Trademarks in Cyberspace: The Pseudo-Abrogation of the Territorialty Principle

Chad J. Doellinger
Trademarks in Cyberspace:  
The Pseudo-Abrogation of the Territoriality Principle

Chad J. Doellinger*

I. Introduction.

"The Internet represents a revolutionary advance in communication technology. It has been suggested that the Internet may be the 'greatest innovation in speech since the invention of the printing press[.]' It allows people from all over the world to exchange ideas and information freely and in 'real-time.'" Thus, the Internet has eliminated all traditional boundaries and borders. Trademark law, on the other hand, is based on the principle of territoriality. In other words, two companies can use the same mark in geographically remote areas. As Professor McCarthy explains, "a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark." The tension between the Internet and trademark law is thus clear. How can territorial rights be respected in a medium that respects no boarders? What happens when a United States company and a foreign company, both with trademark rights in their respective countries, move online? This problem was summarized by one court several years ago: "The challenge for the courts is to recognize that the Internet has erased [the geographic] boundaries while still respecting both trademark rights and the limits of those rights." Courts and commentators alike have struggled with this challenge. Seduced by the novelty of the Internet and infatuated with cutting-edge "Internet law," long standing principles of trademark law have been shunned. One commentator, reacting to the Internet, recently proclaimed that "[d]ogmatic territoriality, when applied to intellectual property, ignores basic reality." He concluded that "the territorial model of trademark law in such a world is an anachronism." Given this conventional wisdom, it is no wonder that courts have struggled defining trademark rights within context of the Internet. This struggle is aptly illustrated in Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc., 939 F. Supp. 1032 (S.D.N.Y. 1996).

II. Territoriality Rejected:

Since 1967, Chuckleberry Publishing ("Chuckleberry") published a male sophisticated magazine in Italy under the name Playmen. In 1979, Chuckleberry announced its plans to publish a version of the magazine for the United States. Playboy Enterprises objected to the use of PLAYMEN, and in 1981, a United States court permanently enjoined Chuckleberry from using the word PLAYMEN within the United States. Playboy also sought and received similar injunctions in other countries including England, France and West Germany. Playboy tried, but failed, to obtain such relief in Italy. Thus, Chuckleberry's use of PLAYMEN was permissible in Italy.
Fifteen years after the injunction issued, Chuckleberry created an Internet web site located at <www.playmen.it>. This Italian web site contained images of the covers of the Italian magazine and other sexually explicit images. At the site, users had two options: PLAYMEN Lite and PLAYMEN Pro. The PLAYMEN Lite version allowed viewers to see moderately explicit images without paying or needing a password. Thus, anyone who visited PLAYMEN Lite (from any country) could view these images. The PLAYMEN Pro version was a more explicit version of PLAYMEN Lite and required a paid subscription. To obtain this service, a web user was required to fill out a form and then received a unique password from Chuckleberry.

The district court found that both versions of the Italian web site were in violation of its injunction and Playboy's United States' trademark rights. The court ordered that "[Defendant] must either shut down PLAYMEN Lite completely or prohibit United States users from accessing the site." If Chuckleberry attempted to screen United States' users in its PLAYMEN Lite version by requiring password access (analogous to the PLAYMEN Pro version), the court required near perfect accuracy: "If technology cannot identify the country of origin of e-mail addresses, these passwords and user IDs should be sent by mail. Only in this way can the Court be assured that United States users are not accidentally permitted access to PLAYMEN Lite." Thus, the court's order effectively required Chuckleberry to shut down its web site and prevent anyone, anywhere in the world, from viewing it, in spite of Chuckleberry's rights in Italy.

Ironically, the court cautioned that territoriality must not be ignored: "[Defendant] cannot be prohibited from operating its Internet site merely because the site is accessible from within one country in which its product is banned. To hold otherwise 'would be tantamount to a declaration that this Court, and every other court throughout the world, may assert jurisdiction over all information providers on the global World Wide Web.'" The court continued by stating that "[s]uch a holding would have a devastating impact on those who use this global service." Yet this is precisely what the court did.

