

DETERMINING WHERE THE CLAIM AROSE UNDER 28 U.S.C. § 1391(b) IN MULTI-STATE TRADEMARK INFRINGEMENT ACTIONS

Roy H. Wepner*

Judge William C. Conner's thoughtful 1974 opinion in *Honda Associates, Inc. v. Nozawa Trading, Inc.*¹ established a provident starting point for determining venue in multi-state trademark infringement actions. During the following five years, however, other courts twisted its analysis beyond recognition. While *Honda* held that a trademark infringement claim did not arise in a district, for purposes of venue, solely because thirty-seven dollars worth of infringing sales occurred within that district,² subsequent decisions found that venue could be sustained in numerous districts in which a nominal amount of infringing sales took place, one of which was invariably the district where the plaintiff resided.³ With the 1979 United States Supreme Court decision in *Leroy v. Great Western United Corp.*,⁴ this line of cases ceased being merely contradictory and confusing and became bad law. Construing the pertinent venue statute⁵ in a non-trademark context, the Court in *Leroy* held that the statute was not intended to provide venue at the plaintiff's residence or to give plaintiff a broad selection of different districts.⁶ On the contrary, the Court observed that only in an unusual case would a claim be deemed to arise in more than one district.⁷

Instead of abating inconsistent interpretations of the federal venue statute in trademark infringement cases, however, *Leroy* went unnoticed. Decisions since then have blithely ignored controlling precedent. This article will consider the curious anomaly of federal venue as it applies to trademark infringement actions and will suggest rules on how the issue should be decided.

* B.S.M.E., M.M.E., Rensselaer Polytechnic Institute; J.D., University of Pennsylvania. Associate, Lerner, David, Littenberg & Samuel, Westfield, New Jersey.

¹ 374 F. Supp. 886 (S.D.N.Y. 1974).

² See *id.* at 892.

³ See, e.g., *McDonald's Corp. v. Congdon Die Casting, Inc.*, 454 F. Supp. 145 (N.D. Ill. 1978). See *infra* notes 95-100 and accompanying text.

⁴ 443 U.S. 173 (1979).

⁵ 28 U.S.C. § 1391(b) (1976).

⁶ 443 U.S. at 184.

⁷ *Id.* at 185.

ACTIONS FOR TRADEMARK INFRINGEMENT

A trademark is "any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others."⁸ A service mark is "a mark used in the sale or advertising of services to identify the services of one person and distinguish them from services of others."⁹ The Lanham Trademark Act of 1946,¹⁰ and the regulations promulgated thereunder,¹¹ establish a comprehensive procedure for the federal registration of trademarks and service marks.¹²

Unauthorized use in commerce of a reproduction, counterfeit, copy, or colorable imitation of a registered trademark in connection with the sale of goods or services subjects the user to a civil action for infringement if the use is likely to confuse, cause mistake, or to deceive.¹³ With or without a federal trademark registration, one who has adopted and used a trademark may also bring an action against an infringer for common law trademark infringement and unfair competition.¹⁴ Additionally, under many circumstances, the same act of trademark infringement also constitutes a violation of section 43(a) of the Lanham Act.¹⁵ It has been said that in an action asserting all

⁸ 15 U.S.C. § 1127 (1976).

⁹ *Id.* Service marks are registrable and entitled to protection in the same manner as trademarks. *Health Indus., Inc. v. European Health Spas*, 489 F. Supp. 860, 866 (D.S.D. 1980); see 15 U.S.C. § 1053 (1976). Additionally, trademark and service mark infringement cases are governed by identical standards. *WMS, Inc. v. Bailey*, 297 F. Supp. 870, 872 n.1 (M.D. Tenn. 1969). No distinction is made hereinafter between trademarks and service marks.

¹⁰ 15 U.S.C. §§ 1051-1127 (1976).

¹¹ 37 C.F.R. §§ 2.21-.187 (1981).

¹² For a detailed discussion of the federal registration of marks, see I J. McCARTHY, *TRADEMARKS AND UNFAIR COMPETITION* § 19, at 653-752 (1973).

¹³ 15 U.S.C. § 1114(1) (1976).

¹⁴ Unfair competition has been defined as the diversion of customers by one representing his goods as those of another. *Yale Electric Corp. v. Robertson*, 26 F.2d 972, 973 (2d Cir. 1928). A finding of trademark infringement necessarily constitutes a finding of unfair competition. *Grotian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinweg & Sons*, 365 F. Supp. 707, 721 (S.D.N.Y. 1973), *modified on other grounds*, 523 F.2d 1331 (2d Cir. 1975).

¹⁵ 15 U.S.C. § 1125(a) (1976). This statute provides:

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or

three claims "it appears to matter little under which legal theory plaintiff proceeds."¹⁶

The federal courts are vested with subject matter jurisdiction over actions arising under the trademark laws, both by the Lanham Act itself¹⁷ and the Judicial Code.¹⁸ However, unlike actions arising under the patent and copyright laws, in which federal jurisdiction is exclusive, state courts have concurrent jurisdiction over trademark cases.¹⁹ While there are special venue statutes for patent²⁰ and copyright cases,²¹ there is no similar statute for trademark cases. Thus, they are governed by the general venue laws.²²

THE GENERAL VENUE STATUTE

Venue relates not to the court's adjudicatory power, but rather to the proper place where the adjudicatory power is to be exercised.²³ The concept is "oriented around the convenience of the litigants and the court system."²⁴ Interpretation of federal venue statutes is a matter of federal law,²⁵ and the burden of proving that venue is proper is on the plaintiff.²⁶

by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

Id. It has been interpreted as granting "relief against that kind of unfair competition which is analogous to the misappropriation or misuse of trade names or trademarks." *Geisel v. Poynter Prods., Inc.*, 283 F. Supp. 261, 267 (S.D.N.Y. 1968). A federal registration is not a prerequisite for a section 43(a) claim. *DCA Food Indus. v. Hawthorn Melody, Inc.*, 470 F. Supp. 574 (S.D.N.Y. 1979).

¹⁶ *Polo Fashions, Inc. v. Extra Special Prods., Inc.*, 451 F. Supp. 555, 558 (S.D.N.Y. 1978).

¹⁷ 15 U.S.C. § 1121 (1976).

¹⁸ 28 U.S.C. § 1338 (a) (1976).

¹⁹ *Id.* The section contains the jurisdictional rules for those actions. It states:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

Id.

²⁰ *Id.* § 1400(b).

²¹ *Id.* § 1400(a).

²² *Sugar Beet Prod. Co. v. Supply Co.*, 198 U.S.P.Q. 566 (S.D.N.Y. 1977).

²³ See generally C. WRIGHT, *HANDBOOK OF THE LAW OF FEDERAL COURTS* § 42 at 149-59 (1970).

²⁴ *Jones v. United States*, 407 F. Supp. 873, 876 (N.D. Tex. 1976); see *Nierbo v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165, 167-68 (1939).

²⁵ *McDonald's Corp. v. Congdon Die Casting Co.*, 454 F. Supp. 145, 147 (N.D. Ill. 1978). This is, of course, true with respect to interpreting the phrase "claim arose," the subject of this article. *Leroy*, 443 U.S. at 183 n.15; *Commercial Lighting Prods., Inc. v. United States District Court*, 537 F.2d 1079 (9th Cir. 1976).

²⁶ *National Distillers & Chem. Corp. v. Department of Energy*, 487 F. Supp. 34, 37 n.9 (D. Del. 1980); *Besuner v. Faberge, Inc.*, 379 F. Supp. 278, 280 (N.D. Ohio 1974); *Ryan v. Glenn*,

The first three subsections of section 1391 of Title 28 of the United States Code, sometimes referred to as the "general venue statute," read as follows:

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside, or in which the claim arose.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, or in which the claim arose, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.²⁷

Subsection (a) essentially concerns pure diversity cases. It affords the widest possible choice of venues, in that suit may be brought not only where all the defendants reside or where the claim arose, but also in a district where all plaintiffs reside. Thus, for example, in a simple two-party personal injury case, a plaintiff may bring suit in his home district if he can obtain personal jurisdiction over the defendant in that district.

Subsection (b) covers cases in which jurisdiction is not based solely on diversity of citizenship, including federal question cases. Venue in such cases is much more limited than in diversity cases, because the option of bringing suit in the district where all plaintiffs reside is not available. Actions for trademark infringement are governed by section 1391(b), at least to the extent that they involve claims of infringement of a federally registered trademark or violation of section 43(a) of the Lanham Act.²⁸

52 F.R.D. 185, 192 (N.D. Miss. 1971). *But see* United Rubber, Cork, Linoleum & Plastic Workers v. Lee Rubber & Tire Corp., 269 F. Supp. 708, 715 (D.N.J. 1967), *aff'd*, 394 F.2d 362 (3d Cir.), *cert. denied*, 393 U.S. 835 (1968).

²⁷ 28 U.S.C. § 1391(a)-(c) (1976).

