is instead “left to the private international laws of individual Member States.”¹³⁹ Strictly speaking, therefore, the Joint Recommendation does not fit neatly into the line of instruments on choice of law or private international law.¹⁴⁰ Yet it has significantly contributed to and succinctly summarizes the debate, including arguments over how to determine the applicable law in international trademark and unfair competition conflicts. Regardless of theoretical differences between choice of law and a determination of sufficient effects at the level of substantive law, the arguments are practically identical.

The Joint Recommendation has two main components. The first spells out the intent to reduce internet trademark conflicts by defining what is required for the acquisition of rights and their infringement.¹⁴¹ The second contains provisions concerning a flexible mediation of conflicts.¹⁴² It establishes limited liability for trademark owners prior to receiving a notification of infringement. Absent bad faith, the infringing

¹³⁷ WIPO, *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, adopted at the Thirty-Sixth Series of the Meeting of the Assemblies of the Member States of the WIPO, September 24 to October 2, 2001, WIPO Publication no. 845(E).

¹³⁸ *Id.* at 2 and 5 (Preface and Preamble). ¹³⁹ *Id.*

¹⁴⁰ For the distinction, see, e.g., Annette Kur, *Applicable Law: An Alternative Proposal for International Regulation—The Max-Planck Project on International Jurisdiction and Choice of Law*, 30 *Brook. J. Int’l L.* 951, 968 (2005).

¹⁴¹ Article 1 *et seq.* ¹⁴² Article 9 *et seq.*

user can avoid liability by expeditiously taking reasonable steps to “avoid a commercial effect” in the protecting country.¹⁴³ In addition, the Joint Recommendation suggests limitations on judicial remedies in accordance with the commercial effects at bar.¹⁴⁴ For this inquiry, the analysis of “commercial effects” in the recommendation’s first part is most relevant.

Under article 2, “[u]se of a sign on the Internet shall constitute use in a Member State . . . only if the use has a commercial effect in that Member State.” The concept of “commercial effect” is defined in article 3(1), which includes a nonexhaustive list of factors, each of which may be taken into account to determine whether a “commercial effect” can be found.¹⁴⁵ Among the factors to be considered are “circumstances indicating that the user of a sign is doing, or has undertaken significant plans to do, business in the Member State” (art. 3(1)(a)) and the “level and character of commercial activity . . . in relation to the Member State” (art. 3(1)(b)), including actual transactions with customers located in the state, the use of disclaimers regarding transactions with customers in a certain member state, whether the user “offers post-sale activities in the Member State,” and whether she undertakes “further commercial activities in the Member State which are related to the use of the sign on the Internet but which are not carried out over the Internet” (art. 3(1)(b) (i)–(iv)). It must also be considered “whether the goods or services offered can be lawfully delivered in the Member State” (art. 3(1)(c)(i)), what data and information the internet communication contains (e.g., currency, language, and contact details) (arts. 3(1)(c)(ii) and 3(1)(d)(ii) and (iv)), and whether the internet communication is connected to a certain top-level domain (art. 3(1)(d)(iii)).

Article 3(2) of the Joint Recommendation explains that the factors listed in the first paragraph “are guidelines to assist the competent authority” in determining whether a commercial effect has been produced—

¹⁴³ Articles 9 and 10.

¹⁴⁴ Article 13 *et seq.* For an extensive discussion, see, e.g., Torsten Bettinger, *Die WIPO-Vorschläge zum Schutz von Marken und anderen Zeichenrechten im Internet*, 2001 WRP 789, 793 *et seq.*; Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 932 *et seq.* (2004); Annette Kur, *Trademark Conflicts on the Internet: Territoriality Redefined?*, 175, 177 *et seq.*, in *Intellectual Property in the Conflict of Laws* (Jürgen Basedow et al. eds., 2005); Johannes Christian Wichard, *The Joint Recommendation Concerning Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, 257, 262–263, in *Intellectual Property and Private International Law—Heading for the Future* (Josef Drexel & Annette Kur eds., 2005); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 777 *et seq.* (2009).

¹⁴⁵ Torsten Bettinger, *Die WIPO-Vorschläge zum Schutz von Marken und anderen Zeichenrechten im Internet*, 2001 WRP 789, 792; Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 908, 933 (2004).

they are “not pre-conditions for reaching that determination.” Since the relevance of each factor may depend on the circumstances of the case, no binding method or guideline of application has been prescribed. The only technical predetermination (in the sense of finding a presumption for “commercial effect”) has been explained in the context of bad-faith use (art. 4) and in article 3(1)(e).¹⁴⁶

B ALI Principles, CLIP Principles, and the Japanese Transparency Proposal

In recent decades, alongside increasing debate on private international intellectual property law, scholarly institutions have also promulgated model codes and rules for applying and interpreting conflicts principles. The most prominent rules are the American Law Institute’s Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes of 2007 (ALI Principles) and the Max Planck Institute’s Principles on Conflict of Laws in Intellectual Property of 2011 (CLIP Principles). Inspired by these two model codes, the Japanese Transparency Project published its Transparency Proposal in 2009.¹⁴⁷ All three model codes contain compilations of rules that address topics ranging from determining court jurisdiction to establishing applicable law, as well as recognition and enforcement of judgments. Each compilation has specific rules on trademark and unfair competition conflicts.¹⁴⁸

The ALI Principles, whose drafting began in 2001, represent the American Law Institute’s first engagement with internet issues.¹⁴⁹ I will focus on part III of the principles, specifically those provisions that

¹⁴⁶ For the provision’s ad hoc decision-making character and the relevance of bad faith (art. 4), see Torsten Bettinger, *Die WIPO-Vorschläge zum Schutz von Marken und anderen Zeichenrechten im Internet*, 2001 WRP 789, 793.

¹⁴⁷ Toshiyuki Kono et al., *Preface*, at V, in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010).

¹⁴⁸ For an extensive analysis and debate of the ALI Principles, CLIP Principles, and Transparency Proposal, see Jürgen Basedow et al., in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al., 2010); for an overview of the development, see, e.g., Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 716 *et seq.* (2009).

¹⁴⁹ Lance Liebman, *Director’s Foreword*, at IX, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008). For an illustration of the drafting process and the debate, see Rochelle Cooper Dreyfuss, *The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?*, 30 Brook. J. Int’l L. 819 (2005); François Dessemontet, *A European Point of View on the ALI Principles—Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes*, 30 Brook. J. Int’l L. 849 (2005).

address the determination of the applicable law (secs. 301 et seq.). These rules are founded on the territoriality of intellectual property rights.¹⁵⁰ As the reporters explain, substantive intellectual property law may be more thoroughly harmonized in the future, or an international approach to choice of law may come into force. In the meantime, the ALI Principles are “intended to fill the gap and stimulate longer-term efforts in this vein.”¹⁵¹ Adherence to territoriality is described as the result of “powerful intuition.” The legality of acts should thus be determined according to each jurisdiction without regard to the existence of global markets. In particular, territoriality should safeguard for “local cultural values and social policies.”¹⁵² Accordingly, section 301(1) states:

The law applicable to determine the existence, validity, duration, attributes, and infringement of intellectual property rights and the remedies for their infringement is: (a) for registered rights, the law of each State of registration[,] (b) for other intellectual property rights, the law of each State for which protection is sought.

Furthermore, for unfair competition conflicts, section 301(2) provides:

The law applicable to a noncontractual obligation arising out of an act of unfair competition is the law of each State in which direct and substantial damage results or is likely to result, irrespective of the State or States in which the act giving rise to the damage occurred.

As the comments to the ALI Principles explain, the “usual point of attachment for determining infringement” of unregistered rights, especially common law trademarks and commercial-name rights, is to be found in the “countries where the right owner’s market for the work [or product] has been affected.”¹⁵³ Attachment thus follows a so-called market-oriented approach in accordance with the markets that a right owner seeks to protect.¹⁵⁴ Market orientation is also upheld for unfair

¹⁵⁰ American Law Institute, *Introduction*, at 4, and *Introductory Note to Part III*, at 117, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008). For an illustration, see, e.g., François Dessemontet, *The ALI Principles: Intellectual Property in Transborder Litigation*, 31, 40 et seq., in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010). For exceptions to the territoriality approach, notably party autonomy, initial ownership of certain rights, and ubiquitous infringements, see §§ 302, 313, 321.

¹⁵¹ American Law Institute, *Part III—Applicable Law*, at 117, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008).

¹⁵² *Id.* at 121 (Reporter’s Note to Part III—Applicable Law).

¹⁵³ *Id.* at 122–123 (§ 301, comment c).

¹⁵⁴ *Id.* at 123 (§ 301, comment d). For a market impact rule, see also Annette Kur, *Applicable Law: An Alternative Proposal for International Regulation—The Max-Planck Project on International Jurisdiction and Choice of Law*, 30 *Brook. J. Int’l L.* 951, 966 et seq. (2005).

competition conflicts resolution. As the reporters explain, many jurisdictions provide for intellectual property and unfair competition claims to be entertained together, particularly in cases of trademark, trade name, and neighboring rights violations. Therefore, it is the law of the “place where competition is taking place” that should apply comprehensively to the entire dispute.¹⁵⁵

The territoriality principle also governs with respect to the acquisition of title to intellectual property rights, with a slight differentiation between registered and unregistered rights. Rights that arise out of registration are governed by the law of the state of registration (sec. 311(1)). By contrast, initial title to unregistered trademark or trade-dress rights are governed by the law of the state where the trademark or trade dress “identifies and distinguishes the source of the goods or services”¹⁵⁶ (sec. 312(1)). In this regard, the principles’ comments provide a precise definition of market rights under common law doctrine. Use-based and market-oriented rights acquisition is generally not limited by nation-state boundaries; rather, the goodwill paradigm mediates the market/rights correlation. Wherever consumers recognize a correlation between trade symbol and product, goodwill accounts for the acquisition and protection of individual entitlements. Under the principles’ territorial concept, it is then the respective sovereign state that assigns the single and separate domestic right. Accordingly, a bundle of rights may come into existence (with different owners) in multinational markets.¹⁵⁷

An important rule for online communication and commerce is found in section 321. This provision designates the applicable law in situations of “ubiquitous infringement.” Whenever the law of more than one state is eligible for application, the court “may choose to apply to the issues of existence, validity, duration, attributes, and infringement of intellectual property rights and remedies” the law(s) of the state(s) with “close connections to the dispute.” The close connection will be determined by

¹⁵⁵ American Law Institute, § 301, comment g, at 124, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008).

¹⁵⁶ For both registered and unregistered rights, title may be governed by a different law if the right arises out of a contractual or other preexisting relationship among the parties (see §§ 311(2) and 312(2)).

¹⁵⁷ *Id.* at 136–137 (§ 312, comment a) (“Although trademark rights in some States do not arise out of registration . . . , they tend to be bounded. This is because trademarks symbolize the goodwill of the product or service to its consumers. The trademark exists where there is a market for the goods or services that the mark identifies. Unregistered trademark rights cannot arise without the connection between the mark and the goods or services. For some trademarks, market recognition may be worldwide; for others, it may be national or regional. Accordingly, the same mark may have different owners in different markets.”).

analyzing relevant factors contained in a nonexhaustive list that includes but is not limited to the following: the place in which the parties reside; the place where the parties' relationship, if any, is centered; the extent of the activities; the investment of the parties; and the principal markets toward which the parties have directed their activities.¹⁵⁸ As the reporters explain, this rule is intended to "meet the territoriality and single-law approaches halfway."¹⁵⁹ I will address theories of "single law," or substantive law, resolution at the end of this chapter.¹⁶⁰ Here, suffice it to conclude that the rule for ubiquitous infringements structurally resembles a *de minimis* limitation in multijurisdictional conflicts in one respect: it is a rule of practicality, albeit one with significant implications for legal doctrine and policy.

The final version of the CLIP Principles, published in 2011, also distinguishes between jurisdiction, applicable law, and the recognition and enforcement of judgments. With regard to the law applicable to existence, validity, registration, scope and duration, initial ownership, and entitlement to rights arising out of registration, the *lex loci protectionis* governs. And the law applicable to an infringement is also "the law of each State for which protection is sought."¹⁶¹ Similar to the ALI Principles, the CLIP Principles contain a rule for ubiquitous infringements. Where infringement is carried out through ubiquitous media (such as the internet), a court "may apply the law of the State having the closest connection with the infringement, if the infringement arguably takes place in every State in which the signals can be received."¹⁶² In determining the closest connection, the court must consider a nonexhaustive list of several factors, including the infringer's habitual residence, her principal place of business, the place where substantial infringing activities took place, and the place where the most harm was caused by the infringing activities.¹⁶³

¹⁵⁸ Section 321(1)(2) of the provision provides for an escape from the rule for cases where single regimes would yield a different outcome. For an earlier version of this rule, see Willis L. M. Reese & Frank Vischer, *The Conflict-of-laws Rules on Unfair Competition*, *Annuaire de L'Institut de Droit International* 60, I (1983), 159, 162.

¹⁵⁹ American Law Institute, § 321, comment 1, at 155, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008).

¹⁶⁰ See *infra* p. 256 *et seq.*

¹⁶¹ See articles 3:102, 3:201, and 3:601. For the transferability of rights and the *lex loci protectionis*, see article 3:301.

¹⁶² Article 3:603.

¹⁶³ Article 3:603(2). For explanation of the interim version, see Axel Metzger, *Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality*, 157, 173 *et seq.*, in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010).

The CLIP Principles' *de minimis* rule in article 3:602(1) provides for another, more universal, limitation on the number of applicable laws in multistate cases. A state's legal regime will be applied only if "the defendant has acted to initiate or further the infringement in the State or the States for which protection is sought" or if "the activity by which the right is claimed to be infringed has substantial effect within, or is directed to the State or the States for which protection is sought." Paragraph 2 provides for an exception from this rule. This *de minimis* provision is not a rule of choice of law—it is founded on the application of a predetermined legal regime.¹⁶⁴

Finally, the Japanese Transparency Proposal is worth mentioning because it provides an interesting extension of marketplace-oriented attachment in trademark and unfair competition conflicts. Under article 301(1), "[t]he law applicable to an intellectual property infringement shall be the law of the place where the results of the exploitation of intellectual property occur or are to occur."¹⁶⁵ Similarly, article 303's rule on unfair competition conflicts provides for application of the "law of the place where the results of unfair competition occur or are to occur." This proposal thereby seems to have adopted an across-the-board market-impact rule.¹⁶⁶ Correspondingly, the rule on ubiquitous infringements in article 302 provides for an application of the "law of the place where the results of the exploitation of intellectual property are or [are] to be maximized."