The court determined that any possible access to defendant's Italian web site in the United States was a violation of the injunction and Playboy's trademark rights: "The PLAYMEN Internet site is widely available to patrons living in the United States. More to the point, anyone in the United States with access to the Internet has the capacity to browse the PLAYMEN Internet site, review, and obtain print and electronic copies of sexually explicit pages of PLAYMEN magazine." Thus, the court disregarded defendant's rights in Italy (and the fundamental limiting principle of United States trademark law) and granted Playboy a universal trademark, at least in the online world. The court attempted to distance itself from this necessary implication by once again paying lip service to the principle of territoriality: "While this Court has neither the jurisdiction nor the desire to prohibit the creation of Internet sites around the globe, it may prohibit access to those sites in this country." This is a distinction without a difference. Given the way the Internet operates, prohibiting a web site access in certain countries is the same as prohibiting the web site around the world.
To reach its conclusion, the Chucklebery Court had to sever ties with well-established principles of trademark law. It, too, was seduced by "cyberlaw." The novelty of the Internet does not require (or justify) a departure with the law. As one early court explained, "[s]ome of the evidence in this case strongly suggests that some companies operating in the area of the Internet may have a misconception that, because their technology is somewhat novel, they are somehow immune from the ordinary applications of laws of the United States . . . . They need to understand that the law's domain knows no such limits." Judge Easterbrook provided similar advice to courts: "[K]eep doing what you have been doing. Most behavior in cyberspace is easy to classify under current property principles."

III. Back to Business As Usual:

Although trademark disputes involving the Internet provide interesting new fact patterns, the underlying problems are not new at all. Territoriality has been at odds with the global nature of the world economy for the last fifty years. Thus, courts must resist the temptation to make law and instead use well-established common law principles of analogic reasoning to apply traditional brick-and-mortar law to cyberspace. Examining how courts have historically dealt with these problems will provide guidance on how to deal with these problems in the context of the Internet. Specifically, trademark law has evolved to accommodate this tension while maintaining the proper balance of rights and the limits on those rights. Thus, appealing to the jurisprudence relating to extraterritorial injunctions, spill-over advertising and permissible national advertising provides much needed clarity and direction. Applying these established solutions to traditional problems manifesting in a new context allows for the healthy development of trademark law and provide consistency in the law.

A. Extra-territorial Injunctions

Since a United States' court has the power to shut down activities outside of the United States, there is nothing per se improper with a district court prohibiting a web site originating in a foreign country as was done in Chuckleberry. This power was established in 1952, in Steele v. Bulova Watch Company. In Bulova, a United States court enjoined the defendant from engaging in infringing acts in Mexico. Courts have interpreted this holding as requiring three elements for an extra-territorial injunction to be proper: "(1) the defendant's conduct must have a substantial effect on United States commerce, (2) the defendant must be a United States citizen and (3) there can be no valid trademark registration in the foreign country and no conflict with trademark rights conferred by that foreign country." Thus, an extra-territorial injunction cannot stand absent a court's careful analysis of its power to issue such an injunction and a careful application of the Steele factors.

While courts possess this broad power, it should be exercised with caution. As one court explained, "[w]here . . . both parties have legitimate interests, consideration of those interests must receive especially sensitive accommodation in the international context." For example, in Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633 (2d
Cir. 1956), an American clothing manufacturer attempted to enjoin a Canadian retailer selling similar goods in Canada. The court dismissed the claim "because it was a Canadian corporation using a mark to which it held presumably valid trademark rights in Canada."24

The Chuckleberry court ignored the extraterritorial reach of its order and thus disregarded the Bulova standard. Because the context was slightly different, the court failed to realize the jurisprudence of extraterritorial injunctions is well-settled and fully developed. Had the court applied the Bulova standard and its progeny, it is unlikely Playboy would have been able to establish even a single one of the three factors. Chuckleberry was not a United States' citizen and defendant had rights outside in Italy. Moreover, the actual effect defendant's web site had on United States' commerce, and specifically plaintiff's rights, was assumed rather than proven.25 Thus, had the court carefully applied the Supreme Court's test in enjoining defendant, much of the apparent tension it experienced would have been resolved.