²⁸ Although a definitive decision cannot be found, it would seem that a plaintiff who owns a federal registration could voluntarily limit his claim to common law trademark infringement and unfair competition and, assuming diversity to be present, lay venue in his own residence under section 1391(a). An instructive analogy may be drawn to removal cases. In that context, it has been held that a plaintiff may, in his complaint, determine whether his claim is based upon federal law or limited to state law; in the latter situation, the plaintiff may defeat removal under 28 U.S.C. § 1441 (1976). *See* Vitarroz Corp. v. Borden, Inc., 644 F.2d 960, 963-965 (2d Cir. 1981). Assuming that a trademark owner has a registration, the reasons for litigating close to home would have to be particularly strong to induce the plaintiff to forego asserting its registration. It would have to give up numerous benefits of registration, including constructive notice, 15 U.S.C. § 1072 (1976), and the prima facie evidence of its exclusive right to use the mark. *Id.* §

Subsection (c) is a definitional section for purposes of determining where a corporate defendant resides within the meaning of subsections (a) and (b). It is well established that subsection (c) is not a separate venue provision which renders subsections (a) and (b) inapplicable, and the seeming limitations of subsection (c) are not read into the other subsections of section 1391.²⁹

Prior to 1966, subsections (a) and (b) did not include the language "or in which the claim arose." This language was added to close certain "venue gaps" which previously existed.³⁰ As the United States Supreme Court described the amendment:

There have been, and perhaps there still are, occasional gaps in the venue laws, i.e., cases in which the federal courts have jurisdiction but there is no district in which venue is proper. One such gap arose in connection with cases involving multiple plaintiffs and defendants. Venue was fixed at the residence of the defendant, or in diversity cases at the residence of the plaintiff as well. When there were multiple plaintiffs or defendants, the district of residence for venue purposes was the district where *all* plaintiffs or *all* defendants reside. . . . If they resided in different districts then there was no proper venue. In 1966 Congress acted to close the gap with a provision authorizing suit where "the claim arose," . . . which in most cases provides a proper venue even in multiple-party situations. The development supports the view that Congress does not in general intend to create venue gaps, which take away with one hand what Congress has given by way of jurisdictional grant with the other. Thus, in construing venue statutes it is reasonable to prefer the construction that avoids leaving such a gap.³¹

Because trademark infringement actions are governed by section 1391(b), venue is only proper in a district in which all defendants reside or in which the claim arose. This article will examine how the "claim arose" provision has been construed and misconstrued in trade-

1115 (a). Large companies with world-famous marks might well be able to prove infringement without these benefits, but such plaintiffs could well afford the added expense of litigating at the defendant's residence. Where a plaintiff has no registration and his only possible federal claim is under section 43 (a) of the Lanham Act, the scales might well tip in the direction of asserting state law claims only and laying venue at the plaintiff's residence.

²⁹ *Campbell v. Triangle Corp.*, 336 F. Supp. 1002 (E.D. Pa. 1972); *A.P. Green Refractories Co. v. Peerless Boiler & Eng. Co.*, 303 F. Supp. 275 (E.D. Mo. 1969).

³⁰ See 1 J. MOORE, W. TAGGART & J. WICKER, *MOORE'S FEDERAL PRACTICE* ¶ 0.142 (5-2) (2d ed. 1976).

³¹ *Brunette Mach. Works, Ltd. v. Kockum Indus.*, 406 U.S. 706, 710 n.8 (1972) (emphasis in original). The *Brunette* decision concerned the applicability of section 1391(d), a provision that the Court held subjects aliens to suit, regardless of the cause of action, in any district. 406 U.S. at 714.

mark cases. The cause of the problem addressed by this article is not, however, ambiguity in the venue statute. It is probably no worse than most. The root of the problem, of course, is forum shopping. In trademark cases, as in many other cases, plaintiffs simply do not wish to bring suit where the defendant resides if that happens to be a distant court. They invariably prefer to bring suit where they or their counsel reside. If that happens to be the district where the defendant resides, all is well and good. Otherwise, plaintiffs not only have to shop for a forum, which is virtually always their "home court," but they must also search for a colorable venue argument. Since trademark infringers seldom limit their activities to a single state, infringing goods often find their way into many different judicial districts. In one instance, a California company utilizing the same trademark as a New York concern shipped three karate and judo uniforms to New York. The confusion caused by the infringement was nothing compared with the ultimate chaos in the state of the law of venue for the next five years.

THE HONDA CASE

In *Honda Associates, Inc. v. Nozawa Trading, Inc.*,³² the New York plaintiff, owner of a registration for the trademark TOKAIDO for karate and judo uniforms, brought suit in the District Court for the Southern District of New York against a California company using the same trademark on similar goods. Although the vast bulk of the allegedly infringing activities occurred in California, during a five year period twenty catalogs featuring the accused trademark entered the State of New York³³ in response to mail requests which were primarily generated through advertisements in a national magazine.³⁴ Eventually, this resulted in three mail orders, having a total retail value of thirty-seven dollars, for allegedly infringing articles. These sales represented 1/100 of 1% of the defendant's martial art sales and 1/300 of 1% of its total sales. The defendant, which had no other presence in New York, moved to dismiss the complaint for lack of personal jurisdiction and improper venue.³⁵

Judge Conner, a former practicing patent and trademark attorney, first considered the question of personal jurisdiction. The court

³² 374 F. Supp. 886 (S.D.N.Y. 1974).

³³ The State of New York has four federal judicial districts. 28 U.S.C. § 112 (1976). The *Honda* decision fails to distinguish between activities within the state and activities within the district.

³⁴ 374 F. Supp. at 888.

³⁵ *Id.*

relied upon *Vanity Fair Mills, Inc. v. T. Eaton Co.*³⁶ for the proposition that in trademark infringement cases the wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs.³⁷ Judge Conner then held that the defendant's mail-order operations in New York fell within the plain and precise meaning of that portion of the New York long-arm statute³⁸ which grants jurisdiction over a non-domiciliary who commits a tortious act within the state.³⁹ Because that statute required no specified level of activity, but merely that some damage be sustained by the plaintiff as a result of the defendant's tortious act, Judge Conner found personal jurisdiction over the defendant.⁴⁰

Examining next the proper venue, the judge first concluded that the defendant was not incorporated or licensed to do business or actually doing business⁴¹ in New York under section 1391(c).⁴² He then turned to the plaintiff's argument that the claim arose within the Southern District of New York because the defendant, through magazine advertisements and catalogs, had offered infringing goods for sale and had received and filled mail-orders from customers within the district. Judge Conner set out the question for decision as "whether the words 'the claim' in subsection (b) means the *largest part* of the claim, a *substantial part* thereof, or *any part* thereof."⁴³ He observed that if the plaintiff's argument were correct, a trademark infringer could be sued in any district into which it had shipped goods or sales literature bearing the infringing mark to a customer or prospective customer.⁴⁴ After reviewing the authorities at hand, he concluded that if the 1966 amendment had been intended to drastically expand venue as the plaintiff suggested, it appeared unlikely that

³⁶ 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

³⁷ *Id.* at 639.

³⁸ N.Y.Civ. PRAC. LAW § 302(a)(2) (McKinney 1972).

³⁹ 374 F. Supp. at 889.

⁴⁰ *Id.*

⁴¹ The most frequently cited test for "doing business" under the general venue statute was set forth in *Remington Rand, Inc. v. Knapp Monarch Co.*, 139 F. Supp. 613 (E.D. Pa. 1956):

[A] corporation will be held to be 'doing business' for purposes of § 1391(c) if its activities within the district are such that its business has become localized and is an operation within the district so that some state would probably require the foreign corporation to be licensed as a condition precedent to doing that business.

Id. at 620-21 (footnotes omitted); *see also* *Papercraft Corp. v. Procter & Gamble Co.*, 439 F. Supp. 1060, 1063 (W.D. Pa. 1977).

⁴² 374 F. Supp. at 890.

⁴³ *Id.* (emphasis in original).

⁴⁴ *Id.* at 891.

Congress would have done so without comment, or that courts would have been silent about it during the previous seven years.⁴⁵

In the absence of any meaningful precedent in trademark cases, Judge Conner turned to antitrust cases, most particularly *Philadelphia Housing Authority v. American Radiator & Sanitary Corp.*⁴⁶ In that case, which involved an alleged conspiracy to fix prices, the plaintiff urged that based on section 1391(b) the action could be maintained in any district in which the defendant had sold plumbing fixtures to the plaintiff at a price which had been raised by the alleged conspiracy.⁴⁷ To determine venue, the *Philadelphia Housing Authority* court employed a "weight of the contacts" test⁴⁸ and ruled that for purposes of section 1391(b) the claim arose in the district where the defendant's contacts had been most significant, not in all the districts in which sales had occurred.⁴⁹ In light of this precedent, Judge Conner found that the weight of contacts was overwhelmingly in California so he transferred the *Honda* case to the Central District of California.⁵⁰ He carefully circumscribed this decision by stating that in trademark cases the "weight of contacts" rule should not be applied "so literally as to exclude suit in any district other than the one where the greatest volume of infringing activity occurred."⁵¹ He further warned that he was holding "only that the claim should not be deemed to have arisen in a district in which the defendant has had only miniscule contact, and that entirely by mail."⁵² The opinion carefully stated that the section 1391(b) right to sue "in any district 'in which the claim arose' was not the right to sue where any part of the claim, however small, arose."⁵³ He did not need to decide, and did not decide, which of the

⁴⁵ *Id.*

⁴⁶ 291 F. Supp. 252 (E.D. Pa. 1968).

⁴⁷ *Id.* at 259.

⁴⁸ The court stated:

It is submitted that 'where the claim arose' should be dependent upon where the contacts weigh most heavily. A 'weight of the contacts' test would enable venue to exist in a district where the injury occurred, if significant sales causing substantial injury were made to plaintiffs there by defendants. If some other overt act pursuant to the conspiratorial meetings took place in a district and it was a significant and substantial element of the offense, then venue would lie in that district, as set forth above in the hypothetical, venue would not lie there. Similarly, if a meaningless and insignificant meeting of the conspirators took place in a certain district, venue would not exist there either.

Id. at 260-61.

⁴⁹ *Id.* at 262.

⁵⁰ 374 F. Supp. at 892.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

other two possible meanings was correct: the largest part of the claim or a substantial part of the claim.⁵⁴

Ironically, on the very same day that *Honda* was decided, Judge Walter Stapleton of the District of Delaware decided *Scott Paper Co. v. Scott's Liquid Gold, Inc.*,⁵⁵ and reached a very different conclusion in a much more difficult case. Although the defendant, a Colorado corporation, in *Scott Paper* had no particular presence in Delaware, it had marketed and advertised the allegedly infringing product "Scott's Liquid Gold" both nationally and in that state. The plaintiff was a Pennsylvania corporation.⁵⁶ Judge Stapleton determined that for purposes of section 1391(b) the claim arose in the District of Delaware.⁵⁷ Turning aside the defendant's argument that the allegedly infringing sales were by defendant's customers and not by defendant itself, the court denied the defendant's motion to dismiss.⁵⁸

Scott Paper was a more difficult case than *Honda*. In *Honda*, the vast bulk of the infringing sales took place in California and a truly miniscule portion took place in New York. By contrast, in *Scott Paper*, there was apparently an exceptionally large volume of allegedly infringing business done on a national level, spread uniformly around the country. Since Delaware is a small state, one would expect its share of infringing sales to be commensurately small. However, Judge Stapleton commented that the possibility of infringement having occurred elsewhere did not change the fact that injury took place in Delaware. This suggests that perhaps he would have decided *Honda* the other way.⁵⁹

As will be shown, the *Scott Paper* decision attracted relatively little following, and *Honda* became the starting point for practically all trademark cases involving questions of venue. Unfortunately, the

⁵⁴ *Id.* Judge Conner also noted that he was not depriving plaintiff of any substantive rights, but was merely forcing the plaintiff into another district where a much greater volume of the allegedly infringing business had been conducted. *Id.*

⁵⁵ 374 F. Supp. 184 (D. Del. 1974).