II Analysis: "Chips off the Old Block"

The following critique of the Joint Recommendation and related academic principles points out the key conceptual deficits that must be avoided when constructing a new and alternative approach to conflicts resolution. The Joint Recommendation's most striking flaw is its qualitatively imprecise use of the term "commercial effects," while the ALI and

¹⁶⁴ The provision is therefore, strictly speaking, systematically out of place. Yet it corresponds to the WIPO Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet. See also Axel Metzger, *Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality*, 157, 173, in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010).

¹⁶⁵ Article 301(2) provides for an attachment to the law of the contract if the intellectual property infringement occurred in breach of an existing contractual obligation between the parties.

¹⁶⁶ Ryu Kojima, Ryo Shimanami & Mari Nagata, *Applicable Law to Exploitation of Intellectual Property Rights in the Transparency Proposal*, 179, 186–187, in *Intellectual Property in the Global Arena—Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US* (Jürgen Basedow et al. eds., 2010).

CLIP Principles contain a number of defects that replicate and perpetuate structural inconsistencies that I have already explored in my overview of traditional and current doctrine.

A The Joint Recommendation

Akin to tests for Lanham Act subject-matter jurisdiction,¹⁶⁷ the Joint Recommendation's list of factors to be considered for effects testing is not governed by strict qualitative or quantitative guidelines. The test for "commercial effects" requires ad hoc decision making, leaving ample space for the divergent treatment of national interests and individual concerns. Of course, this does not invalidate the recommendation's approach per se. After all, the drafters expected the relevant factors to be determined in close accordance with the unique circumstances of each case.¹⁶⁸ Nevertheless, the test is quite vague with regard to evaluation and balancing. Courts will likely develop a diversity of interpretations and applications, which will inhibit a consistent and uniform approach to resolving multijurisdictional conflicts.¹⁶⁹

Most problematic, however, as we have seen with the *Bulova* test and its variants, is the lack of market relatedness in test structure and effects quality.¹⁷⁰ The "commercial context" that is supposed to be regulated requires a close connection to the market mechanism in order to prevent the overreach of single regimes. In fact, looking at all factors in article 3(1), it is striking that only some of the listed parameters are directly related to consumer decision making; a significant number of factors are non-market related. Beginning with the user's "significant plans to do . . . business" within a jurisdiction, it is clear that the Joint Recommendation is not concerned with actual effects on the marketplace. It requires neither a specific focus on competition nor one on information economization, as could be expected for regulation in the field of trademark and unfair competition conflicts. Another example is the definition of customer "location" in subparagraph (b). The explanatory notes state that "'location' is a purely factual concept, for which mere presence in the State should be sufficient."¹⁷¹ This implies that the concept of customer

¹⁶⁷ See *supra* p. 159 *et seq.*

¹⁶⁸ See Explanatory Notes on Article 3 to the Joint Recommendation, WIPO Publication no. 845(E), 3.01 ("A competent authority is free to determine which factors are relevant in a given case.").

¹⁶⁹ See, e.g., Anna R. Popov, *Watering Down Steele v. Bulova Watch Co. to Reach E-Commerce Overseas: Analyzing the Lanham Act's Extraterritorial Reach Under International Law*, 77 S. Cal. L. Rev. 705, 737–738 (2004).

¹⁷⁰ See *supra* p. 159 *et seq.*

¹⁷¹ See Explanatory Notes on Article 3 to the Joint Recommendation, WIPO Publication no. 845(E), 3.04.

location is a mere geographical guidepost, designed to facilitate the localization of effects. Since commercial effects, however, are what will be determined, one might expect that the actual or prospective transaction is what matters. Yet, as subparagraph (b)(iii) further illustrates, even postsale activity may be sufficient to establish effects. In the same vein, subparagraph (c)(i) provides that a court should give regard to whether “the goods or services offered can be lawfully delivered in the Member State.” Both factors lack a direct relation to the market. As the explanatory notes further clarify with respect to the issue of lawful delivery, “[u]se of a sign on the Internet in conjunction with the offer of goods or services that do not comply with the product regulations of a particular Member State is less likely to produce a commercial effect.”¹⁷² Of course, some indicative value can be acknowledged with respect to a testing for commercial effects here: a finding of commercial effects is only less likely, not plainly excluded, if the goods or services cannot be lawfully delivered. Nevertheless, this standard is still misguided. The legality of goods or services is rarely directly connected to policies of trademark and unfair competition law. A trademark infringement or an unfair competition violation may be committed regardless of whether the right owner’s or victim-competitor’s product is or can be sold in compliance with legal requirements beyond the field of trademark and unfair competition regulation (e.g., regulation of medical products).¹⁷³

In essence, therefore, the Joint Recommendation’s list of factors is neither comprehensively market oriented nor oriented toward the protection of consumer decision making. The courts’ balancing discretion under article 3(2) further allows for neglecting or suppressing certain factors in favor of others. Therefore, the balancing will not follow a strict concept of preventing impediments to competition and a free market.

B ALI Principles, CLIP Principles, and the Japanese Transparency Proposal

There is no doubt that all three models, in principle, provide for balanced solutions in most international intellectual property and unfair competition conflicts.¹⁷⁴ Yet adherence to territoriality bears the well-known

¹⁷² See *id.* at 3.10.

¹⁷³ This has been plainly acknowledged under German unfair competition doctrine. See, e.g., BGH 2005 GRUR 519, 520—*Vitamin-Zell-Komplex* (24 February 2005); see also RGZ vol. 117, 318, 321—*Kruschensalz* (24 June 1927).

¹⁷⁴ For the ALI Principles, see, e.g., American Law Institute, *Introductory Note to Part III, Applicable law*, at 118, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008) (“Any set of conflicts rules should be (and should be perceived to be) fair and neutral. The rules

problem of underregulation, and, conversely, efforts to promulgate more market-oriented rules for conflicts resolution may lead to overregulation. While a reinvention of the wheel is neither expected nor warranted, several aspects deserve closer scrutiny.

First, the key distinction between registered and unregistered rights, as implemented in the ALI Principles, is problematic because it advances the idea that differences should depend on formalities. I have analyzed this problem with respect to civil law doctrine in chapter 1.¹⁷⁵ The preliminary draft of the ALI Principles was criticized for this distinction. Under this former version, the law of the country of registration would have applied in cases of the infringement of registered rights. For unregistered rights, the applicable law would have been the “law of any country where the allegedly infringing act has or will significantly impact the market for the work or subject matter at issue.”¹⁷⁶ As critics pointed out, this draft bore the risk of propagating a misunderstanding: the distinction could have been interpreted as a rejection of the market-impact rule for registered rights.¹⁷⁷ And even though the rule was altered in the final version, the explanatory comment has not corrected this potential for misconception since a detachment between registration and markets still exists. As the final version’s comments explain, the infringement of “other rights” (particularly common law trademarks and commercial-name rights) will be attached to the “countries where the right owner’s market . . . has been affected.”¹⁷⁸ This market-oriented approach, however, is still described only with respect to “other rights.”

An additional aspect is perplexing. “Direct and substantial damage” is needed to find a specific national unfair competition regime applicable. As the ALI Principles’ example illustrates,¹⁷⁹ the theft of trade secrets in one state may ultimately “affect competition” in other states by harming the commercial interests of and causing damage to the owner of the trade

should neither favor an intellectual property owner over an alleged infringer, nor should they privilege users over owners. Moreover, the rules should put domestic and foreign law on an equal footing . . . , nor should they otherwise discriminate between local and foreign claimants.”). For the cautious (and conservative) stance of the ALI and CLIP projects, see Annette Kur, *Applicable Law: An Alternative Proposal for International Regulation—The Max-Planck Project on International Jurisdiction and Choice of Law*, 30 Brook. J. Int’l L. 951, 953 (2005).

¹⁷⁵ See *supra* p. 27 *et seq.* and p. 64 *et seq.*

¹⁷⁶ For the former version and a critique, see Annette Kur, *Applicable Law: An Alternative Proposal for International Regulation—The Max-Planck Project on International Jurisdiction and Choice of Law*, 30 Brook. J. Int’l L. 951, 961 *et seq.* (2005).

¹⁷⁷ *Id.* at 969–970.

¹⁷⁸ American Law Institute, § 301, comment c and d, at 122–123, in *Intellectual Property—Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute ed., 2008).

¹⁷⁹ See *id.* at 124–125 (§ 301, comment g, illustration 3).

secret. Unfortunately, however, the principles do not specify what is required for a finding of “direct” and “substantial” damage. An unlimited extension of the applicable laws is thus possible. Even more delicate is the fact that the necessary degree and intensity of market effects for trademark rights protection is not even defined rudimentarily. The principles have limited themselves to specifying a “market-oriented approach” for other rights; for registered rights, however, the market relation is not even mentioned.¹⁸⁰ This leads to two problems. First, one can understand the ALI Principles as *not* requiring “direct and substantial damage” in trademark conflicts. Second, depending on the categorization of trademark/unfair competition claims, the reach of regulation may vary, and cause-of-action shopping may ensue, enabling the plaintiff to choose the more beneficial law by manipulating her pleadings with respect to the subject matter.

Finally, similarly problematic under both the ALI and CLIP Principles is the determination of a close or closest connection for ubiquitous infringements, with the result that only the “most interested” regime will be applied. Both instruments have an inherent penchant for applying the law of large markets. Whether it is the parties’ investment, the main markets to which activities have been directed, or the infringer’s substantial activities and corresponding harm to the right owner that are at play, large markets are usually the only markets with a sufficiently close connection to the infringement.¹⁸¹ As a result, the dominance of US and European law looms.

Section 5 The American Scholarly Debate

Under the Supreme Court’s *Bulova* test, application of the Lanham Act is an issue of subject-matter jurisdiction and depends on a three-pronged test that comprises nationality, effects on US commerce, and conflicts with foreign law. Although different tests among the federal circuits suggest a number of variations, on the whole the picture is homogeneous—a system of transnational goodwill protection that has been founded on and complemented by a distinct scholarly tradition of

¹⁸⁰ See *id.* at 123 (§ 301, comment d).

¹⁸¹ Josef Drexler, *The Proposed Rome II Regulation: European Choice of Law in the Field of Intellectual Property*, 151, 171, in *Intellectual Property and Private International Law—Heading for the Future* (Josef Drexler & Annette Kur eds., 2005); Tim W. Dornis, *Commentary to Jürgen Basedow, Toshiyuki Kono & Axel Metzger, Intellectual Property in the Global Arena (Tübingen 2010)*, 76 *RabelsZ* 695, 698 (2012). The Japanese Transparency Proposal calls for the “maximization” of “results of exploitation” (art. 302(1)) and will similarly favor the application of large-market legal regimes.

“extraterritorial” intellectual property protection.¹⁸² Several arguments have significantly affected this development. First, trademarks are often treated together with patents and copyrights under a common heading of intellectual “property.” Second, in both scholarship and case law, the traditional paradigm of use-based rights still dominates the debate. International trademark conflicts are thus often conceived of in terms of global markets, not political territories. Finally, the idea that extraterritorial rights protection would be beneficial per se appears to have infused practically all scholarly analyses.

I Common Law Tradition and Transnational Market Protection

American scholarship has intensely analyzed the *Bulova* test and its effects on domestic and international commerce. Many critical arguments have been brought forward, targeted mostly at the test’s overreach, its disregard for foreign jurisdictions’ interests, and its violations of public international law.¹⁸³ A detailed review of all points of friction is neither possible nor necessary. Instead, I will focus on an outlier characteristic of trademarks among the group of intellectual property rights. The protection of trademarks differs from that of copyrights, patents, and other intellectual property insofar as the scope of trademark regulation appears to bear an inherent predisposition toward extraterritoriality. While this phenomenon of excess protection seems to be widely acknowledged in American scholarship, there is little consensus regarding the reasons behind such exceptionalism. Even though, ultimately, all roads lead to Rome, some are mysterious—quite often, as we will see, unorthodox arguments have guided the way. My inquiry will therefore dissect the most outstanding opinions, focusing on their peculiarities. First, I will discuss the major theories concerning the international “propertization” of intellectual property rights in patent and copyright doctrine; I will then undertake a more trademark-specific analysis that examines the ongoing importance of the act-of-state doctrine, its misconceived reinterpretation in terms of substantive policy, and Curtis A. Bradley’s prominent pleading in favor of trademark territoriality. As we will see, one aspect has been

¹⁸² See *supra* p. 164 *et seq.*

¹⁸³ For an extensive critique, see, e.g., Pamela E. Kraver & Robert E. Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?*, 77 Pat. & Trademark Off. Soc’y 115 (1995); Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505 (1997); Anna R. Popov, *Watering Down Steele v. Bulova Watch Co. to Reach E-Commerce Overseas: Analyzing the Lanham Act’s Extraterritorial Reach Under International Law*, 77 S. Cal. L. Rev. 705 (2004); Xuan-Thao N. Nguyen, *The Digital Trademark Right: A Troubling New Extraterritorial Reach of United States Law*, 81 N.C. L. Rev. 483 (2003).

widely neglected: trademarks, especially under common law doctrine, are market founded by definition. This characteristic of common law doctrine has provided the most solid ground for a transnationalization of trademark rights. While copyright and patent law had to “invent” new structures in order to transnationalize rights protection, trademark law simply brought to heel the existing stock of common law doctrine.

A The General Tendency of Equitable Rights Limitlessness

Unlike international trademark practice, patents and copyrights are traditionally treated as strictly territorial.¹⁸⁴ They, too, however, have also seen their reach extended over time. It is the idea that intellectual property rights are transnational private entitlements that lies at the heart of this tendency toward extraterritoriality.

Since international patent and copyright doctrine is founded on the territoriality of rights,¹⁸⁵ US courts will generally not apply domestic patent or copyright law absent infringing conduct within the United States. However, judges have recognized a remarkable number of exceptions in which allegedly infringing conduct abroad is subject to domestic law. Two strands of such exceptions in international copyright protection are particularly illustrative for this development, both of which concern the gradual shift from a doctrine of conduct prevention to one of market regulation.¹⁸⁶ The so-called root-copy doctrine concerns the recovery of proceeds from alleged infringements in a foreign country. A root copy is a counterfeit or copy that has been made in the United States and has enabled foreign copying and distribution. Following this approach, courts have awarded damages not only for domestic copying but also for foreign infringements resulting from the domestic copying. Among the practical starting points of the doctrine was the 1939 decision by the Court of

¹⁸⁴ See Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 520 (1997).