B. Spill Over Doctrine

The Chuckleberry court seemed bothered that some of defendant's advertising26 might reach an area in which it had no rights. Because defendant's Internet web site allowed for this possibility, the court determined that it necessarily violated Playboy's rights.27 Once again, this conclusion ignored well-established principles of trademark law. As Professor McCarthy explained, "[i]n today's economy, some 'spill-over' advertising from one nation to another is inevitable."28 Thus, "[t]he doctrine of territoriality demands that incidental spill-over of advertising from one nation to another be significant and substantial before it should be enjoined."29 The court failed to find that the effect of the PLAYMEN Lite web site was significant and substantial. In fact, the court did not even consider how many United States citizens accessed the web site.

In addition, the problem of spill-over advertising faced by the Chuckleberry court is nothing new. In fact, a court dealt with a nearly identical problem in the brick-and-mortar context almost a decade ago. In Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733 (2d Cir. 1994), the district court resolved the problem in much the same way as the Chuckleberry court. Defendant was enjoined from using its mark in the United States as well as abroad if that use might reach the United States. The Second Circuit, relying on traditional principles of trademark law, held that the injunction was too broad.

The Second Circuit Court explained: "In today's global economy, where a foreign TV advertisement might be available by satellite to U.S. households, not every activity of a foreign corporation with any tendency to create some confusion among American consumers can be prohibited by the extraterritorial reach of a District Court's injunction."30 Thus, "[i]n establishing the parameters of injunctive relief in the case of lawful concurrent users, a court must take into account the realities of the marketplace."31 The court suggested that the district court may require defendant "to take appropriate precautions against using the mark in international media in ways that might create confusion among United States consumers."32 While Sterling Drugs did
not involve the Internet, its insights regarding spill-over advertising and international media provide key insights lacking in Chuckleberry. The Sterling Drugs Court carefully balanced both parties' rights advocating "appropriate precautions" with regard to international media rather than an absolute bar with respect to such media.

Professor McCarthy warned of the dangers associated with attempting to eliminate all spill-over advertising: "An injunction by a U.S. court against trademark infringement triggered merely by 'spill-over' advertising would necessarily require the foreign company to stop all use of the mark because of the inevitability of spill-over in today's global economy. This would require a foreign corporation to cease, in that foreign nation, the use of a mark which is legally its property under the laws of that nation. Such an injunction would not only violate the principle of trademark territoriality by expanding United States trademark rights into foreign nations, but would also violate the principle of comity among the law of courts of different nations." This is precisely what happened in Chuckleberry. Playboy was unable to obtain its desired relief in Italy, yet the breadth of the injunction issued by the U.S. district court provided Playboy with much, if not all, of the relief it desired. Thus, the Chuckleberry Court violated the principle of trademark territoriality and the principle of comity.

C. Permissible National Advertising

In addition to spill-over advertising, courts will allow some advertising into territories where the senior user has no rights where permissible concurrent use is occurring. For example, in All Video, Inc. v. Hollywood Entertainment Corp., 929 F. Supp. 262 (E.D. Mich. 1996), the court permitted national advertising on the radio and in newspapers even though this would reach the territories in which the parties did not have rights. The court acknowledged that "there will be some confusion caused by radio and print advertising." The court justified its holding as consistent with the Lanham Act: "While we recognize that some consumer confusion may result because there will be some overlap in advertising, the Lanham Act does not require the complete elimination of all confusion." One court addressed an analogous situation in the Internet context. In Allard Enterprises, Inc. v. Advanced Programming Resources, Inc., 249 F.3d 564 (6th Cir. 2001), the court "decline[d] to affirm the district court's conclusion that an injunction prohibiting [plaintiff's] use of the mark in a specific geographic area necessarily precludes any use of the mark by [plaintiff] on the internet."