⁵⁶ *Id.* at 185-86. It may seem odd that *Scott Paper* chose to sue in Delaware. However, *Scott Paper*'s headquarters is located at the Philadelphia International Airport, from which it is roughly as easy to reach Wilmington, Delaware as it is to reach the Federal Courthouse in center city Philadelphia.

⁵⁷ *Id.* at 189-90. Judge Stapleton's reasoning was as follows: "Injury to the owner of a mark occurs when its name is confused with that of the alleged infringer. Such confusion, if it exists in this case, clearly occurred in the state of Delaware. That it may have occurred elsewhere does not change this fact." *Id.* at 190.

⁵⁸ *Id.*

⁵⁹ It may well be that the defendant in *Scott Paper* was "doing business" in Delaware under section 1391(c). The court expressly declined to consider this question, since it found venue proper under the "claim arose" provision. *Id.* at 189-190.

Honda decision was misinterpreted by other judges early on and any resemblance between the "rules" now being applied and Judge Conner's actual holding in *Honda* has become truly coincidental.

FROM *HONDA* TO *HINDU* AND BEYOND

*Tefal, S.A. v. Products International Co.*⁶⁰ was the first trademark infringement case involving the "claim arose" issue decided after *Honda* and *Scott Paper*, and is the only case in which the issue was passed upon by an appellate court. Perhaps for this reason it has been cited frequently. Nevertheless, the Court of Appeals for the Third Circuit misread *Honda* and, in doing so, spawned years of mischief in other courts.

The plaintiffs in *Tefal*, a French corporation and a New Jersey corporation, brought suit in the District of New Jersey against a partnership consisting of two California corporations and its general manager. As found by the district court, the allegedly infringing products had been promoted in five areas, including Michigan, California, Colorado, and New York-New Jersey.⁶¹ The New Jersey sales amounted to approximately five percent of the defendants' national sales.⁶² Additionally, the defendants conducted live in-store demonstrations of their products within the District of New Jersey.⁶³ The district court cited the *Honda* case as adopting the "weight of contacts" theory, which was said to provide that the claim must be deemed to have arisen in a district where the defendant's contacts are most significant or at least substantial. It took note of Judge Conner's limiting language that the weight of contacts rule should not be applied so strictly as to exclude suit in all but the district of greatest infringing sales and ruled that the defendant's activities in New Jersey were substantial enough to "confer venue"⁶⁴ on the court even under the *Honda* ruling.⁶⁵ However, the court recognized that there was

⁶⁰ 529 F.2d 495 (3d Cir. 1976).

⁶¹ 186 U.S.P.Q. (BNA) 545, 546 (D.N.J. 1975), *aff'd*, 529 F.2d 495 (3d Cir. 1976). It is difficult to tell from the opinions whether "New York-New Jersey" was considered one or two of the given geographical areas.

⁶² It is unclear from the district court's opinion whether the five percent figure represents the defendants' New Jersey sales of allegedly infringing goods or all goods. The court of appeals opinion treated the figures as applying to allegedly infringing goods. 529 F.2d at 496.

⁶³ 186 U.S.P.Q. (BNA) at 546, *aff'd*, 529 F.2d 495 (3d Cir. 1976).

⁶⁴ As a matter of semantics, the use of terms such as "confer venue" and "lack of venue" which appear in *Tefal* and other opinions is somewhat improper and illustrates the difficulty which some courts have in distinguishing between venue and jurisdiction. While those terms are appropriate for jurisdiction, they really are not as to venue. Compare FED. R. Civ. P. 12(b)(1) (lack of jurisdiction over subject matters) and FED. R. Civ. P. 12(b)(2) (lack of jurisdiction over the person) with FED. R. Civ. P. 12(b)(3) (improper venue).

⁶⁵ 186 U.S.P.Q. (BNA) at 547, *aff'd*, 529 F.2d 495 (3d Cir. 1976).

substantial difference of opinion as to whether five percent of national sales was sufficient to support venue under the weight of contacts test and even as to whether that test itself was appropriate. It thus certified the question for an interlocutory appeal.⁶⁶

On appeal the Court of Appeals for the Third Circuit acknowledged defendants' argument that a far greater percentage of their business in the relevant articles took place in California than in New Jersey, but found no evidence in the record of the actual value of the sales in each state.⁶⁷ Noting that the defendants' agents gave live sales demonstrations in New Jersey, the court inferred that the defendants sold substantial amounts of the allegedly infringing product in the state and concluded that venue was proper.⁶⁸ The court then stated: "If we assume the applicability and soundness of the 'more than miniscule' test of *Honda* . . . , *a fortiori*, that test has been more than satisfied on this record."⁶⁹ However, as discussed above,⁷⁰ *Honda* did not establish that "more than miniscule" was sufficient for venue; it only held, in essence, that miniscule or less was insufficient. The Court of Appeals, referring to *Scott Paper*, declined to pass upon the plaintiff's alternative contention that any passing off in a district establishes venue.⁷¹ This, too, was a somewhat unfortunate characterization because *Scott Paper* apparently involved quite substantial sales in Delaware.

The next case of interest⁷² is *Transamerica Corp. v. Transfer Planning, Inc.*,⁷³ in which the defendant, a consulting firm which had yet to obtain a paying client, was located in New Jersey. It sent out approximately 5,000 brochures containing an allegedly infringing trademark, of which 100 to 200 were directed to New York State. It also placed an ad in newspapers which were sold in New York City. Plaintiff brought suit in the Southern District of New York.⁷⁴ As in *Honda*, the court found that personal jurisdiction over the defendant existed.⁷⁵ Turning then to venue, the court stated that the 1966

⁶⁶ *Id.*

⁶⁷ 529 F.2d at 496.

⁶⁸ *Id.* at 496-97.

⁶⁹ *Id.* at 497.

⁷⁰ See *supra* text accompanying notes 50-54.

⁷¹ 529 F.2d at 497.

⁷² *Idaho Potato Comm'n v. Washington Potato Comm'n*, 410 F. Supp. 171 (D. Idaho 1975), was decided between the two *Tefal* decisions. Unlike the other cases discussed herein, this confusing opinion is merely a decision on a motion to transfer an infringement action from Idaho to Washington. The court, however, cited *Honda* in connection with the balancing of contacts, but concluded that it offered "very little guidance." *Id.* at 176.

⁷³ 419 F. Supp. 1261 (S.D.N.Y. 1976).

⁷⁴ *Id.* at 1262.

⁷⁵ *Id.*

amendment to section 1391(b) "should not be interpreted to find venue in any of the multiplicity of districts in which some part of an alleged wrong, however small, took place."⁷⁶ Such an interpretation in trademark litigation, the court noted, could establish venue in practically every district in the country.⁷⁷

In *Transamerica*, Judge Lasker found the decision in *Honda* persuasive because under that approach section 1391(b) permits, at most, the right to sue only in a district where a substantial part of the claim arose.⁷⁸ Concluding that the defendant's contact with New York had been miniscule, he held venue to be improper and transferred the case to the District of New Jersey.⁷⁹ Since none of the defendant's employees had ever entered the state for business purposes and the defendant had not earned a penny from its New York solicitations, the case was readily distinguishable from *Scott Paper* and *Tefal*.⁸⁰ The plaintiff argued, however, that because the defendant had no sales at all, two to five percent of its mailings should suffice under the *Tefal* test. Unmoved by this argument, Judge Lasker countered that in *Tefal* the court inferred that five percent of sales accounted for substantial dollar amounts. He also regarded as questionable the plaintiff's assumption that the measure of contact should be based upon relative portions rather than absolute amounts.⁸¹

In *Sugar Beet Products Co. v. Supply Co.*,⁸² suit was again brought in the Southern District of New York. The defendants were a Massachusetts company and a New York company. The case was thus one in which a potential venue gap might have existed but for the "claim arose" provision.⁸³ The New York defendant had about

⁷⁶ *Id.* at 1263.

⁷⁷ *Id.* The court found the rationale of *Scott Paper* and other cases "questionable." *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.* at 1263-64. Another case decided in the Southern District of New York was a virtual re-run of *Honda*. In *Metropa Co. v. Choi*, 458 F. Supp. 1052 (S.D.N.Y. 1978), the defendant had its only premises in California. It did no advertising or solicitation in New York, and it had only sold two allegedly infringing wigs to a dealer in New York at a price of \$28.99. Judge Weinfeld held that venue was not proper "in any of the several districts where part of the claim arises." *Id.* at 1055. He refused, however, to adopt a rule that the claim arises only where the contacts have been more substantial than in any other district. Because the contract was miniscule, he held venue to be improper. *Id.*

⁸⁰ 419 F. Supp. at 1263.

⁸¹ *Id.*

⁸² 198 U.S.P.Q. (BNA) 566 (S.D.N.Y. 1977).

⁸³ *Id.* at 567. Indeed, Judge Tenney noted that the action could not be brought against the New York company in Massachusetts. *Id.* In discussing the problems encountered by applying the "claim arose" provision in a trademark infringement action in which an item has been offered for sale in many judicial districts, the court stated that requiring a party to defend itself in every district in which the item was sold, regardless of the volume or significance of the sale, would run counter to the basic purpose of the venue statute. *Id.*

\$100,000 in total sales of the allegedly infringing item during the last fiscal year, while the Massachusetts defendant did business in New York through distributors, one of which was the New York defendant. Judge Tenney found this to be much more than the miniscule contact between the trademark infringement claim and the forum in *Honda*.⁸⁴ Additionally, the court observed that the New York sales might prove to be a substantial part or even the largest part of the claim once the full figures were known.⁸⁵

The *Sugar Beet* decision certainly cannot be faulted since the facts suggested at least the possibility that the largest portion of the claim on a quantitative basis arose in New York.⁸⁶ Moreover, it stands for the important proposition, which no other court seems to have grasped either previously or subsequently, that in trademark cases where there would otherwise be a venue gap, the court should resolve doubts in favor of the plaintiff so as to effectuate the purpose of the 1966 amendment.⁸⁷

⁸⁴ *Id.*

⁸⁵ *Id.* at 567-68. Judge Tenney specially noted the presence of the New York defendant because the 1966 amendment sought to avoid the problem which would occur if corporations which resided in different states could only be sued where they resided. He ruled that the disparate residences of the defendants, a factor which was not present in *Honda* or *Tefal*, gave additional support to the finding that venue was proper in the Southern District. Otherwise, there would be the type of venue gap which the 1966 amendment sought to fill. *Id.* at 568.