¹⁸⁵ See, e.g., *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) (“Our patent system makes no claim to extraterritorial effect.”); *Subafilms, Ltd. v. MGM-Pathé Communications Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994); *Quality King Distributors, Inc. v. L'anza Research Intern., Inc.*, 523 U.S. 135, 154 (1998) (Ginsburg, J., concurring: “Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation’s borders.”). For further examples, see Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 520 *et seq.* (1997); Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 Colum.-VLA J. L. & Arts 1, 14–15 (1999); Graeme W. Austin, *Private International Law and Intellectual Property Rights—A Common Law Overview*, WIPO Forum on Private International Law and Intellectual Property, WIPO/PIL/01/5 (15 January 2001), at 12.

¹⁸⁶ For the extension of patent law to extraterritorial conduct and proceeds, see Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int'l L. 505, 520–523 (1997).

Appeals for the Second Circuit in *Sheldon v. Metro-Goldwyn Pictures*.¹⁸⁷ In *Sheldon*, the defendants had made a motion picture that allegedly infringed on the plaintiff's copyrighted play. Manufacturing of the movie included the production of photographic negatives. These negatives were exported to Europe, where they were further proliferated. Even though use of the photographs in Europe was not an infringement within the United States, Learned Hand, writing for a unanimous court, found damages for foreign infringements recoverable under US copyright law. This finding was based on the principle of a "constructive trust":

[The defendant] made the negatives in this country, or had them made here, and shipped them abroad, where the positives were produced and exhibited. The negatives were "records" from which the work could be "reproduced," and it was a tort to make them in this country. The plaintiffs acquired an equitable interest in them as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. We need not decide whether the law of those countries where the negatives were exploited, recognized the plaintiffs' equitable interest; we can assume arguendo that it did not, for, as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form.¹⁸⁸

This principle was later upheld in the Second Circuit's 1988 decision in *Update Art, Inc. v. Modiin Publishing, Ltd.*¹⁸⁹ and found persuasive in the Ninth Circuit's 1998 decision in *Los Angeles News Service v. Reuters Television International*.¹⁹⁰ Both courts relied on "property" that was located and infringed on within the United States. They also interpreted the right owner's entitlement in equity as extending to profits derived from both domestic and foreign infringements.

Of course, under the root-copy doctrine, the concept of formal territorial rights protection never vanished completely. Therefore, absent a case of root copying, US courts have generally attempted to restrict the reach of domestic law.¹⁹¹ After all, even Learned Hand's equity

¹⁸⁷ *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2nd Cir. 1939) (L. Hand, C.J.).

¹⁸⁸ *Id.*

¹⁸⁹ *Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 72 (2nd Cir. 1988); see also Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 Colum.-VLA J. L. & Arts 1, 8 n. 23 (1999) (with further reference to case law).

¹⁹⁰ *Los Angeles News Service v. Reuters Television Intern. Ltd.*, 149 F.3d 987, 990 *et seq.* (9th Cir. 1998).

¹⁹¹ See, e.g., *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994). However, *Subafilms* has encountered strong criticism. See, e.g., *Curb v. MCA*

doctrine was founded on a territorially produced root copy as the basis of all claims. Yet the doctrine's underlying logic of equitable extraterritoriality reflects an idea of transnationally extended private entitlements. Indeed, this extension of protection invokes an assumption that the underlying policy should be without territorial limits. Ultimately, the rationale resembles natural law reasoning: the creator is entitled to all proceeds of her work, wherever they might occur—not just within the territory of creation.

Scholarship has criticized root-copy territoriality for its allegedly obsolete requirement of conduct.¹⁹² Jane C. Ginsburg has suggested a “nerve center” approach, or source theory, for handling cases of global infringement: US law should always apply if a court is able to localize at least one point within the United States where an infringement has occurred or from where acts of foreign infringement have been planned or intellectually implemented. This point is the “nerve center,” or source, of all resulting multinational infringements.¹⁹³ Ultimately, Ginsburg's approach extends economic reasoning further than the root-copy doctrine does, aiming toward an overarching system of market protection. In the nerve-center approach, the territorial foundation of rights protection has been fully attenuated. Whereas the root-copy approach targets foreign profits flowing from domestic acts of infringement, the nerve-center approach looks at the transnationally extended market (or potential market) for the rights infringed. The value of a copyright is its worldwide marketability; conduct localization has virtually become irrelevant.¹⁹⁴

Records, Inc., 898 F.Supp. 586, 595 (M.D. Tenn. 1995); *Expeditors Intern. of Washington, Inc. v. Direct Line Cargo Management Services, Inc.*, 995 F.Supp. 468, 477 (D.N.J. 1998); see also Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 Colum.-VLA J. L. & Arts 1, 10 (1999).

¹⁹² See, e.g., Jane C. Ginsburg, *Comment, Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int'l L. 587, 597 (1997); Jane C. Ginsburg, *Copyright Without Borders? Choice of Forum and Choice of Law for Copyright Infringement in Cyberspace*, 15 Cardozo Arts & Ent. L.J. 153, 171 (1997). See also *Richard Feiner & Co. v. Turner Entertainment Co.*, No. 96 Civ. 1472(RO), 1998 WL 78180, at *1–2 (S.D.N.Y., 24 February 1998).

¹⁹³ Jane C. Ginsburg, *Comment, Extraterritoriality and Multiterritoriality in Copyright Infringement*, 37 Va. J. Int'l L. 587, 597–600 (1997); Jane C. Ginsburg, *Copyright without Borders? Choice of Forum and Choice of Law for Copyright Infringement in Cyberspace*, 15 Cardozo Arts & Ent. L.J. 153, 171 (1997).

¹⁹⁴ For an interesting counterposition from within the Ginsburg family, see *Quality King Distributors, Inc. v. L'anza Research Intern., Inc.*, 523 U.S. 135, 154 (1998) (Ginsburg, J., concurring: “Copyright protection is territorial. The rights granted by the United States Copyright Act extend no farther than the nation's borders.”). Similar to the nerve-center approach, English courts have also long acknowledged exceptions to the strict concepts of jurisdiction and choice of law in cases of fraudulent and piratical conduct. See, e.g.,

These concepts of rights extension illustrate a paradigmatic aspect common to all sectors of intellectual property. The territorial model of copyright protection started on a firm understanding of formal rights that could be infringed on only by conduct within the national territory. Yet, over time, a number of extensions have moved the field toward the protection of economic value and markets, particularly in the individual right owner's interest.¹⁹⁵ In this regard, international trademark protection is not too different—but rights extension, as we will now see, has been more subtle. Trademark rights are still generally considered to be territorial in principle;¹⁹⁶ yet a broad consensus exists that the Lanham Act must be interpreted widely when it comes to cross-border infringements.¹⁹⁷

B The Nintendo Transformation: From Act-of-State-Docctrine to Substantive Dichotomy

The public policy aspect of intellectual property protection has regularly troubled scholars and decision makers in the international context. In fact, the issue has developed into a complex debate. It is universally acknowledged that intellectual property protection serves various purposes of socioeconomic regulation. However, the exact demarcations between the different policies and, accordingly, the different categories of intellectual property have long remained unclear.

- John Walker & Sons Ltd. and Others v. Henry Ost & Co. Ltd. and Another* [1970] 1 W.L.R. 917; *Mecklermedia Corporation and Another v. D.C. Congress GmbH* [1998] Ch. 40. A similar approach to trademark extraterritoriality is also applied when courts look at the orchestration of foreign activities (for instance, in the Ninth Circuit), or if they follow the *Steele* unlawful-scheme concept. See *supra* p. 164 *et seq.* and p. 171 *et seq.*
- ¹⁹⁵ Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 Colum.-VLA J. L. & Arts 1, 21 (1999) (“[I]n the transnational context, the tort of copyright infringement becomes a civil wrong based on damage not to property rights, but to the plaintiff’s pocket.”).
- ¹⁹⁶ See, e.g., *Person’s Co. v. Christman*, 900 F.2d 1565, 1568–1569 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country’s statutory scheme.”); *Barcelona.com, Incorporated v. Excelentísimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628 (4th Cir. 2003) (“[T]he fundamental doctrine of territoriality upon which our trademark law is presently based.”); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 29:25 (4th edn., 2016).
- ¹⁹⁷ See *supra* p. 159 *et seq.* Further see, e.g., *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 745 (2nd Cir. 1994) (“It is well-established that United States courts have jurisdiction to enforce the Lanham Act extraterritorially in order to prevent harm to United States commerce.”); *McBee v. Delica Co.*, 417 F.3d 107, 110 (1st Cir. 2005) (“It has long been settled that the Lanham Act can, in appropriate cases, be applied extraterritorially.”); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:57 (4th edn., 2016) (“extraterritorial sweep of American trademark law”).

One troubling aspect of public policy in intellectual property conflicts law is the act-of-state doctrine. In its standard formulation, this doctrine provides that “the courts of one country will not sit in judgment on the acts of the government of another, done within its own territory.”¹⁹⁸ The idea of administrative sovereignty has been picked up by legal scholars. As posited by David Nimmer, for instance, US courts should abstain from adjudicating foreign trademark and patent cases, for deciding on issues of international trademark and patent conflicts that involve foreign registrations would unduly “pass upon the validity of administrative acts undertaken by foreign officials.”¹⁹⁹ By contrast, international copyright litigation involving foreign copyrights would not risk such an invasion of foreign sovereignty. Since copyrights are created by law—not by administrative action—the act-of-state doctrine is not an obstacle. Accordingly, copyright infringement constitutes a transitory cause of action that may be adjudicated in any forum, even outside the granting state’s territory.²⁰⁰ This concept of copyrights’ transitoriness can also be found in practice, inter alia, in the oft-cited *London Film Productions Ltd. v. Intercontinental Communications, Inc.*²⁰¹ ruling. As the court explained, because trademarks require registration, a court adjudicating on issues of infringement of foreign trademarks would ultimately also sit in judgment on a foreign right’s validity. This, it argued, must be avoided.²⁰²

Yet this distinction based on “administrative formality” has not escaped criticism. One influential critique is that brought forward in 1985 by David R. Toraya in a lengthy note on *London Film* and on an earlier edition of Nimmer’s commentary.²⁰³ Toraya’s argument focuses on what he deems an arbitrary distinction between administrative formalities and substantive law policies.²⁰⁴ As he explains, not only are states interested in having their administrative decisions remain untouched by foreign sovereigns, but there is also always a substantive law policy to be regarded in international conflicts: every state possesses a “sovereignty interest in preserving the socio-economic, cultural, and political benefits its copyright law intend[s] to advance.”²⁰⁵ Paradoxically, it was not this

¹⁹⁸ *Underhill v. Hernandez*, 168 U.S. 250, 252 (1897); see also Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505, 552 (1997).

¹⁹⁹ 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright: A Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* § 17.03, 17–23 (2010).

²⁰⁰ 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright: A Treatise on the Law of Literary, Musical and Artistic Property, and the Protection of Ideas* § 17.03, 17–23/24 (2010).

²⁰¹ *London Film Productions Ltd. v. Intercontinental Communications, Inc.*, 580 F.Supp. 47 (S.D.N.Y. 1984).

²⁰² *Id.* at 49.

²⁰³ David R. Toraya, *Note, Federal Jurisdiction over Foreign Copyright Infringement Actions—An Unsolicited Reply to Professor Nimmer*, 70 Cornell L. Rev. 1165 (1985).

²⁰⁴ *Id.* at 1167–1168. ²⁰⁵ *Id.* at 1169.

fundamental argument of his article but a secondary aspect that was picked up by the Fourth Circuit in its 1994 decision in *Nintendo of America, Inc. v. Aeropower Co., Ltd.*²⁰⁶ The defendants had sold video games to customers in the United States, Mexico, and Canada. Domestic copyright and trademark rights existed. The issue was whether extraterritorial application of the protecting statutes was possible. “Because the power is more extensive under the Lanham Act than under the Copyright Act, and because relief afforded under that Act probably would also protect any copyright interest,”²⁰⁷ the court limited its analysis to the issue of trademark extraterritoriality. This focus was further explained in a footnote referencing Toraya’s article, which seems to have convinced the court that the Lanham Act (even without regard to the act-of-state dichotomy) should still be treated differently from copyright and patent law and should thus have a broad extraterritorial reach.²⁰⁸ In his article, Toraya argues that the differentiation between artistic and inventive products, on the one hand, and the symbol-protecting purposes of trademark law, on the other, demands that trademarks be treated differently with regard to the extraterritorial reach of domestic law.²⁰⁹ The argument is intriguing: the extraterritorial application of copyright and patent law would deprive foreign marketplaces of something that the respective local law has made available. Toraya finds this effect to run counter to the foreign state’s public interest in having innovative and creative information widely disseminated. Trademark law, he explains, does not prevent the free flow of information—it merely restricts the use of marketing symbols. Toraya thus concludes that the extraterritorial extension of trademark protection would result in only a minor deprivation—the use of a symbol—to the marketplace.²¹⁰ The *Nintendo* court, accordingly, concluded that trademark rights could be protected more extensively than copyrights and patents, particularly beyond national borders.

As we will see in the next section, this transformation of the act-of-state doctrine did not remain uncontested. Two suggestions have particularly influenced scholarly debate. One approach can be characterized as a quasi civil law approach to territoriality. The other, modeled on legal practice, builds rights protection on traditional common law foundations.

²⁰⁶ *Nintendo of America, Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246 (4th Cir. 1994).

²⁰⁷ *Id.* at 249–250. ²⁰⁸ *Id.* at 250 n. 5.

²⁰⁹ David R. Toraya, Note, *Federal Jurisdiction over Foreign Copyright Infringement Actions—An Unsolicited Reply to Professor Nimmer*, 70 Cornell L. Rev. 1165, 1171–1172 n. 41 (1985). A similar argument had already been made before. See, e.g., Alan G. Kirios, *Territoriality and International Copyright Infringement Actions*, 22 Copyright L. Symp. (ASCAP) 53, 61–62 (1977).

²¹⁰ David R. Toraya, Note, *Federal Jurisdiction over Foreign Copyright Infringement Actions—An Unsolicited Reply to Professor Nimmer*, 70 Cornell L. Rev. 1165, 1171 n. 41 (1985).