These holdings are in direct contrast to the holding in Chuckleberry. There, the court determined that, because defendant had no rights in the United States, defendant should be absolutely precluded from using any Internet web site accessible in the United States (which, of course, means any Internet web site at all). In so doing, the court disregarded fundamental principles of trademark law.

IV. Conclusion:

The Chuckleberry case is merely an example of the types of problems courts face in trying to enforce trademark rights on the Internet. The Internet has revolutionized the
way people interact, communicate and do business. Nevertheless, the legal problems created by the Internet are not necessarily new and thus do not warrant disregarding a well-developed body of law and replacing it with a new law of the Internet. Courts should avoid focusing on the novelty of the fact patterns. Instead, courts must proceed cautiously looking to the well-established intellectual property jurisprudence for guidance. For many years, courts have been dealing with the tension between territorial rights and the global market. While the Internet may have made this tension more apparent, courts should resist the urge to jettison established principles of trademark law and instead should continue to rely on the equitable solutions developed over the last fifty years to resolve these issues.

* J.D. Yale Law School, 2001. Mr. Doellinger is an attorney at the intellectual property law firm of Pattishall, McAuliffe, Newbury, Hilliard and Geraldson in Chicago.

1 Doe v. 2TheMart.com Inc., 140 F. Supp. 2d 1088, 1091 (W.D. Wash. 2001) (emphasis added) (international citation omitted) (citing Reno v. American Civil Liberties Union, 521 U.S. 844, 870 (1997)).

2 McCarthy on Trademarks, § 29.1.


5 Id. at 28.

6 The " .it" top-level domain name indicates that it is an Italian web site.

7 Chuckleberry, 939 F. Supp. at 1044.

8 Chuckleberry, 939 F. Supp. at 1045 n. 4.
9 It seems unlikely that those looking for free pornography on the Internet would be willing to provide a website provider with their home addresses and accurate contact information.

10 Chuckleberry, 939 F. Supp. at 1039.


12 Chuckleberry, 939 F. Supp. at 1035 (emphasis in original).


14 Cf. A.V. by Versace, Inc. v. Gianni Versace S.p.A., 87 F. Supp. 2d 281 (S.D.N.Y. 2000) (holding that "[a]s it does not appear that there is any practical alternative other than to require [defendant] to purge all references to the Infringing Marks throughout cyberspace, [defendant] must ensure that all references to [the infringing mark] that do not comply with [the] Order are removed from the Internet" in determining defendant's Italian web site located at <www.genesi.it> in violation of the court's order and plaintiff's United States trademark rights).


17 See Steele v. Bulova Watch Co., 344 U.S. 280 (1952) (deciding a dispute involving watches sold in Mexico from parts purchased in the United States and Switzerland).

18 See, e.g., 5 McCarthy on Trademarks, § 30:15.

20 4 McCarthy on Trademarks, § 29:58.

21 Id.

22 See Id. at § 29:60.

23 Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733, 747 (2d Cir. 1994).

24 Id. at 745.

25 The court's opinion contains no discussion of how many individuals in the United States have actually used the PLAYMEN Lite version of the web site.

26 The court determined that PLAYMEN Lite was merely an advertisement for its PLAYMEN Pro service. See Chuckleberry, 939 F. Supp. at 1044.


28 4 McCarthy on Trademarks, § 29:7.

29 Id. (emphasis added).
30 Sterling Drug, 14 F.3d at 747.

31 Sterling Drug, 14 F.3d at 747.

32 Sterling Drug, 14 F.3d at 747.

33 The Internet and web sites seem to fall squarely into the type of media the court was discussing.

34 McCarthy on Trademarks, § 27:9.

35 Chuckleberry, 939 F. Supp. at 1034.

36 All Video, 929 F. Supp. at 267.

37 Id. at 268.

38 Allard, 249 F.3d at 564.