⁸⁶ *Id.* at 567-68.

⁸⁷ See *infra* notes 203-07 and accompanying text. Shortly after the *Sugar Beet* decision, Judge Tenney decided two additional cases involving the "claim arose" provision, *Factors Etc., Inc. v. Creative Card Co.*, 444 F. Supp. 279 (S.D.N.Y. 1977) (*Factors I*), and *Factors Etc., Inc. v. Pro Arts, Inc.*, 444 F. Supp. 288 (S.D.N.Y. 1977), *aff'd*, 579 F.2d 215 (2d Cir. 1978), *cert. denied*, 440 U.S. 908 (1979) (*Factors II*). These cases did not allege trademark infringement, but were brought under the common law right of publicity of Elvis Presley which had purportedly been assigned to the plaintiffs. The defendants in each case were sued for selling merchandise bearing Presley's image. Jurisdiction was based on diversity of citizenship. Because the plaintiffs were apparently residents of Delaware and Tennessee, venue in the Southern District of New York on the basis of the plaintiff's residence under § 1391(a) was not available. *Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d at 218.

In *Factors I*, the defendant, an Illinois corporation, sold approximately \$7000 worth of Elvis Presley posters in New York during an eight month period. It was not shown that any other market for defendant's Elvis Presley posters was more substantial than New York. The court found that there was clearly "more than miniscule contact" with the district and stated that it could not find these sales to be miniscule "in the absence of evidence demonstrating much greater sales of that merchandise in other districts." 444 F. Supp. at 287. Even if it were considered miniscule, the court indicated that there were other personal contacts with New York that would sustain venue. *Id.*

In *Factors II*, the defendant was an Ohio corporation which claimed to have sold or shipped less than one percent of its Presley posters to New York. Noting that this figure did not address the size of the New York market compared to other districts, Judge Tenney extrapolated that the defendant had sold at least \$9,000 worth of the items in New York. He stated that this figure "might satisfy the *Honda* 'less than miniscule contacts' test," but he was not forced to make that decision. 444 F. Supp. at 291. The plaintiffs alleged that the defendant was also doing business

At this point, the first of eight venue cases decided in the Northern District of Illinois and the first of five reported decisions on this issue by Judge John P. Crowley must be examined. In *Hindu Incense v. Meadows*,⁸⁸ the defendants, residents of Michigan, came to the plaintiff's premises in Chicago and purchased \$91.99 worth of incense and displayed an invoice suggesting that they were operating under the name GENIE, which was plaintiff's trademark. On this basis, the plaintiff sued for infringement and the defendants moved to dismiss on jurisdictional and venue grounds.⁸⁹

Judge Crowley, with apparent reluctance, held that plaintiff had established at least a threshold of personal jurisdiction.⁹⁰ On the venue issue, however, he held:

Utilizing the 'weight of contacts' test which has been developed by Judge Conner, and which has been adopted by the Third Circuit as the 'more than miniscule' standard in *Tefal* . . . , we can only find a mere vestige of venue in the Northern District of Illinois. The display of the invoice form with the 'Genie' logo in Chicago may constitute some part of the claim of trademark infringement, but it surely cannot be regarded as either a substantial part or the largest part of such claim; it is at most a scintilla of substance, which is more than nothing, but does not amount to anything.⁹¹

Judge Crowley accordingly dispatched the case to the Eastern District of Michigan.⁹²

While the decision in *Hindu* is unassailable, it nonetheless carried the mischaracterization of the *Honda* decision one step further. Contrary to Judge Crowley's interpretation, the Court of Appeals for the Third Circuit in *Tefal* did not adopt any rule from the *Honda* case; it merely stated that assuming the test to be applicable it had been satisfied.⁹³ Moreover, as previously noted, Judge Conner in *Honda* did not actually set forth a "weight of contacts" test or a "more than miniscule" standard. He only held that miniscule or less was not enough.⁹⁴

under section 1391(c), and the defendant failed to controvert the allegation. On this basis venue was sustained. *Id.*

⁸⁸ 439 F. Supp 844 (N.D. Ill. 1977).

⁸⁹ *Id.* at 846.

⁹⁰ *Id.*

⁹¹ *Id.* at 847.

⁹² *Id.*

⁹³ See *supra* text accompanying notes 68 & 69.

⁹⁴ See *supra* notes 50-54 and accompanying text. In a case decided soon after *Hindu*, Judge Crowley found contacts which were more than miniscule. *A.I.T. Indus., Inc. v. Inland Diamond Prods. Co.*, 202 U.S.P.Q. (BNA) 784 (N.D. Ill. 1978), involved an alleged trademark infringement in addition to a breach of contract and various other claims. Among the several

The confusion was extended in *McDonald's Corp. v. Congdon Die Casting Co.*,⁹⁵ a case in which the principal defendant, a Michigan corporation, shipped electric cookware into the Northern District of Illinois under the trademarks MAC DONALD'S and MIGHTY MAC.⁹⁶ Although questioned by the court, the defendant's president averred that less than two percent of the allegedly infringing product was shipped into the Northern District of Illinois and that less than three percent of those goods were marketed in that district. It was also established that the defendant maintained an independent sales representative, participated in houseware shows, and advertised and solicited business in the district.⁹⁷

Ruling on the defendant's motion to dismiss or transfer for improper venue, Judge Leighton stated that the *Honda* case did not stand for the proposition that venue can be sustained only where the defendant has engaged in a substantial amount of activity.⁹⁸ As support for this contention, he noted that the Third Circuit had interpreted the *Honda* standard as the "more than miniscule" test. Finding that the defendant's contacts were at least more than miniscule and might even be considered substantial, Judge Leighton denied the motion.⁹⁹ It should be recalled that Judge Conner posed the venue question as whether the words "the claim" meant the largest part of the claim, a substantial part of the claim, or any part of the claim.¹⁰⁰ Judge Leighton in *McDonald's* suggested a fourth possible interpretation—more than miniscule, but less than substantial.

Three days after the *McDonald's* decision, *True Form Foundations, Inc. v. Strouse Adler Co.*¹⁰¹ was decided in the Eastern District of Pennsylvania. In *True Form*, the defendant's state of incorporation and principal place of business was Connecticut; however, its alleg-

contacts with the Northern District of Illinois was the shipment of a significant portion of the defendant's output into Illinois. Without discussing any distinction between jurisdiction and venue, both of which were at issue, Judge Crowley held that the contacts were more than miniscule and constituted "a sufficient basis for the maintenance of jurisdiction in this forum which was initially selected by the plaintiff." *Id.* at 784.

⁹⁵ 454 F. Supp. 145 (N.D. Ill. 1978).

⁹⁶ *Id.* at 147.

⁹⁷ *Id.* at 146-47. Although not clear from the opinion, this was technically a "venue gap" case, since a second defendant was a retail store incorporated in Delaware and, apparently, located in Chicago. See *id.* at 146. As to "venue gap" cases in which one defendant is a retailer, see *infra* text surrounding notes 206 & 207.

⁹⁸ 454 F. Supp. at 148. Judge Leighton stated that "Judge Conner pointedly eschewed taking such a position." *Id.*

⁹⁹ *Id.*

¹⁰⁰ See *supra* text accompanying note 43.

¹⁰¹ 203 U.S.P.Q. (BNA) 1081 (E.D. Pa. 1978).

edly infringing products had been offered and sold to every major department store and many smaller stores in the judicial district. This amounted to nearly a million dollars worth of sales over a five year period, but only two or three percent of its national sales. In addition to employing salesmen and fashion consultants who were active in the district, the defendant had a cooperative advertising program with several accounts in the district.¹⁰²

After discussing *Philadelphia Housing Authority, Honda, Trans-america* and *Tefal*, and acknowledging that this was a close question, the court held that the defendant's contacts with the Eastern District of Pennsylvania were more than miniscule and that the claim could reasonably be found to have arisen there.¹⁰³ The court noted in a footnote that the facts of this case most closely paralleled the situation in *Scott Paper*,¹⁰⁴ but it stated that the rule sustaining venue wherever the wrong or injury occurs seemed "questionable."¹⁰⁵

It may be that cases like *Scott Paper* and *True Form* actually reached the right result but for the wrong reason. It would appear that at least in the *True Form* case, the defendant's level of activity in the forum district had reached the point where it was actually "doing business" in the district within the meaning of section 1391(c).¹⁰⁶ Since neither *Scott Paper* nor *True Form* involved a secondary defendant which might have caused a venue gap, venue seemingly would have been proper under the "all defendants reside" provision of subsection (b) as amplified by subsection (c).

The *Scott Paper* decision finally found some support in the Western District of Michigan. In the case of *Battle Creek Equipment Co. v. Roberts Manufacturing Co.*,¹⁰⁷ a Michigan corporation sued, among others, a Maryland corporation that had its offices in Baltimore and a plant in Pennsylvania where it manufactured the allegedly infringing items.¹⁰⁸ Although figures were not submitted as to the extent of the defendant's sales activity in western Michigan, the court found no indication that a vast majority of its sales were made elsewhere.¹⁰⁹ Upon reviewing the authorities, the court stated that the *Scott Paper* approach was preferable and held that venue was

¹⁰² *Id.* at 1082.

¹⁰³ *Id.*

¹⁰⁴ *Id.* at 1082 n.3.

¹⁰⁵ *Id.* at 1082 n.2.

¹⁰⁶ See *supra* text accompanying notes 27-29.

¹⁰⁷ 460 F. Supp. 18 (W.D. Mich. 1978).

¹⁰⁸ *Id.* at 19.