C The Revival of Territoriality: A Quasi Continental Choice-of-Law Approach

The *Nintendo/Toraya* distinction between, on the one hand, copyrights and patents and, on the other, trademarks has been most prominently refuted by Curtis A. Bradley. In his appeal for stricter intellectual property territoriality, he does not focus on the act-of-state doctrine, instead analyzing the relevance of the presumption against extraterritoriality—that is, the presumption “that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States.”²¹¹ As Bradley explains, the end of the twentieth century witnessed a trend toward extraterritoriality, which led to the theoretical foundations of the presumption against extraterritoriality being challenged. Admiralty, securities, and antitrust laws in particular came to regulate beyond US borders. Paradoxically, even though trademark law also seemed to fall within the category for which the presumption had begun to vanish, strict territoriality appeared to remain the standard for international copyright and patent law.²¹² In his comparison of copyright, patent, and trademark conflicts, Bradley challenges this distinction. Two of his arguments are particularly relevant: one concerns the concept of intellectual property homogeneity, while the other concerns the correlation between trademark protection and competition.

Let us start with the first argument. Even though, as Bradley explains, patents and copyrights may differ from trademarks at the level of domestic law, there is ultimately no justification for a broader extraterritorial reach of the Lanham Act.²¹³ As he convincingly argues, the Lanham Act’s “commerce” language is not enough to account for the act’s extensive interpretation.²¹⁴ Nor is there any doctrinal or economic aspect that can account for the act’s extraterritorial reach. In his comparison of substantive law policies of intellectual property protection, Bradley eventually deconstructs the Fourth Circuit’s and Toraya’s shared argument that extraterritorial patent and copyright protections would be more problematic than trademark extension in light of a potential deprivation to

²¹¹ *E.E.O.C. v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991); *Foley Bros. v. Filardo*, 336 U.S. 281, 285 (1949); see also Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505, 510 *et seq.* (1997).

²¹² Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505, 519 (1997).

²¹³ *Id.* at 536 *et seq.*

²¹⁴ *Id.* at 532. Even direct statutory reference to foreign commerce has not led to an extraterritorial extension of other instruments, such as the National Labor Relations Act and the Federal Employers Liability Act. Correspondingly, the Lanham Act’s inclusion of “all commerce which may lawfully be regulated by Congress” hardly accounts for a tenable explanation of trademark extraterritoriality.

foreign markets: even under an assumption that the governmental interest in allowing the reproduction of foreign inventions and artistic creations is higher than in allowing the free use of trade symbols, the balancing of two governments' conflicting interests would also have to give regard to a higher interest in preventing reproduction on the side of the right-granting government.²¹⁵ Therefore, the argument referencing a potential cultural deprivation to foreign markets and an accordingly greater need for territoriality is circular. The granting state is no altruist, whether regarding copyrights, patents, or trademarks. In addition, as Bradley elaborates, the extended protection of patents and copyrights will rarely lead to a *complete* deprivation to foreign markets. At worst, such protection will result in higher prices for patented or copyrighted products in the foreign market. In this regard, however, trademarks are no different since the extraterritorial application of domestic trademark laws will also affect prices in the foreign market.²¹⁶

Bradley's second argument concerns the distinction between the protection of private rights and that of the economy as a whole. In this regard, he distinguishes trademark law from antitrust, securities, and criminal law. As he explains, the latter areas of regulation are designed to protect the public interest and the national economy. Their design implies both internal and external regulation, and, accordingly, extraterritoriality is inherent. Quite differently, trademark and other intellectual property protection is explained to benefit society by "conferring particular property rights on individuals and companies."²¹⁷ In these cases, the reach of the domestic policies should remain within national boundaries. This distinction highlights an aspect of the debate in international intellectual property law that has more wide-reaching importance. In fact, Bradley's separation alludes to a long-existing divide between private and public law as well as private international and international economic law. Roughly speaking, private law and private international law are designed to micro-regulate private-party conflicts—nationally and internationally. This is a domain distinct from the state's concern for macro-regulation. The field of international economic law, by contrast, concerns international conflicts between the macro-regulatory laws (i.e., public laws) of different states. According to Bradley, trademarks are part of the former sector. Not surprisingly, he suggests a conflicts approach that is quasi Savignian: if different states' private law regimes primarily cater to private parties' concerns, they can more easily be substituted and exchanged in choice of law.²¹⁸ As Bradley concludes, therefore, US courts should

²¹⁵ *Id.* at 540. ²¹⁶ *Id.* ²¹⁷ *Id.* at 569.

²¹⁸ For an extensive discussion, see *infra* p. 383 *et seq.*

follow a multilateral approach and—if indicated—apply the respective foreign state’s intellectual property law to conduct occurring abroad.²¹⁹ Even though Bradley rarely refers to civil law choice of law, his concept replicates the traditional multilateralism of European trademark territoriality.²²⁰

D The “Domestic Extraterritoriality” of Statutory Trademark Rights

In a harsh rejection of Bradley’s concept, Roger E. Schechter has formulated what could be characterized as an abridged restatement of US common law trademark doctrine for the international arena. I have already introduced Schechter’s theory of domestic trademark extraterritoriality.²²¹ In his critique of the territoriality approach, Schechter advances several arguments to illustrate the difference between patents and copyrights on the one hand and trademarks on the other. Two points are fundamental to his concept of trademark conflicts.

First, in explaining his idea of domestic extraterritoriality, Schechter, *inter alia*, distinguishes common law trademark rights from common law copyright and patent protection. When they were enacted, neither copyright nor patent statutes actually extended the scope of preexisting common law rights. This was different for the 1946 trademark statute: the Lanham Act modified the traditional use-based rights paradigm by extending the scope of rights beyond their actual trading areas. As Schechter adds, “[T]rademark law was originally grounded on an explicitly territorial foundation.” And since use-based rights were territorial, the Lanham Act’s extension of trademark rights to the nationwide area actually exceeded the territorial scope of rights.²²² This conclusion appears accurate: Congress extended rights from “territorial” to “nationwide” when it enacted the Lanham Act. Hence, it is only logical to infer

²¹⁹ Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505, 569 *et seq.* (1997). For an application of foreign law, *see also, e.g.*, Robert Alpert, *The Export of Trademarked Goods from the United States: The Extraterritorial Reach of the Lanham Act*, 81 Trademark Rep. 125, 148 n. 105 (1991); Pamela E. Kraver & Robert E. Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?*, 77 Pat. & Trademark Off. Soc’y 115, 115–116 (1995); Richard L. Garnett, *Trademarks and the Internet: Resolution of International IP Disputes by Unilateral Application of U.S. Laws*, 30 Brook. J. Int’l L. 925, 947 *et seq.* (2005); Graeme W. Austin, *The Story of Steele v. Bulova: Trademarks on the Line*, 395, 421, in *Intellectual Property Stories* (Jane C. Ginsburg & Rochelle Cooper Dreyfuss eds., 2006); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 788 *et seq.* (2009).

²²⁰ *See supra* p. 193 *et seq.* ²²¹ *See supra* p. 147 *et seq.*

²²² Roger E. Schechter, *The Case for Limited Extraterritorial Reach of the Lanham Act*, 37 Va. J. Int’l L. 619, 627 (1997).

that “Congress would not be uncomfortable with the idea of extending the reach of the Lanham Act to conduct occurring abroad.”²²³ An inherent concept of extraterritoriality appears to underlie the statutory system of trademark rights.²²⁴

Second, Schechter adds a new argument in favor of distinguishing different categories of intellectual property and in favor of trademark exceptionalism. As he explains, a comparison of right owners’ injuries reveals an additional detriment that will occur only in cases of trademark infringement. Whereas a copyright or patent infringement abroad will lead to the right owner’s “loss” of foreign sales only, trademark infringement presents twofold damages. First, of course, the trademark owner will forego a foreign transaction that she would have otherwise concluded. In addition, she may also find damage to her domestic reputation and goodwill.²²⁵ The trademark owner thereby suffers, as Schechter calls it, a “double whammy”—not only will the right owner suffer injury in foreign markets, but she will also run the risk of reputational harm and of damage from (potentially) declining domestic sales in the future.²²⁶

Overall, Schechter describes the extraterritorial protection of domestic trademark rights as a necessary instrument to fight international piracy. In summarizing the pros and cons of cross-border enforcement, he concludes that trademark extraterritoriality largely benefits US right owners in an international marketplace. I will address this issue in more detail later.²²⁷ At this point, my focus is on common law trademark doctrine. The scholarly theory of what can be characterized as the factual globalization of *Tea Rose/Rectanus* helps rectify terminological and doctrinal confusion in the field.

E *Tea Rose/Rectanus* “Transnationalized”: The Common Law Cross-Border Crusade

Trademark rights differ from copyrights and patents on the basis of their continuous dependence on what happens in the market. A trademark is predisposed to natural expansion; as the decisions in *Hanover Star* and *United Drug* made clear, use-based rights—following the trade—have the potential to grow like mushrooms in a forest. And like the organic growth of a natural substance, the evolution of trademark goodwill appears

²²³ *Id.* at 628. ²²⁴ *Id.* ²²⁵ *Id.* at 628–629.

²²⁶ *Id.* at 629; see also Gary D. Feldon, *The Antitrust Model of Extraterritorial Trademark Jurisdiction: Analysis and Predictions after F. Hoffmann-La Roche*, 20 *Emory Int’l L. Rev.* 651, 680 (2006). For an approval in practice, see, e.g., *McBee v. Delica Co., Ltd.*, 417 F.3d 107, 125 (1st Cir. 2005).

²²⁷ See *infra* p. 480 *et seq.*

immune to the fictitious lines of political boundaries.²²⁸ The expansion of communication and commerce has further detached economic markets from political boundaries, and the reality of globalization has brought the predisposition of extraterritoriality in the concept of goodwill protection to an extreme.

With this problem in mind, Graeme B. Dinwoodie has recently presented a redefinition. As he argues, the traditionally territorial model of trademark protection is in need of reconfiguration.²²⁹ Dinwoodie describes two dimensions of territoriality in US trademark law. First, under the *United Drug* paradigm, common law rights are congruent with the trademark's area of actual use, reputation, and renown. These use-based rights are founded on the intrinsic purposes of trademark law, the most important of which is consumer protection. By contrast, rights acquired by registration reflect complementary trademark values, notably the expansion of rights and enforcement efficiency. Unlike use-based rights, registered rights are connected to political authority. Hence, as Dinwoodie concludes, two aspects of the territoriality of trademark rights and goodwill must be distinguished: "intrinsic territoriality" and "political territoriality."²³⁰ It may be confusing to characterize both aspects as "territorial." After all, use-based rights rarely comply with state boundaries. In *Hanover Star*, the Supreme Court made this point clear when it explained that

since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark.²³¹

Nonetheless, Dinwoodie's explanation of the dual territoriality is illuminating in its dissociation from Schechter's conception of domestic extraterritoriality. In this regard, he provides an important clarification in acknowledging that trademark registration is "decidedly territorial."²³²

²²⁸ For the history of US practice, see *supra* p. 127 *et seq.* and p. 159 *et seq.*

²²⁹ Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 908, 955–956 (2004). See also Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 767–768 (2009).

²³⁰ Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 899, 908, 958 and *passim* (2004). For a similar distinction founded on a trademark's "legal territoriality" and "collective 'consumer consciousness'" that would easily cross national borders, see Graeme W. Austin, *The Story of Steele v. Bulova: Trademarks on the Line*, 395, 420 *et seq.*, in *Intellectual Property Stories* (Jane C. Ginsburg & Rochelle Cooper Dreyfuss eds., 2006).

²³¹ *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916).

²³² Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 898 (2004).

Common law rights may extend extraterritorially through the right owner's foreign-based trade and commerce. Hence, their "territoriality is rooted in social and commercial practices, which increasingly transcend national borders."²³³ Registered rights, by contrast—albeit protectable against conduct occurring abroad under an effects test—will, strictly speaking, never "extend" beyond the national border. This makes them "decidedly" limited to the territory of the political entity.

This conceptualization of intrinsic territoriality is also important for this analysis. As revealed earlier, the *Tea Rose/Rectanus* doctrine provided the playground for the transnationalization of rights in the second half of the twentieth century.²³⁴ Trademarks' market relatedness is what accounts for their differentiation from copyrights and patents. Structurally, trademarks' functions and their foundation in marketplace activities make them unbounded and apolitical rights. Copyrights and patents, on the other hand, are "politically territorial."

F The Shift to Effects Testing: An Idea of Transnational Market Regulation

The focus on individual rights and public policy with regard to competition and consumer protection is one relevant perspective. But a closer look reveals another important facet of US theory and practice: trademark conflicts law has increasingly become dominated by an idea of cross-border market regulation. This may be the most problematic aspect in US doctrine.

In fact, early on, market relatedness and competition regulation were understood as major concerns in international individual rights enforcement. In this regard, Jonathan Turley has analyzed the extraterritorial application of US law in a variety of sectors; the results show a distinction between "market" and "nonmarket" cases.²³⁵ Market cases—for instance, those regarding international antitrust conflicts—are concerned primarily with protecting market interests and ensuring a level playing field at the international level. In nonmarket cases, other interests—mostly private rights—are at stake. Accordingly, as Turley explains, statutory law in both sectors has been interpreted either widely or narrowly in terms of its extraterritorial application. Both patent and copyright law are often still understood to constitute a sort of nonmarket protection.

²³³ *Id.* at 900. ²³⁴ See *supra* p. 127 *et seq.* and p. 164 *et seq.*

²³⁵ See Jonathan Turley, "When in Rome": *Multinational Misconduct and the Presumption Against Extraterritoriality*, 84 *Nw. U. L. Rev.* 598, 634 *et seq.* (1990). See also Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 *Va. J. Int'l L.* 505, 519 (1997).

