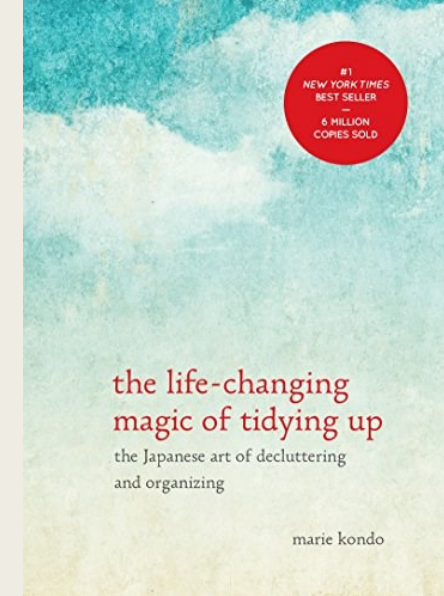


# KONDO-ING *STEELE V. BULOVA*



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# Steele: Effects Test for Extraterritorial Jurisdiction (1952)

“In the light of the broad jurisdictional grant in the Lanham Act, we deem its scope to encompass petitioner's activities here. His operations and **their effects** were not confined within the territorial limits of a foreign nation. He bought component parts of his wares in the United States, and spurious ‘Bulovas’ filtered through the Mexican border into this country; his competing goods could well reflect adversely on Bulova Watch Company's trade reputation in markets cultivated by advertising here as well as abroad.”

“For the United States is not debarred by any rule of international law from governing the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed.”

# Fast Forward: *Trader Joe's v. Hallatt* (9<sup>th</sup> Cir. 2016): Renegade Re-seller or Rebel Grocer?



# Zebra and/or Horse?

## Procedure v. Substance

12(b)(1) dismissal for lack of subject matter – reversed



12(b)(6) motion to dismiss for failure to state a claim - denied





# Effects Test(s)

- Substantial effect
  - *2d (Vanity Fair 1956)*
  - 6<sup>th</sup> (unpublished opinion 1998)
  - 11<sup>th</sup> (Hard Rock Café 2001)
- Significant effect
  - 1<sup>st</sup> (McBee 2005)
  - 3<sup>d</sup> (unpublished 2003)
  - 4<sup>th</sup> (Nintendo 1994)
- Some effect
  - 5<sup>th</sup> (American Rice 1983)
  - *9<sup>th</sup> (Wells Fargo 1977)*

# Merits and/or Jurisdiction?

*Arbaugh v. Y&H Corp.*  
(U.S. 2006) (Ginsburg, J.)

On the subject-matter jurisdiction/ingredient-of-claim for-relief dichotomy, this Court and others have been less than meticulous.

**Subject matter jurisdiction** in federal question cases is sometimes erroneously conflated with a plaintiff's need and ability to prove the defendant bound by the federal law asserted as the predicate for relief—a **merits-related determination**.

*Morrison v. National Australia Bank* (U.S. 2010)  
(Scalia, J.)

But to ask what conduct § 10(b) reaches is to ask what conduct § 10(b) prohibits, which is a **merits question**. **Subject-matter jurisdiction**, by contrast, “refers to a tribunal's ‘power to hear a case.’” . . . It presents an issue quite separate from the question whether the allegations the plaintiff makes entitle him to relief.”

# What Did the *Steele* Court Mean by “Jurisdiction”?

## ■ Multiple Bases for Original Jurisdiction of the Federal District Court

- 28 U.S.C. § 1338 (“any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks”)
- 28 U.S.C. § 1332 (*diversity of citizenship*)
- Section 39 of the Lanham Act (*“all actions arising under this chapter . . .”*)

## ■ Section 45 (“Construction and definitions; intent of chapter”)

- *“‘commerce’ means all commerce which may lawfully be regulated by Congress.”*
- *“The intent of this chapter is to regulate commerce within the control of Congress”*

*Prescriptive* Jurisdiction re: “in commerce”?  
OR  
*Adjudicative* Jurisdiction re: “arising under”?





Key language (*Trader Joe's* at 967):

“The constitutional source of [Congressional] authority is the same whether or not the alleged infringement implicates the extraterritorial scope of the Lanham Act: Congress can no more regulate intrastate, non-commercial possession of another’s mark . . . than trademark infringement that occurs entirely outside of the country’s borders.

# Law in Books

## 12(b)(1)

- Not on the merits (without prejudice)
- Case can be refiled (no preclusion)
- Can be raised at anytime (even on appeal)
- Trial judge can sometimes review evidence on contested facts
- Can be raised *sua sponte*
- No plausibility pleading required
- Must be dismissed in its entirety
- Implicates structural powers and federal power re: foreign relations

## 12(b)(6) or 56

- On the merits (with prejudice)
  - *District court in Steele had dismissed with prejudice*
- Case cannot be refiled (precluded) and cannot be raised after final judgment
- Facts taken as true or given to jury
  - *plausibility required per Twombly/Iqbal*
- Hearing and discovery possible
- Implicates federalism (federal/state balance) and judge/jury (balance in fact-finder)

# Law in Action

## ■ Jurisdiction or Merits? Circuit Split?

- *Dornis Database* (44 cases decided on motion to dismiss)
  - Cases decided on 12(b)(1): 29
  - Cases decided on 12(b)(6): 15
  - Cases raising both 12(b)(1) and 12(b)(6): 12
  - Cases granting one and denying other: 5
  - Cases decided on 56: 22

## ■ Effects Test: Circuit Split?

- *Second, Sixth, and Eleventh Circuits* = “substantial”
  - Accord Restatement (Fourth) of Foreign Relations § 402
    - “the extent to which the activity takes place within the territory, or has ***substantial, direct, and foreseeable effect upon or in the territory***”
- *First, Third, and Fourth Circuits* = “significant”
- *Fifth and Ninth Circuits* = “some”

# Effects Test for Extraterritorial Reach



“There is no more damning indictment of the . . . ‘effects’ tests than the Second Circuit's own declaration that ‘the presence or absence of any single factor which was considered significant in other cases . . . is not necessarily dispositive in future cases.’”

*Morrison v. National Bank of Australia* (U.S. 2010) at 258-59.

# The Ninth Circuit Version of “Effect”

## Original three *Timberlane* (1976) factors

Plaintiff must satisfy all three of the following elements:

- (1) the alleged violations must create **some effect on United States foreign commerce**;
- (2) the effect must be sufficiently great to present a cognizable injury to the plaintiffs under the Lanham Act; and
- (3) the interests of and links to U.S. foreign commerce must be sufficiently **strong in relation to those of other nations to justify an assertion of extraterritorial authority**.

## Comity factors (*Star-Kist* (9<sup>th</sup> Cir. 1985))

- [1] the degree of conflict with foreign law or policy,
- [2] the nationality or allegiance of the parties and the locations or principal places of business of corporations,
- [3] the extent to which enforcement by either state can be expected to achieve compliance,
- [4] the relative significance of effects on the United States as compared with those elsewhere,
- [5] the extent to which there is explicit purpose to harm or affect American commerce,
- [6] the foreseeability of such effect, and
- [7] the relative importance to the violations charged of conduct within the United States **as compared with conduct abroad**.

# Consequences: A “Glocal” Anti-Dilution Law that . . .

simultaneously expands  
transnational goodwill



and erodes the first sale  
doctrine?





# Conclusion:

## A Horse of a Different Stripe