¹⁰⁹ *Id.* at 21. The court was also impressed by the defendant's unsolicited catalog mailings into the district and by the fact that the defendant had a telephone directory listing in the district. *Id.*

proper.¹¹⁰ However, the court also stated that venue could be sustained even under the "weight of the contacts" test because the defendant's activities in the forum district were far greater than those in *Honda*.¹¹¹

As in the *True Form* case, the *Battle Creek* court held that the principal defendant's contacts were more than miniscule and, thus, sufficient to sustain venue.¹¹² A close reading of the *Battle Creek* case suggests that the court was really finding that the corporate defendant was at least "doing business" in the district. However, the presence in the case of an additional individual defendant who was apparently not a Michigan resident would allow proper venue only in the district where the claim arose. It thus seems that this court simply set forth a "doing business" argument under the banner of "where the claim arose" to reach what it considered a proper result.¹¹³

In *Hershey Foods Corp. v. Harry London's Candies, Inc.*,¹¹⁴ the court first found that the defendant was doing business in the district, and then adopted the *Scott Paper* approach in considering whether the claim arose in the district. The court saw no unfairness with venue being proper in every district in the nation when an alleged infringer has sufficient contacts to support personal jurisdiction.¹¹⁵

¹¹⁰ *Id.* The court was moved by Professor Moore's argument that the availability of compulsory process and venue should be coextensive.

This equation of the availability of compulsory process on a non-resident and proper venue under § 1391(a) would have three advantages. First, it would minimize the number of instances in which a plaintiff is put to the election of foregoing protections afforded him by a state with sufficient connection with the subject matter to justify it in exercising compulsory jurisdiction over the defendant, or shifting the choice of a state or federal forum to the defendant. Second, in cases in which the defendant is sued in an inconvenient forum it would broaden the choices available under § 1404(a) as interpreted in *Hoffman v. Blaski*, 363 U.S. 335 (1960). Third, it would shift the issue in motions for transfer from the largely technical questions of which fact of perhaps many that underlie a claim marks the place at which the claim arose toward the considerations of convenience that underlie the venue concept.

1 J. Moore, W. Taggart & J. WICKER, *MOORE'S FEDERAL PRACTICE* ¶ 0.142 (5-2) (2d ed. 1976).

¹¹¹ 460 F. Supp. at 21.

¹¹² *Id.*

¹¹³ *Lubrizol Corp. v. Neville Chem. Co.*, 463 F. Supp. 33 (N.D. Ohio 1978), was decided the day after *Battle Creek*. This was not, however, an action for infringement, but was a proceeding by a dissatisfied applicant for registration to review a decision by the Patent and Trademark Office Trademark Trial and Appeal Board in an opposition proceeding. See generally 15 U.S.C. § 1071(b) (1976). The court in *Lubrizol* held that the claim did not arise in Ohio, the district of plaintiff's residence. 463 F. Supp. at 37.

¹¹⁴ 203 U.S.P.Q. (BNA) 1078 (M.D. Pa. 1978).

¹¹⁵ *Id.* at 1080. The excessive concern for plaintiffs demonstrated in several of the foregoing cases perhaps reached its pinnacle in the unreported decision of *Governor & Co. of Adventurers of England Trading Into Hudson's Bay v. Herter's, Inc.*, No. 77 Civ. 3989 (GLG) (S.D.N.Y. July 5, 1978). In that case the plaintiffs were the historic Hudson's Bay Company, which was founded in 1670 and is presently based in Toronto, and a wholly-owned subsidiary which was

The principal contacts that the Georgia defendant in *Holiday Rambler Corp. v. Arlington Park Dodge*¹¹⁶ had with the Northern District of Illinois consisted of the sale in that district, during a seven year period, of eleven allegedly infringing vans worth over \$200,000. Additionally, one of its salesmen had visited the other defendant, a local dealer, on four occasions.¹¹⁷ Ruling on a venue motion, the court first noted that there was a conflict as to whether the contacts with the forum had to be "substantial" or merely "more than miniscule."¹¹⁸ Although the Georgia defendant's sales in Illinois amounted to less than 22/100 of 1% of its national sales, the court could not describe over \$200,000 as miniscule. Considering all of the circumstances, in addition to the percentage of sales made in the district, the court found that the defendant did a substantial quantity of business in the Northern District of Illinois.¹¹⁹ Based on what sounded like a "doing business" argument, the court sustained venue under the section 1391(b) "claim arose" provision.¹²⁰

In *Technical Publishing Co. v. Mayne*,¹²¹ other out-of-state parties were sued in the Northern District of Illinois. The defendants

based in New York City. Suit was brought in the Southern District of New York. The sole defendant was a Minnesota corporation with its principal place of business in South Dakota. It had no office or employees in New York, but it had distributed about 26,000 catalogs in the state during 1977. Although South Dakota and Minnesota accounted for over one-third of the defendant's total sales, only about one percent of these sales were made to residents of the district in which suit was filed. Moreover, the infringing goods represented less than ten percent of that amount.

Judge Goettel held that the claim arose in the Southern District of New York. He refused to be swayed by the vastly larger proportion of sales in Minnesota and South Dakota because placing venue there would restrict the place where the claim arose to districts in which the defendant was doing business. Notwithstanding his comments to the contrary, Judge Goettel followed the *Scott Paper* approach, effectively allowing the plaintiffs convenience and the defendant's amenability to process to determine where the claim arose. Arguably, he went beyond *Scott Paper*. There, the defendant's sales were spread uniformly so that the infringement had no center of gravity; in *Hudson's Bay*, the center of gravity was clearly elsewhere. Furthermore, Judge Goettel's concern about restricting where the claim arose to places in which the defendant is doing business seems unwarranted when there is only one defendant and no venue gap. In a case of purely local infringement, the claim will only arise where the defendant is doing business.

In *Beecham, Inc., v. Certified Chem. Inc.*, 472 F. Supp. 348 (S.D.N.Y. 1979), Judge Duffy of the Southern District of New York first found that the court had personal jurisdiction over the defendant by virtue of New York sales. He then simply held that the defendant was not only doing business in New York, but that the claim of infringement arose in New York by virtue of those very sales, making venue proper. No prior cases were cited. *Id.* at 349.

¹¹⁶ 204 U.S.P.Q. (BNA) 750 (N.D. Ill. 1979).

¹¹⁷ *Id.* at 751.

¹¹⁸ *Id.*

¹¹⁹ *Id.* The court stated that "defendant's contacts with this district stands on significantly firmer grounds than the miniscule contacts in *Honda* and *Hindu*." *Id.*

¹²⁰ The court's reasoning also contained overtones of the due process argument in *International Shoe Co. v. Washington*, 326 U.S. 311 (1945).

¹²¹ 206 U.S.P.Q. (BNA) 284 (N.D. Ill. 1979).

were a corporation and an individual located in Indiana whose business in Illinois was all conducted by mail. This business accounted for about \$2700, or 8% of their total sales.¹²² Concluding that these figures "dwarf" the volume of sales in *Honda* and *Hindu*, the court found the defendant's activities in Illinois to be substantial.¹²³ However, the court determined that the plaintiff had not carried the burden of proving that the defendant's Illinois sales exceeded the volume of Indiana sales and noted that a strict application of the weight of contacts test would require dismissal or transfer. Thus, the court was squarely faced with the question expressly left open by Judge Conner in *Honda*: whether it was necessary to establish that a substantial part of the claim or the largest part of the claim arose within the district. Judge Grady in *Technical Publishing* held that venue was proper if a substantial portion of the plaintiff's claim arose in the district, and denied the motion to dismiss or transfer.¹²⁴

The last reported trademark decision on the venue issue prior to the Supreme Court's decision in *Leroy v. Great Western United Corp.*¹²⁵ was Judge Crowley's opinion in *Griffin v. Gates*.¹²⁶ This dispute, lodged in Illinois' Northern District, was between former members of a rock group. The plaintiffs alleged that the defendants improperly used the mark BREAD. On a two month concert tour, the defendants made one appearance in Chicago. They also appeared on a nationally televised program which was seen in the area.¹²⁷ Although the Chicago concert and the Chicago viewing of the television show constituted a part of the alleged infringement, Judge Crowley found that they could not be deemed a substantial part of it.¹²⁸ He transferred the case to the Central District of California, where he noted that the charges against the defendants had their "roots."¹²⁹

*Leroy v. Great Western United Corp.*¹³⁰

In *Leroy*, Great Western, a Delaware corporation headquartered in Dallas, made a public offer to purchase stock in Sunshine Mining and Metal Company, a Washington corporation which operated a

¹²² *Id.* at 285. Five percent of the sales, about \$1700, were in the Northern District of Illinois.

¹²³ *Id.* at 287. The "sales" in *Hindu*, however, were not sales at all; they were purchases. See *supra* text accompanying notes 88 & 89.

¹²⁴ 206 U.S.P.Q. (BNA) at 287.

¹²⁵ See *infra* notes 130-51 and accompanying text for a discussion of *Leroy*.

¹²⁶ 205 U.S.P.Q. (BNA) 1150 (N.D. Ill. 1979).

¹²⁷ *Id.* at 1151.

¹²⁸ *Id.* at 1152.

¹²⁹ *Id.*

¹³⁰ 443 U.S. 173 (1979).

mine in Idaho and engaged in business, directly or through a subsidiary, in New York and Maryland.¹³¹ Sunshine's stock was traded over the New York Stock Exchange. Idaho, New York, and Maryland all had similar "corporate takeover statutes," laws designed to regulate takeover offerings of corporations having certain connections with the state.¹³² Great Western had consulted with state officials in Idaho, New York, and Maryland about compliance, and had filed documents with the appropriate Idaho authorities to attempt to comply with the Idaho statute. The Idaho authorities objected to certain aspects of the filing, however, and entered an order delaying the effective date of the tender offer.¹³³

Great Western filed suit in the District Court for the Northern District of Texas against the responsible state officials of Idaho, New York, and Maryland, seeking a declaration that the three state laws were invalid insofar as they attempted to regulate interstate cash tender offers to purchase securities traded on a national stock exchange.¹³⁴ The claims against the Maryland and New York defendants were dismissed when those states made it clear that they would not attempt to block the tender offer. The Idaho defendants appeared and contested venue.¹³⁵

The district court determined that venue was improper under section 1391(b) because the defendants did not reside in Texas and because the claim arose in Idaho rather than Texas.¹³⁶ However, venue was sustained under a special venue provision in the Securities Exchange Act of 1934.¹³⁷ The Court of Appeals for the Fifth Circuit

¹³¹ *Id.* at 175-76.