Hence, their scope is territorially limited.²³⁶ International trademark and unfair competition disputes, by contrast, are classified as market cases—quite similar to international antitrust conflicts. And since antitrust and trademark law also appear to be conceptually similar, conflicts resolution in both fields has been suggested to correspond. Thus, the geographical reach of trademark protection has been extended to “transcend the invisible borders” of the country and to “protect the interest of the mark holder in relation to an economic market, not a political territory.”²³⁷

This concept of regulation by trademark protection has been well received in practice. The First Circuit’s decision in *McBee v. Delica Co.*,²³⁸ an internet trademark conflict, is illustrative of the extension. Judge Lynch’s reference to the academic debate on trademark characterization deserves citation at length:

Some academics have criticized treating the Lanham Act differently from patent and copyright law, which generally are not applied extraterritorially [referring to Bradley and Schechter]. Nonetheless, the Supreme Court recently reaffirmed the Steele approach to extraterritorial jurisdiction. . . . The question becomes one of articulating a test for Lanham Act jurisdiction over foreign infringing activities by foreign defendants. The decisions of the Supreme Court in the antitrust context seem useful to us as a guide. . . .

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 . . . passing off . . . 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 . . . now amount to \$200 billion annually [referring to Schechter]. 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.²³⁹

The court’s position is based on two important assumptions. First, trademark protection, like antitrust enforcement, contributes to overall national economic welfare. Second, and most importantly, trademark protection via the extraterritorial application of domestic law is efficient. Hence, granting national right owners extended protection is expected to

²³⁶ Brendan J. Witherell, *The Extraterritorial Application of the Lanham Act in an Expanding Global Economy*, 97 Trademark Rep. 1090, 1119–1120 (2007). See also *supra* p. 244–246.

²³⁷ Brendan J. Witherell, *The Extraterritorial Application of the Lanham Act in an Expanding Global Economy*, 97 Trademark Rep. 1090, 1120 (2007).

²³⁸ *McBee v. Delica Co., Ltd.*, 417 F.3d 107 (1st Cir. 2005).

²³⁹ *Id.* at 119. However, fairness requires mentioning that Judge Lynch ultimately did not apply the Lanham Act to alleged infringements in Japan and the United States. See *supra* p. 163.

ultimately provide for an economically optimal result. We will see later that the second assumption is erroneous.²⁴⁰ At this point, it suffices to note that the assumption is widely acknowledged. Indeed, the idea of the efficiency of extraterritorial regulation is also deeply rooted in contemporary legal and economic thought.²⁴¹

In sum, several characteristics can be found to dominate the debate in US scholarship. The most fundamental issue appears to be the distinction between the categories of intellectual property. The old conception of rights being acts of the state, at least if their existence depends on registration, still governs. This doctrine underlies the concept of subject-matter jurisdiction as a unilateral conflicts resolution rule. Foreign intellectual property, apart from copyrights, will thus seldom be protected in a US forum. In this regard, however, a strand of scholarly theory advocates a multilateral approach to conflicts law. Yet this still is a minority position. Contrary to such quasi continental proposals, key voices in US trademark scholarship still wish to resolve international trademark conflicts on the basis of the traditional concept of common law and use-based rights protection. In the tradition of *Tea Rose/Rectanus*, trademark rights have become transnationalized and unbounded economic entitlements. In addition, the extension of individual rights is accompanied by a strong impulse of market regulation by trademark protection. Ultimately, common law foundations and market-regulation policies have made extraterritoriality the governing paradigm in both US practice and scholarship.

II *Analysis: Common Law Tradition Meets Extraterritorial Market Regulation*

Three aspects are most relevant for a critical analysis. First, as we have seen, the distinction between different categories of intellectual property rights invites misconceptions at the conflicts level. Second, US theory still

²⁴⁰ See *infra* p. 480 *et seq.*

²⁴¹ See, e.g., Erika M. Brown, *The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions Under the Lanham Act*, 9 *Fordham Intell. Prop. Media & Ent. L.J.* 863 (1999); Anna R. Popov, *Watering Down Steele v. Bulova Watch Co. to Reach E-Commerce Overseas: Analyzing the Lanham Act's Extraterritorial Reach Under International Law*, 77 *S. Cal. L. Rev.* 705, 733, 735 (2004); for an approving view of the *McBee* test, see Jason Webster, *Extraterritorial Application of the Lanham Act—McBee v. Delica Co., Ltd.*, 417 *F.3d 107 (1st Cir. 2005)*, 30 *Suffolk Transnat'l L. Rev.* 263, 269 (2006). See also Brendan J. Witherell, *The Extraterritorial Application of the Lanham Act in an Expanding Global Economy*, 97 *Trademark Rep.* 1090, 1121 (2007); Gary D. Feldon, *The Antitrust Model of Extraterritorial Trademark Jurisdiction: Analysis and Predictions after F. Hoffmann-La Roche*, 20 *Emory Int'l L. Rev.* 651, 654, 680 *et seq.* (2006); James W. Dabney, *On the Territorial Reach of the Lanham Act*, 83 *Trademark Rep.* 465, 477 (1993).

adheres to the common law concept of rights acquisition and extension, which may result in an inaccurate understanding of territoriality. Third, the promotion of extraterritorial trademark protection as a means to also achieve international economic regulation is based on incorrect assumptions.

Concerning the first point of critique, what really matters with respect to the categorization of intellectual property rights is the direct market foundation of trademarks. This foundation is amiss in the field of patents and copyrights.²⁴² This divergence first plays out in the domestic arena. Unlike copyright and patent law, trademark and unfair competition law is not designed to protect creativity or invention—trademarks are protected largely for the identifying function they fulfill in the marketplace. They lower consumer search costs and allow for efficient competition.²⁴³ In this way, trademark protection is not designed to incentivize trademark owners or competitors to create trademarks.²⁴⁴ Instead, trademarks are part and parcel of the system of information transmission within the marketplace. This is what Roger Schechter's concept of a "double whammy" hints at with respect to international trademark protection, albeit without fully clarifying the foundation. An unlawfully branded product may exert effects in the marketplace not only in terms of lost sales but also in terms of disseminating incorrect information damaging the right owner's goodwill. This aspect is also reflected in *Steele*, where the majority enjoined the sale of counterfeits in order to prevent "spurious Bulovas filter[ing] through the Mexican border" and the subsequent negative effects to American customers' perception of the plaintiff's watches.²⁴⁵ Accordingly, the different sectors of intellectual property are to be distinguished with regard to what may serve as a relevant factor in infringement analysis; the point of attachment will vary for each category. Patent and copyright violations are founded on the alleged

²⁴² I will address substantive law policy in the next chapter; here, a summary suffices for pointing out the critical shortfall.

²⁴³ See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & Econ. 265 (1987); Stephen L. Carter, *Owning What Doesn't Exist*, 13 Harv. J. L. & Pub. Pol'y 99, 105 (1990).

²⁴⁴ See, e.g., *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 34 (2003) ("The Lanham Act, we have said, 'does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.' . . . Federal trademark law 'has no necessary relation to invention or discovery,' In re Trade-Mark Cases . . . but rather, by preventing competitors from copying 'a source-identifying mark,' 'reduce[s] the customer's costs of shopping and making purchasing decisions,' and 'helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product,' *Qualitex Co. v. Jacobson Products Co.*").

²⁴⁵ *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286 (1952).

infringer's conduct.²⁴⁶ Trademark policy, by contrast, focuses on market information. Ultimately, it is the status of market information and effects on this status that must be given regard to. This structural difference is crucial: if conduct is what matters, foreign-based activities cannot be seen as an "infringement" unless an exception to the territoriality of rights has been established. The case is different, however, if the substantive law policies provide for effects to be qualified as an infringement. Here, the extraterritoriality of rights is a far more delicate issue. Current international intellectual property doctrine has yet to fully clarify these correlations.²⁴⁷

With respect to Toraya's and the *Nintendo* court's classification, another aspect is worth mentioning: in his attempt to differentiate the categories of intellectual property, Toraya overlooks the fact that these categories may—and actually often do—exist concurrently. The implications of international intellectual property protection will thus seldom be separable. Everything is a question of market prices: as with patented and copyrighted products, a premium will be paid for branded products. The more goodwill (in the sense of consumer recognition) is attached to a brand, the higher its price.²⁴⁸ Hence, it does not matter whether an increase in market prices is caused by sanctions under patent, copyright, or trademark law. Since proliferation of a product is a function of its price, the cross-border extension of *any* category of intellectual property will limit the availability on foreign markets. And since copyrighted and patented products are usually also trademark protected, the "information depriving" effects can rarely be distinguished. This is illustrated lucidly by the *Nintendo* case, where the court

²⁴⁶ *But cf.* Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 Mich. J. Int'l L. 799, 836 *et seq.* (1998) (for the foundation of copyright conflicts on "effects on economic interests"). Similarly, an effects argument was brought forward by plaintiffs in *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994) ("Appellees additionally contend that, if liability for 'authorizing' acts of infringement depends on finding that the authorized acts themselves are cognizable under the Copyright Act, this court should find that the United States copyright laws do extend to extraterritorial acts of infringement when such acts 'result in adverse effects within the United States.' Appellees buttress this argument with the contention that failure to apply the copyright laws extraterritorially in this case will have a disastrous effect on the American film industry."). The court, however, ultimately rejected an effects approach to copyright conflicts. *See id.* at 1099. *See also* Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary L. Rev. 711, 774 *et seq.* (2009).

²⁴⁷ For a more detailed analysis of substantive law policies, *see infra* p. 295 *et seq.*

²⁴⁸ Strong trademarks allow charging higher prices in exchange for savings in search costs on the side of the consumer. *See, e.g.*, William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & Econ. 265, 275 *et seq.* (1987); Stephen L. Carter, *The Trouble with Trademark*, 99 Yale L.J. 759, 763 (1990).

focused on trademark protection, disregarding copyright concerns for reasons of procedural efficiency. Since the Lanham Act provided a more comprehensive system of protection, the jurisdictional analysis was limited accordingly.²⁴⁹ This ultimately made trademark extraterritoriality—not the extension of copyright protection—the depriving instrument with regard to information markets in foreign territories. If one were follow Toraya’s argument, strict territoriality would be as mandatory in trademark as in patent and copyright conflicts.

With regard to the common law foundations of US theory, a clarification of terminology is required to prevent confusion. We have already seen that a registration system does not become “extraterritorial” simply by a comparison with preexisting common law rights. Since common law, or use-based, rights acquisition in the United States is not territorial,²⁵⁰ the parallel system of registered rights under the Lanham Act cannot be explained as having induced a shift toward extraterritoriality. On the contrary, the registration of rights is distinctly territorial.²⁵¹ In this regard, Dinwoodie is right with his characterization of Lanham Act registration as a system of “political territoriality.” Yet Dinwoodie’s second variant of goodwill classification—the “intrinsic territoriality”²⁵² of trademarks—is also problematic and requires clarification.

Generally defined, territoriality is “[t]he principle that a nation has the right of sovereignty within its borders.”²⁵³ The principle goes back to three maxims established in the seventeenth-century Netherlands. As Ulrich Huber explained at the time, (1) a state’s laws have force only within the state’s boundaries, (2) anyone found within the state’s boundaries is subject to the state’s authority, and (3) comity will discipline sovereign exercises of authority so that the territorial effect of each state’s law is respected.²⁵⁴ These principles have also been acknowledged as foundational for the modern concept of territoriality, particularly in intellectual property law.²⁵⁵ But when applied to the specific

²⁴⁹ *Nintendo of America, Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246, 250 (4th Cir. 1994).

²⁵⁰ *But cf.* Roger E. Schechter, *The Case for Limited Extraterritorial Reach of the Lanham Act*, 37 Va. J. Int’l L. 619, 627 (1997) (“[T]rademark law was originally grounded on an explicitly territorial foundation. One of the central goals of the Lanham Act was to enlarge the territorial scope of rights from local to nationwide.”).

²⁵¹ *See also* the critique of Curtis A. Bradley in *Territorial Intellectual Property Rights in an Age of Globalism*, 37 Va. J. Int’l L. 505, 542 n. 189 (1997).

²⁵² *See* Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 898 and 908 (2004).

²⁵³ Black’s Law Dictionary, “territoriality” (9th edn., 2009).

²⁵⁴ For an extensive discussion, *see infra* p. 398 *et seq.*

²⁵⁵ *See, e.g.*, Paul Goldstein & P. Bernt Hugenholtz, *International Copyright: Principles, Law, and Practice* § 4.1, 95 (3rd edn., 2013). *See also supra* p. 193 *et seq.* and *infra* p. 483 *et seq.*

characteristics of common law trademark extraterritoriality, a friction surfaces: a registered trademark will be valid within the granting state's territory. The scope of rights will extend internally throughout the geographical area, confined by national borders. It will, however, not exceed those limitations for want of sovereign power beyond the nation-state's confines. Registered trademarks are thus emblematic of territoriality. Use-based rights are more vexing in character. A use-based right will extend over an area of product trade within (but not necessarily congruent with) the state's territory—but it still remains a "territorial" right since its scope cannot exceed state borders. As Justice Holmes made clear in his concurring opinion in *Hanover Star*, common law trademark rights are also founded on state sovereignty.²⁵⁶ Use-based rights are not *aliud* to registered rights. On the contrary, any trademark right—even if not created by a formal state act—is a territorial right.

There is another facet in the *Hanover Star* case that may invite further misconception. I have already referred to the majority's explanation that since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark.²⁵⁷

Under a common law perspective, this may not be overly troublesome: if the judge is to find the law, and if lawmakers have not established a statutory policy, territorial boundaries may be practically meaningless. This is true at least as long as the jurisdictions involved are of a common law origin and under the assumption that the common law is the same everywhere. However, this is no longer the state of affairs in modern trademark law, whether in the interstate or in the international context. Virtually everywhere, trademark policy has become an issue of lawmaking.

This brings us to the final characteristic of US conflicts doctrine that is important for this inquiry: although not uncontested, the idea that the extraterritorial protection of trademark rights is beneficial for right owners and the national economy alike continues to exist among courts and legal scholars. Some have even posited that extraterritoriality would enhance consumer protection and market conditions abroad.²⁵⁸ I will address this issue in detail in chapter 5. Here, I will refer to what has been

²⁵⁶ *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 425–426 (1916) (Holmes, J., concurring). See also *supra* p. 132–134.

²⁵⁷ *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916).

²⁵⁸ For an example of such "trademark optimism," see, e.g., Marshall A. Leaffer, *The New World of International Trademark*, 2 Marq. Intell. Prop. L. Rev. 1, 2 *et seq.* (1998).

discussed in chapters 1 and 2: the idea of domestic rights extraterritoriality neglects the potentially detrimental effects on domestic competitors in foreign markets. This problem, which was discussed in early twentieth-century German choice of law with respect to Arthur Nussbaum's rule of the *lex domicilii communis*,²⁵⁹ remains the same: if domestic parties competing in a foreign market are subject to both their domestic law and the local regulations of the foreign state, they are at a disadvantage compared to their foreign-based competitors—at least as long as the domestic law's standards are stricter. In light of the Lanham Act's high substantive law protection level for trademark owners, the problem of extraterritoriality is particularly virulent.²⁶⁰

Section 6 Substantivism and Transnational Uniform Law

Another current of scholarly theory finds its foundation in the concept of rights-centered substantivism. Theories of this kind—propounded on both sides of the Atlantic—are called substantive law or single-governing-law approaches and are, in essence, not radically different from the current US approach. Like Lanham Act extraterritoriality, substantive law approaches tend toward deterritorialization in order to protect private rights. Ultimately, albeit usually disguised in a language of internationalist ideas, these concepts are not only flawed with respect to their doctrinal consistency but also unable to provide for a well-balanced limitation of private rights protection with respect to foreign-state third-party and public policy concerns.

I Overview

A Foundations

One of the concepts that has emerged from the American conflicts revolution is the substantive law approach. It has older foundations in Roman law and the *ius gentium*.²⁶¹ But its deeper theoretical analysis and foundation are mostly the result of the twentieth-century debate on choice-of-law methodologies. As many of the alternative conceptions, the substantive law approach mostly grew out of a general dissatisfaction with the traditional method, notably the rigidity and formality of classic multilateralism.²⁶² Friedrich Juenger, for instance, called for a system in which courts would do more than simply choose among the eligible legal

²⁵⁹ See *supra* p. 64 *et seq.* ²⁶⁰ See *supra* p. 480 *et seq.*

²⁶¹ See, e.g., Alex Mills, *The Private History of International Law*, 55 I.C.L.Q. 1, 5–6 (2006).

²⁶² See Peter Hay, Patrick J. Borchers & Symeon C. Symeonides, *Conflict of Laws* §§ 2.9–2.13 (5th edn., 2010).

regimes involved in a multistate dispute. In this regard, he did not stop with Robert Leflar's infamous recommendation to make a "better law" or "best law" selection. Rather, he suggested that judges prepare special substantive rules in interstate and international cases in order to reconcile all affected interests.²⁶³ This concept was embraced and further developed during the latter decades of the century by Arthur Taylor von Mehren and Luther L. McDougal, among others.²⁶⁴ It is part of today's common stock of modern conflicts methodologies.

Often overlooked is the fact that an almost identical suggestion had been made more than a decade prior to the start of the American academic debate. A general outlier to the dominant theory in German choice-of-law scholarship, particularly with reference to unfair competition conflicts law, is the work of Ernst Steindorff. His theory of internationally uniform substantive rules rejected the use of traditional conflicts theory for determining the applicable law.²⁶⁵ According to Steindorff, international unfair competition conflicts would be inadequately resolved if they were submitted to a single national regime—a better method would be to look at all relevant and eligible regimes involved in a specific dispute.²⁶⁶ In essence, his theory called for the ad hoc formulation of general rules in order to permit a genuinely international resolution of conflicts. Whenever a solution could be found that was reflected among the majority of eligible regimes, it would constitute the foundation for an international substantive rule.²⁶⁷ Interestingly, Steindorff's conception of the formulation of substantive norms also made direct reference to the *Steele v. Bulova Watch Co.* and the New Jersey *Vacuum Oil* decisions, two cases already analyzed.²⁶⁸ As Steindorff interpreted *Steele* and *Vacuum Oil*, the courts' application of forum law illustrated a preexistence of transnationally uniform law. Standards of the

²⁶³ See, e.g., Friedrich K. Juenger, *Choice of Law and Multistate Justice* 191 et seq. (1993); Friedrich K. Juenger, *The Need for a Comparative Approach to Choice-of-Law Problems*, 73 Tul. L. Rev. 1309, 1331–1332 (1999).

²⁶⁴ See, e.g., Luther L. McDougal III, *Toward Application of the Best Rule of Law in Choice of Law Cases*, 35 Mercer L. Rev. 483, 483–484 and passim (1984); Arthur Taylor von Mehren, *Special Substantive Rules for Multistate Problems: Their Role and Significance in Contemporary Choice of Law Methodology*, 88 Harv. L. Rev. 347 (1974); Arthur Taylor von Mehren, *Choice of Law and the Problem of Justice*, 41 Law & Contemp. Probs. 27 (1977).

²⁶⁵ Ernst Steindorff, *Sachnormen im internationalen Privatrecht* 11 et seq. (1958). For an even earlier attempt to formulate a rule of uniform substantive law instead of choice of law (with regard to international sales law), see Rudolf Fränkel, *Der Irrgarten des internationalen Privatrechts*, 4 RabelsZ 239, 241–242 (1930).

²⁶⁶ Ernst Steindorff, *Sachnormen im internationalen Privatrecht* 129 et seq., 261 et seq. (1958).

²⁶⁷ *Id.* at 184 et seq. ²⁶⁸ See supra p. 164 et seq.

domestic regime were deemed an appropriate substitute for the internationally uniform substantive law.²⁶⁹

Nonetheless, the substantive law approach has never been implemented in practice. Only one case in the United States has become famous for coming close to a consideration of “federal or national consensus common law” and for resembling a uniform-rule approach.²⁷⁰ Moreover, the Restatement (Second) of Conflict of Laws alludes only faintly to the concept of “better law”—which is defined as one among the national laws involved, not a newly created norm for conflict cases. Similarly, European theory and practice have neglected the concept of substantive law formulation.²⁷¹

B Modern Concepts of Substantivism in Intellectual Property Law

Despite having never been practically implemented, the idea of internationally uniform norm creation has recently gained ground again. As we have seen, Jane Ginsburg’s nerve-center approach significantly extends protection by way of applying domestic law across national borders. As a result, domestic law has assumed the function of a universal intellectual property protection regime.²⁷² The major argument in favor of such transnationalism is that a single regime will achieve better global protection of right owners’ economic interests than will the application of multiple laws based on the old-fashioned concept of territoriality.²⁷³ The final step to be taken from here is not hard to imagine—namely,

²⁶⁹ *Id.* at 186 (“Die amerikanische Entscheidung sieht in der *lex fori* den Ausdruck von Maßstäben eines überpositiven gerechten Rechts Die Grundsätze der *lex fori* fungieren hier als besondere Sachnormen für internationale Sachverhalte.”).

²⁷⁰ The case dealt not with trademark or unfair competition law but with product liability. See *In re Agent Orange Product Liability Litigation*, 580 F.Supp. 690, 712 (E.D.N.Y. 1984).

²⁷¹ The lack of internationally uniform standards of unfair competition protection has been listed as the primary argument against *ad hoc* creation of international unfair competition rules. See, e.g., Helmut Wirner, *Wettbewerbsrecht und internationales Privatrecht* 104–105 (1960); Erwin Deutsch, *Wettbewerbsstatbestände mit Auslandsbeziehung* 40–41 (1962); Christian Joerges, *Die klassische Konzeption des internationalen Privatrechts und das Recht des unlauteren Wettbewerbs*, 36 *RebelsZ* 421, 477–478 (1972); Adair Dyer, *Unfair Competition in Private International Law*, 211 *Recueil des Cours* 373, 409 (1988-IV).

²⁷² See *supra* p. 238–249. For international trademark protection and a similar domestic rights transnationalization, see Roger E. Schechter, *The Case for Limited Extraterritorial Reach of the Lanham Act*, 37 *Va. J. Int’l L.* 619, 629 (1997). For a similar characterization of international copyright protection, see, e.g., Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 *Colum.-VLA J. L. & Arts* 1, 21 (1999).

²⁷³ For an extensive analysis, see Jane C. Ginsburg, *The Private International Law of Copyright in an Era of Technological Change*, 273 *Recueil des Cours* 239, 322 *et seq.* (1998).

the creation and application of a truly transnational system, unified to guarantee an optimal level of protection and ultimately providing for the most efficient adjudication of international intellectual property conflicts.²⁷⁴ It often goes unmentioned that the idea of an international code for intellectual property protection was originally contemplated over a century ago.²⁷⁵ This idea was, conceptually, a parallel development to the drafting of the Berne Convention. But its proponents did not succeed in establishing a uniform world code. The modern system of international intellectual property law, including instruments such as the Paris and Berne Conventions, has made strides in achieving greater uniformity and harmonization over the last century. Nonetheless, even TRIPS has left a patchwork: beyond the binding minimum standards, members' local regimes differ significantly.²⁷⁶

Many versions of substantivism exist. Yet they all share a common characteristic: their proponents, mostly in the field of international copyright law, contend that choice of the applicable rules should be separated from territoriality²⁷⁷ in order to determine the most protective regime.²⁷⁸ In essence, this suggests abandoning traditional methodology. The discussion below will focus on two different variants. One proposes applying a single national law. Here, a certain "choice" of the

²⁷⁴ Even though most single-governing-law approaches seem to be driven less by ideas of self-defense than by ideas of comprehensive rights exploitation, their proponents still rely heavily on the argument that protection levels need to be increased due to technological, social, and economic revolutions. See, e.g., Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 494 (2000). Another oft-enunciated argument in favor of unified international copyright enforcement rules is based on the assumption that divergent national laws and the resulting need for right owners to accommodate different national protection requirements would impose significant costs on the producers of protected works. These increased transaction costs would be charged to the consumer as "risk premium." See *id.* at 480.

²⁷⁵ See, e.g., William Briggs, *The Law of International Copyright* 162 (1906) ("The ideal universal law of copyright is a single code, binding throughout the world, and giving the fullest protection to the authors of every country, without distinction of nationality. Such a universal law would present the great advantage of simplicity as well as that of international equity.").

²⁷⁶ Paul Edward Geller, *From Patchwork to Network: Strategies for International Intellectual Property in Flux*, 9 Duke J. Comp. & Int'l L. 69, 74 (1998).

²⁷⁷ See, e.g., Paul Edward Geller, *The Universal Electronic Archive: Issues in International Copyright*, 25 IIC 54, 55 (1994) (requiring a move "beyond territoriality").

²⁷⁸ See, e.g., Jane C. Ginsburg, *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted through Digital Networks*, WIPO Doc. No. GCPIC/2, November 30, 1998, at 35 *et seq.*; Paul Edward Geller, *Conflicts of Laws in Cyberspace: Rethinking International Copyright in a Digitally Networked World*, 20 Colum.-VLA J. L. & Arts 571, 602 (1996); for a similar view of "right-holder-friendly" conflicts rules, see Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 Mich. J. Int'l L. 799, 830 *et seq.* (1998).

applicable law is still required. The other recommends applying newly formulated rules, which does not require a separate level of choosing the law.

The first variant is Paul E. Geller's proposal for a single-national-law approach for international copyright infringements. Geller suggests that copyright infringements in digital networks with multijurisdictional implications should, ideally, be governed by the most protective national regime. Conflicts should always be resolved in favor of applying the legal regime that grants the highest level of protection.²⁷⁹ Jane Ginsburg has suggested a similar, albeit more pragmatic, theory: under the presumption that minimum protection levels under the Paris Convention, the Berne Convention, and the TRIPS Agreement have been implemented in all member states, courts should apply their forum law as the single governing regime to incidents of international infringements.²⁸⁰ National law, by this means, becomes a kind of "supranational law."²⁸¹

The second variant of substantive law approaches involves the formulation of new substantive rules. Graeme Dinwoodie in particular has suggested such a method for international copyright infringements. As he argues, international disputes implicate interests beyond those at stake in purely domestic cases. Courts should thus decide such disputes by creating new substantive norms and not by choosing a national law. As Dinwoodie contends, this substantive law method allows for a more detailed and flexible tailoring of applicable rules and available remedies. Accommodating relevant interests would be easier this way than through traditional choice of law.²⁸² His proposal essentially requires national courts to "develop" the applicable regime by considering international agreements and practices, national and regional laws, the "norms of developing post-national groupings," and "systemic conflicts

²⁷⁹ Paul Edward Geller, *Conflicts of Laws in Cyberspace: Rethinking International Copyright*, 44 J. Copyright Soc'y U.S.A 103, 107 *et seq.* (1996).

²⁸⁰ It would be for the defendant to prove that the laws of the countries involved have not assimilated the minimum protection standards of the Paris and Berne Conventions or the TRIPS Agreement. See Jane C. Ginsburg, *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks*, WIPO Doc. No. GCPIC/2, November 30, 1998, at 44; Jane C. Ginsburg, *The Cyberian Captivity of Copyright: Territoriality and Authors' Rights in a Networked World*, 15 Santa Clara Computer & High Tech. L.J. 347, 356 (1999).

²⁸¹ Jane C. Ginsburg, *The Cyberian Captivity of Copyright: Territoriality and Authors' Rights in a Networked World*, 15 Santa Clara Computer & High Tech. L.J. 347, 356 (1999). See also Graeme W. Austin, *Social Policy Choices and Choice of Law for Copyright Infringement in Cyberspace*, 79 Or. L. Rev. 575, 596 (2000).

²⁸² Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 564 (2000).

values.”²⁸³ In its concrete application, courts would consider all interests and national laws involved, as well as the purposes that undergird these laws.²⁸⁴ As Dinwoodie admits, however, analyzing foreign laws and their purposes can be complicated—though he argues that access to the relevant materials is continually improving.²⁸⁵ Ultimately, Dinwoodie also recommends his method for international trademark conflicts.²⁸⁶ Similar to the Uniform Domain-Name Dispute-Resolution Policy’s function of regulating global domain-name disputes (e.g., cybersquatting cases), the development of an autonomous body of substantive law governing international trademark conflicts seems to offer a way out of choice-of-law dilemmas presented by multinational infringements.²⁸⁷

Substantivism of this last kind essentially replicates a concept of transnational common law that was present in the Romans’ *ius commune*²⁸⁸ and in the age-old idea of a *lex mercatoria*.²⁸⁹ And, indeed, the transnational uniformity of rules seems to offer a number of advantages. First, giving the courts freedom to devise the legal rules themselves seems to foster adequate and quick reactions to new technological and socioeconomic developments. In contrast to traditional choice of law and public international lawmaking, substantive law appears to be a more dynamic approach.²⁹⁰ It seems to accommodate concerns for flexibility and pluralism.²⁹¹ Second, since a pluralized perspective would be mandatory

²⁸³ *Id.* at 542–543, 552 *et seq.*; Graeme B. Dinwoodie, *International Intellectual Property Litigation: A Vehicle for Resurgent Comparativist Thought?*, 49 Am. J. Comp. L. 429, 444 (2001).