¹³² *Id.*

¹³³ *Id.* at 177.

¹³⁴ *Id.*

¹³⁵ *Id.* at 177-78.

¹³⁶ *Great W. United Corp. v. Kidwell*, 439 F. Supp. 420, 433 (N.D. Tex. 1977), *aff'd*, 577 F.2d 1256 (5th Cir. 1978), *rev'd sub nom. Leroy v. Great W. United Corp.*, 443 U.S. 173 (1979).

¹³⁷ *Id.* at 434. The court found that venue could be sustained under § 27 of the Securities Exchange Act of 1934, 15 U.S.C. § 78(a) (1976).

The district courts of the United States . . . shall have exclusive jurisdiction of violations of this chapter or the rules and regulations thereunder, and of all suits in equity or actions at law brought to enforce any liability or duty created by this chapter or the rules and regulations thereunder. Any criminal proceeding may be brought in the district wherein any act or transaction constituting the violation occurred. Any suit or action to enforce any liability or duty created by this chapter or rules and regulations thereunder, or to enjoin any violation of such chapter or rules and regulations, may be brought in any such district or in the district wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found.

Id.

agreed with the district court that venue was proper under the special venue statute.¹³⁸ In addition, it also held that venue was proper under section 1391(b) because the allegedly invalid restraint against Great Western occurred in the Northern District of Texas and, thus, the "claim arose" within that district.¹³⁹ The court of appeals noted that a single action against the officials of New York, Maryland, and Idaho could not have been instituted in any one place unless the claim were treated as having arisen in Dallas.¹⁴⁰

The Supreme Court reversed.¹⁴¹ It first held that venue was improper under the special venue statute.¹⁴² Turning next to the question of whether the claim arose in Dallas within the meaning of section 1391(b),¹⁴³ the Court began its analysis by observing that, in most instances, the purpose of venue laws is to protect the defendant against the risk that a plaintiff will select an unfair or inconvenient place of trial. For this reason, Congress had not generally made the residence of the plaintiff a basis for venue in non-diversity cases.¹⁴⁴ The Court noted that although it might be desirable to consolidate similar claims in one proceeding, that concern did not "justify reading the statute to give the plaintiff the right to select the place of trial that best suits his convenience."¹⁴⁵ The Court found no reason to read the venue statute broadly to protect plaintiffs unless its plain language opened "the severe type of 'venue gap' " that the 1966 amendment was designed to close.¹⁴⁶ Justice Stevens, writing for a six to three majority, held:

¹³⁸ *Great W. United Corp. v. Kidwell*, 577 F.2d 1256, 1272-73 (5th Cir. 1978), *rev'd sub nom.* *Leroy v. Great W. United Corp.*, 443 U.S. 173 (1979).

¹³⁹ *Id.* at 1273. The court of appeals cited Professor Moore's argument equating the availability of compulsory process with venue under section 1391. See *supra* note 110.

¹⁴⁰ *Great W. United Corp. v. Kidwell*, 577 F.2d 1256, 1273-74 (5th Cir. 1978), *rev'd sub nom.* *Leroy v. Great W. United Corp.*, 443 U.S. 173 (1979).

¹⁴¹ 443 U.S. at 187.

¹⁴² *Id.* at 181-82. The Fifth Circuit's special venue argument was premised on the theory that section 28(a) of the 1934 Securities Act imposed a duty on the states not to enforce a statute that conflicted with the federal securities provisions. See *Great W. United Corp. v. Kidwell*, 577 F.2d 1256, 1271, 1273-74 (5th Cir. 1978), *rev'd sub nom.* *Leroy v. Great W. United Corp.*, 443 U.S. 173 (1979). This duty could be redressed in the federal courts under section 27 of the 1934 Act. *Id.* The Supreme Court held that section 28(a) imposed no such duty. Thus, section 27 could not establish venue. 443 U.S. at 181-82.

¹⁴³ Section 1391(a) did not apply because subject matter jurisdiction, in addition to being invoked under diversity of citizenship, was also invoked under the federal question provision of 28 U.S.C. § 1331 (1976) and the acts affecting commerce provision of 28 U.S.C. § 1337 (1976).

¹⁴⁴ 443 U.S. at 183-84.

¹⁴⁵ *Id.* at 184.

¹⁴⁶ *Id.*

The statute allows venue in 'the judicial district . . . in which the claim arose.' Without deciding whether this language adopts the occasionally fictive assumption that a claim may arise in only one district, it is absolutely clear that Congress did not intend to provide for venue at the residence of the plaintiff or to give that party an unfettered choice among a host of different districts. . . . Rather, it restricted venue either to the residence of the defendants or to 'a place which may be more convenient to the litigants'—i.e., both of them 'or to the witnesses who are to testify in the case. . . .' In our view, therefore, the broadest interpretation of the language of § 1391(b) that is even arguably acceptable is that in the unusual case in which it is not clear that the claim arose in only one specific district, a plaintiff may choose between those two (or conceivably even more) districts that with approximately equal plausibility—in terms of the availability of witnesses, the accessibility of other relevant evidence, and the convenience of the defendant (but *not* of the plaintiff)—may be assigned as the locus of the claim.¹⁴⁷

The Court found the instant case not to be unusual because it had one obvious locus, the District of Idaho.¹⁴⁸ This was the only district in which the "claim arose" within the meaning of section 1391(b).¹⁴⁹ The Court brushed aside the purported contacts with the Northern District of Texas, noting that the reasoning supporting venue in that district would have subjected the Idaho officials to suit in every district in the country.¹⁵⁰ It also would have been inconsistent with the underlying purpose of the provision, since it would have left the venue decision entirely in the hands of plaintiffs rather than making it " 'primarily a matter of convenience of litigants and witnesses.' " ¹⁵¹

AFTER *LEROY*

The Supreme Court's decision in *Leroy* should have totally resolved the issue of federal venue in multi-state trademark infringement actions. At the very least, it should have had a tremendous effect on it. In fact, however, subsequent decisions have not even considered *Leroy*.

Almost a year after the *Leroy* decision, Judge Crowley decided *Gold Eagle Co. v. Li*.¹⁵² The plaintiff was an Illinois corporation.

¹⁴⁷ *Id.* at 184-54 (citations and footnotes omitted) (emphasis in original).

¹⁴⁸ *Id.* at 185.

¹⁴⁹ *Id.* at 187.

¹⁵⁰ *Id.* at 186.

¹⁵¹ *Id.* at 186-87 (quoting *Denver & R.C.W.R. Co. v. Railroad Trainmen*, 387 U.S. 556, 560 (1967)).

¹⁵² 486 F. Supp. 201 (N.D. Ill. 1980).

The defendant, operating solely out of California, sold its products throughout the United States. It advertised in nationally circulated publications, and within the forum district it had participated in a trade show and had distributed cards listing Chicago as one of its places of business.¹⁵³ Contending that its Illinois contacts were *de minimus* because its Illinois sales amount to less than 1.5% of its total sales, the defendant moved to transfer the case to California.¹⁵⁴ It argued that proper venue should be decided by a weight of contacts test and that, under that test, there was no basis for venue in the Northern District of Illinois because only an insubstantial part of the alleged misconduct occurred there.¹⁵⁵

Judge Crowley, with exquisite understatement, observed that the meaning of the word "claim" in section 1391(b) had not been "precisely defined," but that the claim is not deemed to have arisen in a district where the defendant has had only miniscule contact.¹⁵⁶ He stated that venue was proper only in the districts in which an infringer has had "significant activities."¹⁵⁷ Concluding that the defendant's contacts with the district were more than miniscule and greater than the "mere vestige" of venue he found in *Hindu*, Judge Crowley denied the motion.¹⁵⁸ If *Honda* and its progeny represented the sole authority on the venue issue, the propriety of the *Gold Eagle* decision would be simply questionable; however, in light of *Leroy*, *Gold Eagle* was wrongly decided.

A few weeks later, Judge Crowley decided *Chicago Reader, Inc. v. Metro College Publishing, Inc.*,¹⁵⁹ in which the publisher of a Chicago newspaper under the trademark READER brought suit against a Minnesota company which published THE TWIN CITIES READER, a newspaper distributed almost exclusively in the Minneapolis-St. Paul area.¹⁶⁰ The defendant contended that venue was improper in the Northern District of Illinois because its contacts with the district were insignificant.¹⁶¹ It distributed only thirty-six copies

¹⁵³ *Id.* at 202.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.* at 202-03.

¹⁵⁶ *Id.* at 203.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ 495 F. Supp. 441 (N.D. Ill. 1980).

¹⁶⁰ *Id.* at 442-43.

¹⁶¹ *Id.* at 443. The defendant argued chiefly that all of its assets and its only place of business were in Minnesota and that the newspaper's contents were directed to local readers. *Id.* The plaintiff contended that the defendant conducted business regularly within Illinois, billed Illinois advertisers substantial amounts, and actively solicited additional Illinois advertising. *Id.*

of its newspaper there.¹⁶² Judge Crowley, in denying a motion to dismiss or transfer, continued the trend of blurring "doing business" and jurisdictional contacts with the concept of where a trademark infringement claim arose. Again he stated that venue is proper only in those districts in which the infringer has had "significant activities."¹⁶³ Considering the totality of the defendant's activities in this case, which he found to include negotiations with Illinois advertisers, attendance at two trade shows in Illinois, and the circulation of the paper in the state, he concluded that there was more than *Hindu's* "mere vestige of venue."¹⁶⁴

*Finance Co. of America v. Bank America Corp.*¹⁶⁵ was decided a full year after *Leroy*, yet it too did not cite the *Leroy* decision. As many courts had done previously,¹⁶⁶ this court observed that in infringement cases the claim is considered to arise where the passing off occurs.¹⁶⁷ It stated that passing off could occur in every district when the allegedly infringing item was used on a nationwide basis.¹⁶⁸ Quoting *Quinn v. Bowmar Publishing Co.*,¹⁶⁹ an antitrust case, it held that in such a case the test is whether "significant sales causing substantial injury were made in the district in which venue is asserted, or some other overt act constituting a significant and substantial element of the offense occurred there."¹⁷⁰ Having thus listed two tests, it found "this requirement" to be satisfied by the substantial contacts that the plaintiff had with the forum, as well as the defendant's significant business there.¹⁷¹

In *Seabrook Foods, Inc. v. Seabrook Brothers & Sons*,¹⁷² Judge Lasker of the Southern District of New York ignored *Leroy* and arguably misconstrued both *Honda* and *Tefal*. Nevertheless, the result he reached was probably correct. Affidavits established that less than one-sixth of the defendant's sales were made in the Southern District

¹⁶² *Id.*

¹⁶³ *Id.* For this proposition the court cited *Transamerica Corp. v. Transfer Planning, Inc.*, 419 F. Supp. 1261 (S.D.N.Y. 1976). See *supra* text accompanying notes 72-81.