²⁸⁴ Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 561 *et seq.* (2000).

²⁸⁵ *Id.* at 562.

²⁸⁶ *Id.* at 542–543 n. 226; Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 Hous. L. Rev. 885, 951–952 (2004); Graeme B. Dinwoodie, *Conflicts and International Copyright Litigation: The Role of International Norms*, 195, 206 *et seq.*, in *Intellectual Property in the Conflict of Laws* (Jürgen Basedow et al. eds., 2005).

²⁸⁷ *See, e.g.*, Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, *WIPO Forum on Private International Law and Intellectual Property*, WIPO/PIL/01/4 (19 January 2001), para. 115 and 126; Graeme B. Dinwoodie, *The Architecture of the International Intellectual Property System*, 77 Chi.-Kent L. Rev. 993, 1000 *et seq.* (2002); for similarities to the *lex mercatoria*, *see* Graeme B. Dinwoodie, *Conflicts and International Copyright Litigation: The Role of International Norms*, 195, 207–208, in *Intellectual Property in the Conflict of Laws* (Jürgen Basedow et al. eds., 2005).

²⁸⁸ *See, e.g.*, Friedrich K. Juenger, *Choice of Law and Multistate Justice* 193 (1993).

²⁸⁹ Paul Schiff Berman, *The Globalization of Jurisdiction*, 151 U. Pa. L. Rev. 311, 401 (2002).

²⁹⁰ Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 569–570 (2000).

²⁹¹ *Id.* at 476, 494, 569. *See also* more recently Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 Wm. & Mary

for decision makers when addressing international conflicts, the individual substantive rule and the system of rules evolving over time may be ideal for accommodating a globalized world.²⁹² Finally, even though this may be a weakness in the beginning, the lack of uniformity and of a centralized superior court may ultimately prove advantageous. Prima facie, the substantive law approach provides little certainty. After all, national courts remain free to deviate from standards developed in other fora. It may thus be costly during an interim stage. In the long run, however, such an approach may be far more efficient than single-governing-law regimes or choice-of-law rules. Concordance would never be forced on the forum but would be due to the force of reason as a “more enduring basis for long-term convergence and acceptance of international standards.”²⁹³ Juenger has made a similar point:

Instead of blinding judges to the quality of statutes and precedents, the quest for multistate justice directs attention to defects in the law and therefore yields a valuable by-product: reasoned judicial opinions on the merits of the competing rules of decision.²⁹⁴

C Nonterritorial Concepts: “Cyberlaw” and the “Collision of Rights”

Among modern substantive law approaches, two variants of international trademark theory deserve special attention. A closer look helps unveil the problems with substantive law theory in general. The first approach, cyberlaw theory, is the most radical and libertarian version. Its proponents envisage a new, apolitical, and deterritorialized system of internet regulation. Under cyberlaw theory, as far as internet activity is concerned, individual rights are no longer state granted—in fact, national laws are irrelevant. Among the prophets of this brave new

L. Rev. 711, 770 (2009) (“[T]he frequency of transborder disputes has made the cost of insisting on serial national litigation more substantial. The reality of international disputes about international markets makes partitioning of adjudication seem a costly and romantic hankering for the inefficiencies of a balkanized past.”). For earlier arguments in this regard, see Friedrich K. Juenger, *Choice of Law and Multistate Justice* 192 (1993) (“Instead of confining the judiciary [in straitjackets], the substantive law approach imparts a welcome measure of creative freedom.”).

²⁹² Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 550, and 570 (2000). See also Friedrich K. Juenger, *Choice of Law and Multistate Justice* 206 (1993).

²⁹³ Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 570–571 (2000).

²⁹⁴ Friedrich K. Juenger, *Choice of Law and Multistate Justice* 193 (1993).

internet world—the “cyberenthusiasts”²⁹⁵—are David R. Johnson and David Post, who have conceived a new model of online jurisdiction.²⁹⁶ Their cyberspace model is built on a principle of isolation: internet and real-world activity would remain distinctly separate. This separation, they contend, would not only create a need for rethinking traditional law and legal institutions but would “radically undermine[] the relationship between legally significant (online) phenomena and physical location” in a number of ways.²⁹⁷ The liberation of online activity from real-world space restrictions would dissolve the link between geographical location and the power of national governments to control online conduct. Since cyberspace activities would create new phenomena that could not be governed by traditional offline law, they recommend “[t]reating Cyberspace as a separate ‘space’ to which distinct laws apply.”²⁹⁸ The internet would thus be seen as an independent jurisdictional entity with its own regime of rules.²⁹⁹ With regard to trademarks, the authors not only suggest establishing a global registration system for domain names and “reputationally significant names and symbols used on the Net”³⁰⁰ but are convinced that “[a] distinct set of rules applicable to trademarks in Cyberspace would greatly simplify matters by providing a basis to resist the inconsistent and conflicting assertions of geographically local prerogatives.”³⁰¹

Less radical—yet also founded on the idea of a widely depoliticized private rights regime in trademark regulation—is a theory that can best be characterized as a collision-of-rights approach. Its central aspect is the idea that a web-based collision of separate and independent national trademark rights, having been granted in different jurisdictions,

²⁹⁵ For the term, see, e.g., Graeme B. Dinwoodie, *International Intellectual Property Litigation: A Vehicle for Resurgent Comparativist Thought?*, 49 Am. J. Comp. L. 429, 444 (2001); see also James Boyle, *Foucault in Cyberspace: Surveillance, Sovereignty, and Hardwired Censors*, 66 U. Cin. L. Rev. 177, 178 (1997) (“Internet’s enthusiasts”).

²⁹⁶ David R. Johnson & David Post, *Law and Borders—The Rise of Law in Cyberspace*, 48 Stan. L. Rev. 1367 (1996). For further references to Johnson and Post and their cyber-law theory, see Paul Schiff Berman, *The Globalization of Jurisdiction*, 151 U. Pa. L. Rev. 311, 371 n. 231 (2002).

²⁹⁷ David R. Johnson & David Post, *Law and Borders—The Rise of Law in Cyberspace*, 48 Stan. L. Rev. 1367, 1370 (1996).

²⁹⁸ *Id.* at 1379.

²⁹⁹ In addition, new lawmaking institutions within cyberspace would have to be developed. See *id.* at 1387.

³⁰⁰ *Id.* at 1380. In addition, Johnson and Post suggested solutions for the collision between the “two worlds”: “Such a Net-based regime could take account of the special claim of owners of strong global marks (as used on physical goods) and ‘grandfather’ these owners’ rights to the use of their strong marks in the newly opened online territory.” (*Id.*).

³⁰¹ *Id.*

constitutes a conflict not of legal systems but of private property rights.³⁰² This perspective also has a distinct libertarian flavor. Although it is seldom expressly admitted, under the proponents' rights-centered perspective, individual entitlements in trademark symbols exist *ex nihilo*, and the state was created to protect these rights. For choice of law, this focus has a fatally distortive effect. As under classic substantivist theory and the cyberlaw concept, choice-of-law determination has been structurally substituted in full. Instead of determining an applicable national law, proponents of collision-of-rights theories suggest that new substantive rules must be promulgated by ad hoc interest balancing. At first sight, the approach may appear as a panacea, for, on the internet, a system of universally applicable national trademark regimes may create a situation of mutually blocking rights.³⁰³ Because each symbol could be registered as a different right in a different jurisdiction, using symbols on the internet could lead to innumerable conflicts, with each owner being able to block others based on the national priority of her right.³⁰⁴ Ultimately, the new rules, as proponents suggest, should be implemented even in nation-states' trademark regimes. Identical or similar trademarks would then coexist internationally under a general unfair-use proviso.³⁰⁵

³⁰² See, e.g., Torsten Bettinger & Dorothee Thum, *Territorial Trademark Rights in the Global Village—International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet*, 31 IIC 285, 287 (2000); see also Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Forum on Private International Law and Intellectual Property, WIPO/PIL/01/4 (19 January 2001), para. 58 (“This is not a conflict of legal rules regarding ownership of marks; rather it is a conflict in international markets between two persons with undisputed legitimate ownership of different national properties.”); for the general conception of a “conflict of rights,” see Ansgar Ohly, *Choice of Law in the Digital Environment—Problems and Possible Solutions*, 241, 245–246, in *Intellectual Property and Private International Law—Heading for the Future* (Josef Drexel & Annette Kur eds., 2005) (“Two territorially restricted rights conflict in a global medium.”); Annette Kur, *Trademark Conflicts on the Internet: Territoriality Redefined?*, 175, 175, in *Intellectual Property in the Conflict of Laws* (Jürgen Basedow et al. eds., 2005); Josef Drexel, in *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, vol. XI, IntLautR para. 175 n. 563 (Franz Jürgen Säcker et al. eds., 6th edn., 2015) (“Es ging [in der Hotel Maritime-Entscheidung] nicht um eine Kollision der Rechtsordnungen (conflict of laws), sondern um eine Kollision von Rechten in verschiedenen Staaten (conflict of rights).”).

³⁰³ For the online context see, e.g., Torsten Bettinger & Dorothee Thum, *Territorial Trademark Rights in the Global Village—International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet*, 31 IIC 285, 290 (2000).

³⁰⁴ For the impasse of mutual blocking, see Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Forum on Private International Law and Intellectual Property, WIPO/PIL/01/4 (19 January 2001), para. 55–56.

³⁰⁵ Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Forum on Private International Law and Intellectual Property, WIPO/PIL/01/4 (19 January 2001), para. 54–57; Torsten Bettinger & Dorothee Thum, *Territorial Trademark Rights in the Global Village—International Jurisdiction, Choice of Law and*

II *Analysis: The Fata Morgana of Universal Policy*

The tendency toward globally uniform protection rules illustrates a somewhat paradoxical development. Whereas scholarship regarding the domestic context has sternly criticized the growing propertization of trademarks,³⁰⁶ it is surprisingly silent when it comes to the same development on the international plane. A large part of the debate is founded on the argument of an alleged need to dissolve territorial boundaries—and since dissolution comes with more protection for domestic right owners, it is a theory of transnational propertization. Indeed, a look at some of the single-governing-law theories has revealed a thinking historically known as the universality doctrine.³⁰⁷ A critique could go on at length, so I will focus on its major flaws.³⁰⁸ The following discussion will explore deficits concerning consistency, as well as legitimacy and practicality issues regarding the ad hoc promulgation of substantive norms.

Let us start with the most significant deficit: the concept of “[t]reating Cyberspace as a separate ‘space.’”³⁰⁹ It actually is impossible to distinguish between online and offline worlds. To be fair, of course, we must acknowledge that during the initial stages of the internet, the new medium’s actual real-world impetus was far from clear, and any prediction was necessarily based on assumptions. Today, however, the logical inconsistency of constructing parallel worlds of different applicable legal regimes is apparent, particularly in the field of trademark law. While there may be instances of online activities that do not have significant offline effects, the bulk of online communication and transacting exert a tangible influence on the offline world.³¹⁰ Even though domain names and other online uses of trademarks “exist operationally only on the

Substantive Law for Trademark Disputes on the Internet, 31 IIC 285, 287, 295 *et seq.*, 300–301 (2000).

³⁰⁶ For critical US theory on substantive trademark law, *see supra* p. 126–127.

³⁰⁷ *See supra* p. 21 *et seq.*

³⁰⁸ For an extended analysis, *see, e.g.*, Paul Schiff Berman, *The Globalization of Jurisdiction*, 151 U. Pa. L. Rev. 311, 370 *et seq.* (2002).

³⁰⁹ David R. Johnson & David Post, *Law and Borders—The Rise of Law in Cyberspace*, 48 Stan. L. Rev. 1367, 1379 (1996).

³¹⁰ *See, e.g.*, Jack L. Goldsmith, *Against Cyberanarchy*, 65 U. Chi. L. Rev. 1199, 1250 (1998); Jack L. Goldsmith, *The Internet and the Abiding Significance of Territorial Sovereignty*, 5 Ind. J. Global Legal Stud. 475, 476 (1998); Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 Mich. J. Int’l L. 799, 811 (1998); Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S. C. L. Rev. 695, 717 (1998); Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Forum on Private International Law and Intellectual Property, WIPO/PIL/01/4 (19 January 2001), para. 9. For a rejoinder to Goldsmith’s attack, *see* David G. Post, *Against “Against Cyberanarchy,”* 17 Berkeley Tech. L.J. 1365 (2002) (“I remain an unrepentant Exceptionalist.”).

Net,”³¹¹ the online use of protected names and designations influences real-world market transactions and consumer perception. After all, this is trademarks’ ultimate purpose. Trademarks are commercial communication, and commerce is a real-world phenomenon.

Furthermore, the concept of individual and self-contained “rights” in collision-of-rights theory smacks of circular reasoning. It implies a state-free, private, and unregulated area of trademark rights acquisition and use. But trademark rights, as well as entitlements granted under a regime of unfair competition law, are created neither apolitically nor by nonstate actors. Reliance on property rights always raises the question of who is the legal authority granting these rights. Accordingly, denying the relevance of national laws in creating individual entitlements inevitably risks eradicating the existence of such rights.³¹² In this light, it is clear that the international coexistence of different rights must remain a question of different national laws. Each state is free to adopt, within the confines of its obligations under public international law, the intellectual property system it sees fit. There is no *telle quelle* acknowledgment of foreign rights beyond these minimum obligations.³¹³ Necessarily, however, this means that nation-state policies need to be given regard to in conflicts analysis.

Similarly problematic is the disregard for state sovereignty. Neither under public international law nor under common law theory will a nation-state have the authority to create norms for the regulation of conflicts in *foreign* territories. Graeme W. Austin has characterized this kind of extraterritoriality as a disregard for other states’ “domestic self-determination.”³¹⁴ Domestic self-determination, he explains, refers to sovereign nations’ ability to establish and uphold their own intellectual property laws according to their local political, economic, and social

³¹¹ David R. Johnson & David Post, *Law and Borders—The Rise of Law in Cyberspace*, 48 *Stan. L. Rev.* 1367, 1380 (1996).

³¹² See also Andreas P. Reindl, *Choosing Law in Cyberspace: Copyright Conflicts on Global Networks*, 19 *Mich. J. Int’l L.* 799, 815 (1998) (“Efforts to localize infringing conduct on digital networks may be criticized for being too attached to conventional concepts of territorial laws and not sensitive enough for the non-territorial and extra-national nature of digital networks. This criticism, however, is not justified. Choice of law rules are merely the logical consequence of state-granted property rights.”).