¹⁶⁴ 495 F. Supp. at 443. Although this decision superficially seems incorrect in light of *Leroy*, other factors may sustain its validity. See *infra* text accompanying notes 198-200. Judge Crowley's entire analysis was arguably dictum, since he held in a footnote that the defendant had sufficient contacts to be deemed a resident of Illinois. 495 F. Supp. at 444 n.5.

¹⁶⁵ 493 F. Supp. 895 (D. Md. 1980).

¹⁶⁶ See, e.g., *Transamerica Corp. v. Transfer Planning, Inc.*, 419 F. Supp. 1261, 1262 (S.D.N.Y. 1976).

¹⁶⁷ 493 F. Supp. at 910.

¹⁶⁸ *Id.*

¹⁶⁹ 445 F. Supp. 780 (D. Md. 1978).

¹⁷⁰ 493 F. Supp. at 910 (quoting 445 F. Supp. at 783).

¹⁷¹ *Id.*

¹⁷² 495 F. Supp. 792 (S.D.N.Y. 1980).

of New York and approximately one-half of its sales were made in New Jersey, with the remainder throughout the eastern United States.¹⁷³ Venue was transferred to the District of New Jersey.¹⁷⁴

Judge Lasker cited *Honda* for the proposition that it had adopted the "weight of contact" test and then attributed to Judge Conner a quote to the effect that, in determining where the claim arose, the weight of the defendant's contacts in the various districts must be compared and the claim must be deemed to have arisen where the contacts have been most significant.¹⁷⁵ In fact, Judge Conner, at that point in his opinion,¹⁷⁶ was summarizing the *Philadelphia Housing Authority* case.¹⁷⁷ As noted above,¹⁷⁸ Judge Conner expressly stated that he was not holding that the weight of contact rule should be applied so literally as to exclude suit in any district but the one having the greatest volume of activity. Additionally, the plaintiff in *Seabrook Foods* relied upon *Tefal*, arguing that if five percent of sales was enough to sustain venue in *Tefal*, one-sixth of the sales should also be deemed sufficient.¹⁷⁹ While distinguishing the two cases, Judge Lasker inaccurately characterized *Tefal* as a claim for infringing sales in only one state.¹⁸⁰

Finally, in *Heritage House Frame & Molding Co. v. Boyce Highlands Furniture Co.*,¹⁸¹ a New York corporation brought suit in the Eastern District of New York against a New Hampshire corporation. In denying the defendant's motion to dismiss based on improper venue, the court simply found that the plaintiff presented sufficient information to conclude that the allegedly infringing goods had been

¹⁷³ *Id.* at 793.

¹⁷⁴ *Id.* at 794.

¹⁷⁵ *Id.* at 793.

¹⁷⁶ *Honda*, 374 F. Supp. at 891.

¹⁷⁷ *Philadelphia Hous. Auth. v. American Radiator & Standard Sanitary Corp.*, 291 F. Supp. 252 (E.D. Pa. 1968).

¹⁷⁸ See *supra* text accompanying notes 51-53.

¹⁷⁹ 493 F. Supp. at 794 n.3.

¹⁸⁰ *Id.* In an unreported opinion on a motion for reargument, Judge Lasker defended this characterization by pointing to the language in the Third Circuit's opinion in *Tefal*, 529 F.2d at 496, which referred to the "nature of the claim—the extent of infringing sales in New Jersey." *Seabrook Foods, Inc. v. Seabrook Bros. & Sons*, 80 Civ. 1405 (MEL) (S.D.N.Y. Oct. 29, 1980). Judge Lasker ignored the fact that *Tefal* also involved the issue of the propriety of a preliminary injunction. In fact, the district court opinion includes that court's actual order granting the preliminary injunction, which had no geographical limitation whatsoever. *Tefal, S.A. v. Products Int'l Co.*, 186 U.S.P.Q. (BNA) 548, *aff'd*, 529 F.2d 495 (3d Cir. 1976). Indeed, it is clear that a court of equity having personal jurisdiction over a party has the power to enjoin him from committing acts elsewhere. *New Jersey v. City of New York*, 283 U.S. 473 (1931).

¹⁸¹ 88 F.R.D. 172 (E.D.N.Y. 1980).

sold in the district and that this satisfied the "more than miniscule contacts" test of *Honda*.¹⁸²

Interestingly, in the recent case of *Coface v. Optique de Monde, Ltd.*,¹⁸³ involving breach of contract and fraud, Judge Conner had occasion to cite both *Honda* and *Leroy*. The principal defendant in the case conducted business solely in Illinois.¹⁸⁴ Judge Conner cited *Honda* for the proposition that determining the district in which a claim arose requires an examination of the weight of defendant's contacts regarding the claim in the various districts concerned.¹⁸⁵ He cited *Leroy* for the proposition that only in an unusual case would a claim be deemed to have arisen in more than one district, and then only when the "approximately equal plausibility" test is met.¹⁸⁶ Concluding that the claim arose only in Illinois, and that it did not also arise in New York, Judge Conner transferred the case.¹⁸⁷

A PROPOSED APPROACH

In light of *Leroy*, the numerous decisions in trademark infringement cases sustaining venue when the sole contact with the forum is some relatively small percentage of the infringing sales can no longer be supported. If a single district accounts, for example, for five percent of the infringing sales, there could theoretically be twenty such districts in which there would be an equal likelihood of sustaining venue. This is hardly the "unusual case" suggested by the Supreme Court in *Leroy*. On the contrary, it would be a rather commonplace occurrence.

A fundamental problem which has prevented more serious analysis of this issue has been the continued reliance by courts on the proposition set forth in the *Vanity Fair* case¹⁸⁸ that, in cases of trademark infringement, the wrong takes place where the deceived customer buys the product.¹⁸⁹ In *Vanity Fair*, the Court of Appeals for

¹⁸² *Id.* at 173. The opinion stated that the defendant regularly sold its products in the district.
Id.

¹⁸³ 521 F. Supp. 500 (S.D.N.Y. 1980).

¹⁸⁴ *Id.* at 502.

¹⁸⁵ *Id.* at 505.

¹⁸⁶ *Id.*

¹⁸⁷ *Id.* at 511.

¹⁸⁸ See *supra* text accompanying notes 36 & 37.

¹⁸⁹ 234 F.2d at 639. *Vanity Fair* was directly relied upon in the context of determining venue in *Tefal*, see *supra* notes 60-71 and accompanying text, *Battle Creek*, see *supra* notes 107-13 and accompanying text, *Hershey Foods*, see *supra* note 114 and accompanying text, and *Hudson's Bay* see *supra* note 115. It was also cited in the context of determining personal jurisdiction in *Honda*, see *supra* notes 36-40 and accompanying text, *Heritage House*, see *supra* notes 181 & 82 and accompanying text, *Factors I* and *Factors II*, see *supra* note 87, *Metropa*, see *supra* note 79,

the Second Circuit was considering the propriety of a claim brought in a United States court asserting a trademark infringement which occurred in Canada. The court noted that under the doctrine of *lex loci delicti*, the creation and extent of tort liability is governed by the law of the place where the alleged tort was committed, the place of the wrong being where the last event necessary to make an actor liable occurs.¹⁹⁰ It was at this point that the court stated that in cases of trademark infringement and unfair competition the wrong takes place where the deceived customer buys the product. Thus, the court held that the claim was governed by Canadian law.¹⁹¹

There are at least three reasons why courts should not continue to be wedded to the language in *Vanity Fair* in dealing with federal venue in trademark cases. First, and most obviously, the court in *Vanity Fair* was only addressing the issue of where a claim matures for purposes of choice of law. The decision had nothing whatsoever to do with federal venue, which presupposes that a case is cognizable in a United States court. Secondly, the doctrine of *lex loci delicti* is a rule which has been quickly losing ground in the field of conflicts of law.¹⁹² As a general proposition, in many jurisdictions, choice of law in tort cases is now governed by the law of the state which has the most significant relationship to the litigation and the parties.¹⁹³ Because unfair competition is a tort, courts have determined choice of law questions by the "most significant relationship" standard. Typically, the principal location of the defendant's conduct is given greatest weight.¹⁹⁴ Finally, the actual holding in *Vanity Fair* has been seri-

and *Beecham*, see *supra* note 115. In the latter group of cases, in which federal venue was also in issue, *Vanity Fair* may have played a role in the court's reasoning on the venue question.

¹⁹⁰ 234 F.2d at 639.

¹⁹¹ *Id.*

¹⁹² The RESTATEMENT (SECOND) OF CONFLICTS OF LAWS § 145 (1971) provides:

(1) The rights and liabilities of the parties with respect to an issue in tort are determined by the local law of the state which, with respect to that issue, has the most significant relationship to the occurrence and the parties under the principles stated in § 6.

(2) Contacts to be taken into account in applying the principles of § 6 to determine the law applicable to an issue include:

- (a) the place where the injury occurred,
- (b) the place where the conduct causing the injury occurred,
- (c) the domicile, residence, nationality, place of incorporation and place of business of the parties, and
- (d) the place where the relationship, if any, between the parties is centered.

Id.

These contacts are to be evaluated according to their relative importance with respect to the particular issue.

¹⁹³ *Id.*; see, e.g., *Pittway Corp. v. Lockheed Aircraft Corp.*, 641 F.2d 524 (7th Cir. 1981).