³¹³ See Carl Ludwig von Bar, *Theorie und Praxis des Internationalen Privatrechts*, vol. II, comment 358, at 278 (2nd edn., 1889). Further also Frank Vischer, *Das IPR des Immaterialgüterrechts*, 363, 367, in *Kernprobleme des Patentrechts—Festschrift zum einhundertjährigen Bestehen des eidgenössischen Patentgesetzes* (Institut für gewerblichen Rechtsschutz (INGRES) ed., 1988).

³¹⁴ See, e.g., Graeme W. Austin, *Valuing “Domestic Self-Determination” in International Intellectual Property Jurisprudence*, 77 *Chicago-Kent L. Rev.* 1155, 1159–1160 (2002); see also Graeme W. Austin, *Social Policy Choices and Choice of Law for Copyright Infringement in Cyberspace*, 79 *Or. L. Rev.* 575, 597 *et seq.* (2000).

circumstances, as well as their relationships with other nations.³¹⁵ The international intellectual property system explicitly acknowledges the need to respect such a minimum of nation-state sovereignty.³¹⁶ Whereas this correlation seems to be better accepted in the context of copyright and patent protection, it has not been extensively analyzed in relation to trademark and unfair competition conflicts—an oversight due largely to the fact that trademark and unfair competition law is often explained as being more closely related to commerce than to cultural issues and information policy.³¹⁷ This perspective, however, overlooks the fact that social and cultural policies also underlie modern trademark regimes. Freedom of speech and parody with regard to trademark use are the most prominent examples.

In order to play down these technical-doctrinal defects, proponents of substantive law theory sometimes explain their approach as akin to the common law technique.³¹⁸ Yet this also cannot cover the lack of foundation. Indeed, Justice Holmes's oft-cited tenet on common law legitimacy powerfully contradicts such an unauthorized rule making by the courts: "The common law is not a brooding omnipresence in the sky, but the articulate voice of some sovereign or quasi sovereign that can be identified. . . . It always is the law of some state. . . ." ³¹⁹ This requirement of source legitimacy also applies to the promulgation of an international common law. No national court has the authority to create substantive rules for international trademark conflicts.

Finally, at the practical level, international substantivism is unlikely to take over in the near future due to a number of more mundane obstacles. Most generally, the theory faces a language problem: as of today, there is no juridical *lingua franca* that allows courts to construct and efficiently utilize a body of transnational common law. While such an endeavor may work in the context of Anglo-American and Commonwealth jurisprudence, the non-English-speaking world would be largely excluded. Furthermore, we must consider courts' general tendency to follow a homing trend and apply the rules that most closely resemble their

³¹⁵ Graeme W. Austin, *Valuing "Domestic Self-Determination" in International Intellectual Property Jurisprudence*, 77 Chicago-Kent L. Rev. 1155, 1160 (2002).

³¹⁶ See, e.g., the preamble to the TRIPS Agreement, which requires member states to provide "effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems."

³¹⁷ See, e.g., Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S. C. L. Rev. 695, 735 (1998).

³¹⁸ See, e.g., Friedrich K. Juenger, *Choice of Law and Multistate Justice* 193 (1993); Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. Pa. L. Rev. 469, 476 (2000).

³¹⁹ *Southern Pac. Co. v. Jensen*, 244 U.S. 205, 222 (1917).

domestic law.³²⁰ In other words, given the option of promulgating substantive rules based on a collection of national laws and international conventions, judges will very likely tend to replicate their own domestic systems. Finally, there is no unified court system linking domestic judicial systems. Even if courts embraced the “greater comparative thought” of promulgating new and inventive substantive law,³²¹ there is no authoritative body to guide domestic systems toward a uniform interpretation and application of such norms.

Section 7 The Rediscovery of International Comity

This overview of scholarly theories will conclude by exploring an approach that is neither the most innovative nor the most prominent suggestion in the field of trademark and unfair competition conflicts law. Nonetheless, this concept is important for several reasons. It combines aspects of civil law, common law, and substantive law theories with the distinct aim of internationalism. In fact, as a closer look unveils, this approach can help guide the way toward a modern comity-based conflicts law.

I The Comitas Approach

Christian Joerges is one of the proponents of what can be called a “modern comity (*comitas*) approach.” His suggestion, presented in 1972, resembles modern American interest analysis, though it is devoid of the preference for the *lex fori* that exists, for instance, in Currian and other neo-statutist theories on choice of law. With respect to unfair competition and trademark law, Joerges argued that the field can no longer be qualified as belonging entirely to either the private law or the public law domain.³²² While state and society seemed to have become somewhat separated in the mid-nineteenth century, the idea of an

³²⁰ For this problem, see, e.g., Gary B. Born, *A Reappraisal of the Extraterritorial Reach of U.S. Law*, 24 *Law & Pol’y Int’l Bus.* 1, 95 (1992).

³²¹ Graeme B. Dinwoodie, *International Intellectual Property Litigation: A Vehicle for Resurgent Comparativist Thought?*, 49 *Am. J. Comp. L.* 429, 445 (2001).

³²² Christian Joerges, *Die klassische Konzeption des internationalen Privatrechts und das Recht des unlauteren Wettbewerbs*, 36 *RabelsZ* 421, 422, 439 *et seq.*, 450–451 (1972). He was not alone in making this conclusion. See, e.g., Franz Kahn, *Die Lehre vom ordre public (Prohibitivgesetze)*, 161, 173, in *Abhandlungen zum internationalen Privatrecht*, vol. I (Otto Lenel & Hans Lewald eds., 1928) (“[E]in Gesetz wider den unlauteren Wettbewerb . . . [ist] gewiß im höchsten Maße zwingend, streng-positiv, sozial . . .”); Otto Mayer, *Die concurrence déloyale—Ein Beitrag aus dem französischen Rechte zur Lehre vom geistigen Eigentum*, 26 *Zeitschrift für das Gesamte Handelsrecht* 363, 434, 437 (1881); and also Wilhelm Wengler, *Law’s Concerning Unfair Competition and the Conflict of Laws*, 4 *Am. J. Comp. L.* 167, 184 (1955).

autonomous society and economy lost its justification toward the end of the century. Over time, state intervention led to an increasing entanglement of state, society, and economy—particularly in the field of trademark and unfair competition law.³²³ As revealed in chapters 1 and 2, the field thereby developed from an area of interparty relations into a sector of state regulation and intervention—notably in the interest of third parties and the public. It is thus not much of a surprise that courts have usually had a preference for domestic policies in international trademark and unfair competition conflicts.³²⁴ This also means that a true “choice” of law never came into play. Joerges even concluded that the traditional Savignian system of multilateral choice-of-law rules is virtually inept at accommodating international unfair competition conflicts.³²⁵ Accordingly, he further reasoned, harmony of decision making should no longer be seen as the primary aim. Rather, international comity should determine the legitimacy of conflict resolution.³²⁶ Technically, this means that the scope of application of a domestic regime will have to be defined on the basis of the policies of all national laws involved.³²⁷

II Analysis: A “Quadrature of the Circle”

As discussed earlier, the twentieth-century evolution of trademark and unfair competition law resulted in a distinct socialization and politicization of the field. In this regard, Joerges’s starting point can be verified. What remains to be analyzed, however, is whether his suggested method for international conflicts resolution is adequate and workable. To this effect, a critical look at the comity (*comitas*) approach helps formulate the relevant questions for the remaining chapters.

Above all—the issue of impracticality aside³²⁸—Joerges’s method of policy reconciliation and balancing in light of the *comitas* doctrine

³²³ Christian Joerges, *Die klassische Konzeption des internationalen Privatrechts und das Recht des unlauteren Wettbewerbs*, 36 *RabelsZ* 421, 435–437 (1972); see also Christian Joerges, *Vorüberlegungen zu einer Theorie des internationalen Wirtschaftsrechts*, 43 *RabelsZ* 6, 35–36 (1979). See also Alois Troller, *Unfair Competition* (ch. 34), no. 34–3, in *International Encyclopedia of Comparative Law*, vol. III, *Private International Law* (Kurt Lipstein et al. eds., 1980). For the general development, see *infra* p. 383 *et seq.*

³²⁴ See *supra* p. 53 *et seq.* and p. 159 *et seq.*

³²⁵ Christian Joerges, *Die klassische Konzeption des internationalen Privatrechts und das Recht des unlauteren Wettbewerbs*, 36 *RabelsZ* 421, 460–461 (1972).

³²⁶ *Id.* at 470 (“Gerechtigkeit in internationalen Beziehungen bedeutet in jedem Falle, daß *comitas* geübt werden muß.”).

³²⁷ *Id.* at 467 *et seq.* Methodologically and terminologically, Joerges founded his approach on Currie’s theory of interest analysis. Accordingly, he rejected a system of custom-made, preformulated, and uniform rules for conflicts resolution. See *id.* at 470 *et seq.*

³²⁸ Joerges himself was probably not convinced of the practicality of the *comitas* approach. See *id.* at 478.

provides a solid foundation for the reconceptualization of trademark and unfair competition conflicts law. Several aspects are important. First, with his description of substantive trademark and unfair competition law as an increasingly publicized and politicized regime of economic regulation, Joerges has set the stage for the necessary rejection of traditional theories contending that trademark and unfair competition law concern individual and private property rights only. As I will explore in more detail later, the publicization of private law across all its sectors has resulted in a general de-Savignization of choice of law.³²⁹ This particularly concerns trademark and unfair competition policies and therefore necessarily also affects choice of law. As I have illustrated in the preceding chapters and this one, conflicts law in the field is in a state of hybridity: at the center of the debate is the question whether international trademark protection and unfair competition prevention should be seen as a sector of international private law or as part of the domain of international economic law.

In addition, if Joerges is correct that Savigny's system has never been appropriate for trademark and unfair competition conflicts, the void must be filled. But the question is, by what? Joerges himself did not give a concrete answer. He did not provide much more than a general reference to the idea of *comitas*. In this respect, however, it is true that reconciling different nations' conflicting policies usually requires the proverbial "quadrature of the circle."³³⁰ This is due to the fact that, from its beginning in seventeenth-century Dutch scholarship, the doctrine of international comity has been ambiguous and unreliable as a practical guide for decision making.³³¹ Inevitably, therefore, mere reference to the doctrine cannot suffice to reconceptualize conflicts law in the field. What is required instead is a structure of internationally uniform guidelines for policy-oriented conflicts rules, notably with respect to a determination of the necessary minimum degree and intensity of effects. The conception of such a system will be the challenge for the remaining chapters.

Conclusions

An overview of the panoply of scholarship on both sides of the Atlantic reveals a large number of divergent strands. The multitude of conceptions

³²⁹ See *infra* p. 383 *et seq.*

³³⁰ See Franz Kahn, *Über Inhalt, Natur und Methode des internationalen Privatrechts*, 255, 318, in *Abhandlungen zum internationalen Privatrecht*, vol. I (Otto Lenel & Hans Lewald eds., 1928).

³³¹ For an overview, see, e.g., Tim W. Dornis, *Comity*, in *Encyclopedia of Private International Law* (Jürgen Basedow et al. eds., forthcoming 2017).

actually reflects many of the fundamental issues in modern choice of law and international economic law—not only in the sector of intellectual property but also in international antitrust and international torts conflicts doctrine.

Most generally, it has become evident that scholarly commentary on choice of law and conflicts law is regularly held captive by the theoretical constraints of substantive law doctrine. As demonstrated in chapters 1 and 2, the paradigm of trademark propertization has dominated substantive trademark and unfair competition law during the last two centuries in both Europe and the United States. Theoretical approaches to choice of law and conflicts resolution have accordingly been oriented along these lines. In European scholarship, the concept of strict trademark territoriality continues to be solidly implemented. While this concept's obsolescence has recently begun to be acknowledged, a comprehensive restructuring has yet to take place. Unfair competition conflicts, by contrast, have already been transformed into a more market-oriented approach. Despite this formal progress, however, the practical implementation of this new approach is still deficient. In particular, the approach is still predominantly based on obsolete concepts of a traditionally conduct-oriented tort doctrine. At the same time, the recent trend toward a universal doctrine of antitrust, trademark, and unfair competition conflicts resolution goes one step too far; this approach lacks a qualitative determination of relevant effects. A similarly large variety of contradictory approaches can be found in US law. In general, scholarly commentary and courts have always openly considered the issue of how domestic rights could be optimally protected in the international arena. This goal of extraterritorial protection has been coupled with the tendency to equate trademark and unfair competition law with the protection of other intellectual property. In this regard, the pendulum appears to have swung back. While Lanham Act subject-matter jurisdiction has evolved into an instrument of unilateral and extraterritorial domestic law application, scholarship has become increasingly aware of the problems of extraterritoriality. Notwithstanding these more cautious tendencies, the major current in American doctrine still focuses on the ideas of use-based trademark rights and the extension of domestic regulation in cross-border conflicts. A transnational *Tea Rose/Rectanus* doctrine, as established by *Steele v. Bulova*, is still present, not to say dominant. Despite this basis in common law doctrine, a modern effects test has been implemented, virtually equating international trademark cases with international antitrust conflicts. However, as with the German and European concepts, the quality and quantity aspects of effects testing have remained widely unresolved.

In sum, there is a need for key changes to conflicts law systems in Europe and the United States. Such modifications will not only allow for a consistent reconceptualization but also bring European and US doctrine into conformity with each other. Most fundamentally, we need to say farewell once and for all to traditional property rights and conduct-regulation paradigms of European trademark and unfair competition doctrine. Modern conflicts resolution must abandon the static concepts of “property” and “territorial conduct.” In their stead, market-place effects must be used as an indicator for the regulation of international commercial communication and transacting by means of conflicts law. Yet, over- and underregulation under an effects test can be avoided only by a clear delineation of different states’ effects-triggered regulatory regimes. What must therefore also stand at the center of a new approach is a qualitative and quantitative determination of effects’ relevance.

Against this backdrop, the roadmap for the rest of this book is set. Before I attempt to construct a consistent scheme for international trademark and unfair competition conflicts, I must undertake a deeper analysis of relevant policies—one that distinguishes between tort, intellectual property, antitrust, and trademark and unfair competition law. This will be the emphasis of the next chapter.