¹⁹⁴ *Systems Operations, Inc. v. Scientific Games Dev. Corp.*, 555 F.2d 1131, 1137 (3d Cir. 1977); *Data Cash Systems, Inc. v. JS & A Group, Inc.*, 480 F. Supp. 1063, 1071 (N.D. Ill. 1979), *aff'd*, 628 F.2d 1038 (7th Cir. 1980).

ously questioned. Recent authority proposes that the Lanham Act provides subject matter jurisdiction as to an alien defendant's foreign act of trademark infringement.¹⁹⁵

Neither is there reason why courts, in considering where a claim arose for trademark infringement, should limit their inquiry for contacts of consequence only to the actual sales of the allegedly infringing merchandise. Instead, it would be well to go back to basics and take a second look at the original "weight of contacts" test set forth in *Philadelphia Housing Authority*.¹⁹⁶ There the court held that where the claim arose should be dependent upon where the contacts weigh most heavily. In the context of an antitrust case, that court indicated that venue might exist "if significant sales causing substantial injury" or "some other overt act" took place in the district which was "a significant and substantial element of the offense."¹⁹⁷

It is therefore submitted that in deciding where the claim arose in a trademark infringement case a court should look not only at where the infringing sales occurred, but also at other potentially pertinent factors, including the place where the deceptive labels are affixed to the goods and the place where the goods are wrapped in the misleading packages, the very elements said to be irrelevant in *Vanity Fair*.¹⁹⁸ A court should also give consideration to where the defendant made its decision to adopt the allegedly infringing name and where, if at all, the defendant learned of the plaintiff's rights. To be sure, consideration should be given to where the goods were sold, but only if a truly meaningful portion of those sales, for example, a quarter or a third, occurred in a given district. The factors cited in *Leroy*, namely, availability of witnesses, accessibility of other evidence, and the convenience of the defendant, should, of course, be added to the equation. The courts should have a reasonable amount of discretion to weigh the various elements in determining whether suit has been filed in the single district in which the claim arose, or at least in one of the small number of districts having "approximately equal plausibility".

In some cases, the place of defendant's infringing sales may take on greater significance. There may be cases such as *Chicago Reader*,¹⁹⁹ in which the vast bulk of the defendant's activities were not in the forum district. In such a case, it may be that the plaintiff is

¹⁹⁵ *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427-29 (9th Cir. 1977).

¹⁹⁶ See *supra* notes 46-49 and accompanying text.

¹⁹⁷ 291 F. Supp. at 260 (emphasis added).

¹⁹⁸ 234 F.2d at 639.

¹⁹⁹ *Chicago Reader, Inc. v. Metro College Publishing, Inc.*, 495 F. Supp. 441 (N.D. Ill. 1980). See *supra* notes 159-64 and accompanying text.

seeking an injunction or damages only with respect to the defendant's sales in the forum district, so that the small number of sales in the district takes on greater meaning.²⁰⁰

Difficulty may arise in situations similar to that in the *Technical Publishing* case,²⁰¹ in which the plaintiff sues not only a foreign corporation possibly doing business in the district, but also a foreign individual who may be a principal and perhaps the alter ego of the corporation. At least in the latter case, it may be possible for the plaintiff, in resisting a motion to dismiss, to obtain a holding that the corporation and the individual are one and the same for venue purposes.²⁰² In other cases, the plaintiff may have to forego joining the individual if he feels strongly enough about establishing venue in a given district.

In light of the federal policy towards the 1966 amendment to the general venue statute,²⁰³ when a case poses a close question, the statute should be construed to avoid creating a venue gap. While there is no question that the 1966 amendment, as a remedial statute,²⁰⁴ should be liberally construed, a canon of interpreting such a statute is that its application is limited to the evil intended to be suppressed.²⁰⁵ This is consistent with the holding in *Leroy* that the 1966 amendment should be construed to avoid a venue gap, but not to create a multitude of possible locations for suit. This suggests that somewhat different standards or different burdens of proof should exist in cases where,

²⁰⁰ In fact, this was probably not the case in *Chicago Reader*, since instances of actual confusion allegedly took place in Vermont, New York, and California. 495 F. Supp. at 443-44 n.5.

²⁰¹ *Technical Publishing Co. v. Mayne*, 206 U.S.P.Q. (BNA) 284 (N.D. Ill. 1979). See *supra* notes 121-24 and accompanying text.

²⁰² Cf. *DCA Food Indus., Inc. v. Hawthorn Melody, Inc.*, 470 F. Supp. 574, 583-86 (S.D.N.Y. 1979) (nominal independence of subsidiary corporation from its parent insufficient to sustain improper venue argument).

²⁰³ *Brunette Mach. Works, Ltd. v. Kockum Indus.*, 406 U.S. 706 (1972). See *supra* note 31 and accompanying text.

²⁰⁴ A "remedial" statute is defined as one which neither enlarges nor impairs substantive rights, *McGee v. International Life Ins. Co.*, 355 U.S. 220, 224 (1957), but rather one which relates to the means and procedure for enforcing those rights, such as a venue statute. *Bagarian v. Parker Metal Co.*, 282 F. Supp. 766, 769 (N.D. Ohio 1968).

²⁰⁵ This principle was aptly stated by the court in *Potter v. United States*, 269 F. Supp. 545, 549 (N.D.W. Va. 1967):

An ancient canon of interpretation of remedial statutes is that the old law, the mischief and the remedy are to be considered and the statute interpreted, if possible, to suppress the mischief and advance the remedy. . . . However, the limits of the application of a statute are generally held to be coextensive with the evil or purpose it was intended to suppress or effectuate, and neither stop short of, nor go beyond, the purpose which the legislature had in view.

Id.

but for the "claim arose" provision, there would be a venue gap. In such cases, the plaintiff should have a lesser burden of establishing that the district in which he brought suit has at least "approximately equal plausibility" with any other district. In cases where the defendants all reside in the same district or where there is only one defendant, the plaintiff should have a greater burden of establishing that no district other than the one in which he brought suit has greater plausibility than the instant forum.

In considering whether a true "venue gap" exists, a court should give consideration to the status of the different defendants. In cases such as *McDonald's*²⁰⁶ and *Holiday Rambler*,²⁰⁷ the plaintiff's real gripe was undoubtedly with the manufacturer who was located outside the district, while the second defendant, who was located in the district, was merely a customer or dealer of the manufacturer. The plaintiff's claim against the customer, though technically proper, is obviously of secondary significance. A court should not allow the plaintiff to create a venue gap by the simple expedient of bringing in a mere seller as a nominal defendant.

Although these suggested rules may force plaintiffs to travel to a distant forum more often than previously, they are in accord with the Supreme Court's interpretation of what Congress has legislated. At least in federal question cases, the Court has expressly decided that convenience to the plaintiff is not a factor to be considered in determining where the claim arose. It is tempting to suggest that trademark plaintiffs are different because they suffer harm in their home district, but they certainly are not unique in this respect. All plaintiffs have assertedly been harmed or aggrieved; that is what makes them plaintiffs.

Other considerations may tend to mitigate the harshness of these rules. First, the activities of certain corporate defendants within the plaintiff's home district may well be sufficient to establish that those corporations are "doing business" in the district within the meaning of section 1391(c). In a case such as *True Form*,²⁰⁸ the activities of the defendant in the district appeared to be so substantial, regular and systematic that it would not seem unreasonable to hold that the defendant was doing business in the district. These suggested rules are also mitigated by the fact that, in many situations, the plaintiff can bring suit in state court based upon the state's long-arm statute and a

²⁰⁶ See *supra* notes 95-100 and accompanying text.

²⁰⁷ See *supra* notes 116-20 and accompanying text.

²⁰⁸ See *supra* notes 101-05 and accompanying text.

relatively nominal amount of infringing goods shipped into the state. Indeed, *Honda* and later cases stressed the fact that there is no minimum level of activity to establish personal jurisdiction. The federal venue statute does not apply, of course, in state courts.

CONCLUSION

The federal courts, in dealing with the issue of where the claim arose in trademark cases, need to fully re-examine their basic premises and develop new rules which are consistent with overriding federal law and which can be properly and fairly applied to effectuate the purposes of the venue statute.²⁰⁹

²⁰⁹ As this article was being prepared for publication, *Accutest Corp. v. Accu Test Systems, Inc.*, 532 F. Supp. 416 (D. Mass. 1982), became the first reported trademark venue decision to cite and rely upon *Leroy*. In *Accutest*, the defendant, a Delaware corporation with its principal place of business in Texas, was not selling infringing goods at all. Rather, it was conducting a public offering of stock under a corporate name which allegedly had the effect of diverting capital from the plaintiff, which had a similar corporate name. *Id.* at 417-18. The United States District Court for the District of Massachusetts variously characterized the defendant's contacts with the forum district as "miniscule at the most," *id.* at 422, and as "no contact." *Id.* at 421. The defendant's prospectus was allegedly available in Massachusetts; two underwriters of the defendant's stock and one broker who handled the defendant's stock had offices in Massachusetts; two Massachusetts offices had computer retrieval systems which provided access to information on the defendant's stock; and an advertisement regarding the stock offering had appeared in the *New York Times*. While the defendant had actually instructed its underwriters not to sell stock to anyone in Massachusetts, in fact, some of defendant's stock may have been sold there. *Id.* at 418.

The court first granted the defendant's motion to dismiss for lack of personal jurisdiction. Turning to venue, the court noted *Leroy* made it clear that, while the claim might arguably arise in more than one district in an unusual case, it could not arise where the relationship between the claim and the forum was as attenuated as it was in the instant case. None of the relevant factors identified by *Leroy* were found to be present. *Id.* at 421-22.

The court harmonized its decision with prior trademark venue cases such as *Honda*, *Metropa* and *Transamerica*, which were said to hold that the claim did not arise in a district with which the defendant had only miniscule contact. *Id.* at 422. The court distinguished *Hershey Foods* and *Technical Publishing* as involving far more substantial levels of activity than the present case, and further expressed doubt that the "broader interpretation" of those cases "would survive *Leroy*." *Id.* at n.3. Finding that the defendant was not "doing business" in Massachusetts, the court found a second reason to dismiss the action: improper venue. *Id.* at 423.

Because *Accutest* did not involve the actual sale of infringing goods, it did not call into question the underlying *Vanity Fair* rationale or squarely present an opportunity to expressly reject prior cases which had found venue proper based solely upon a small portion of infringing sales. The decision is, however, most welcome as a belated recognition that the federal venue statute should be applied consistently in all types of cases and that trademark cases are no exception to that rule.