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'Use in Commerce' Problems In U.S. Trademark Cases

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In the United States, trademark rights are created only when goods or services are offered within the geographic borders of the United States. This fundamental doctrine is referred to as the "Territoriality Principle."

The rise of international tourism, the globalizing marketplace, and the borderless Internet have all combined to present significant challenges for the Territoriality Principle by raising serious questions about what "use in the U.S." means.

Recently, foreign casinos have stood at the forefront of U.S. litigation where the meaning of "use in the United States" is a central issue. The results in the two casino cases were surprisingly different given the similarity of the facts.

Nevertheless, the two decisions suggest certain "use-related" strategies that foreign trademark owners can use to improve their odds of winning disputes over U.S. trademark enforcement.

Common Law and Statutory Underpinnings

Ultimately, use is necessary to establish and maintain U.S. trademark rights. At common law, trademark ownership is established by prior use of the mark. In re Trade-Mark Cases, 100 U.S. 82, 94 (1879). "Use" is not a uniform concept in the statutory references, however. Federal trademark registration traditionally requires use of the trademark "in U.S. commerce" to obtain a registration. 15 U.S.C. § 1051. Even federal registrations obtained under international treaty, such as the Paris Convention or Madrid Protocol, can be maintained only if the mark is "used in commerce." 15 U.S.C. §§ 1058, 1141k.

The definition of the term "mark," however, refers merely to general "use" of the mark rather than "use in commerce" 15 U.S.C. § 1127. In the case of both trademark oppositions and cancellations, plaintiffs asserting prior trademark rights must either own a previously registered trademark or an unregistered mark "previously used in the United States." 15 U.S.C. § 1052(d).

The statute defines "use in commerce" in separate sections. "Commerce" is defined as all commerce that may be regulated by Congress. 15 U.S.C. § 1127. Traditionally, this is interpreted as interstate commerce within the United States and commerce between the United States and a foreign country.

The statute defines "use" differently depending on whether the mark pertains to goods or services. For goods, "use" entails placing the mark on the goods or on packaging for the goods, and selling or transporting the goods in commerce. Id. For services, the mark must be displayed in the sale or advertising for the services, and the services must be "rendered in commerce." Id.

What Is 'Use in Commerce'?

According to these statutory definitions, use of a mark solely outside the United States creates no trademark rights within the United States. For goods, the statute clearly indicates that "use in commerce" requires the physical movement of the product in, or to, the United States.

Therefore, for example, the importation and resale of French-made wine into the United States would be "use in commerce" sufficient to protect the mark on the wine label. In re Silenus Wines Inc., 557 F.2d 806 (CCPA 1977).

But the mere advertising of a cigar brand in European-based periodicals and web sites (potentially viewable by U.S. residents) is not "use in commerce" in the absence of actual evidence of U.S. sales. Guantanamera Cigar co. v. Corporacion Habanos SA, 2009 U.S. Dist. LEXIS 1115127 (D.D.C. Dec. 10, 2009).

Services require a more difficult analysis since there may not be a clear physical location where the services "are rendered." Increasingly, U.S. courts encounter disputes over services promoted to U.S. residents, but primarily performed outside the United States.

Unsurprisingly, minimal U.S. activities typically are insufficient to establish "use in commerce." Thus, U.S. spillover from Canadian advertising, coupled with evidence of sporadic visits by U.S. residents to a Canadian hair salon, was insufficient to establish "use in commerce" for the Canadian salon’s mark in the absence of any U.S. locations. Linville v. Rivard, 41 USPQ2d 1731 (TTAB 1996).

Similarly, the ad hoc distribution of promotional T-shirts, key chains and coupons during the trademark owner’s occasional U.S. business trips was insufficient to provide "use in commerce" for a cafe with a single location in Italy. Buti v. Impressa Perosa S.R.L., 139 F.3d 98 (2d Cir. 1998).

On the other hand, when at least a part of a trademark owner’s services are U.S. based, there may be "use in commerce" even though the principal service is actually performed abroad. For example, a European hotel chain's PENTA mark was considered to be "used in commerce" because its New York sales office (a) targeted U.S. residents with a significant advertising campaign, (b) took hotel reservations for the European PENTA hotels from U.S. residents, and (c) placed PENTA group promotional materials in the chain's U.S. affiliate hotel (which operated under the BARBIZON mark). Penta Hotels Limited v. Penta Tours, 9 USPQ2d 1081 (D. Conn. 1988) (“taking and confirming of hotel reservations is an integral part of the service").

The Two Casino Cases

In 2003 and again in 2009, U.S. courts considered whether a foreign casino had sufficient use of its mark in U.S. commerce for protection.

In the first case, International Bancorp LLC v. Societe des Bains de Mer et du Cercle de Etrangers a Monaco, 329 F.3d 359 (4th Cir. 2003), the Casino de Monte Carlo in Monaco had prevailed in arbitration against International Bancorp, the owner of gambling Web sites operating under various MONTE CARLO-formative domain names.

In response, International Bancorp sought a declaratory judgment of noninfringement in U.S. federal court, claiming that the Casion de Monte Carlo had not used its CASINO DE MONTE CARLO mark in U.S. commerce. Casino de Monte Carlo did not operate any casino establishments in the United States, although thousands of U.S. residents enjoyed its casino services when visiting Monaco. The casino did operate a New York office that actively advertised Casino de Monte Carlo to U.S. residents, and booked reservations for U.S. residents traveling to Monaco.

The court determined that the booking service related solely to Casino de Monte Carlo's hotel services, and thus was not "use in commerce" for the casino's gambling services.

With respect to the casino's gambling services, the Second Circuit broke down the "use in commerce" analysis into two inquires: (1) Was the mark displayed in U.S. advertising? and (2) Were the services rendered in commerce that may be regulated by Congress?

Given Casino de Monte Carlo's substantial U.S.-based advertising, it had clearly met the first part of the test. As to the second part of the test, the Second Circuit determined that the geographic locality of the gambling was irrelevant. Rather, regulation by Congress depended on the characteristics of the individuals doing the gambling.

Congress has the power to regulate "foreign trade" between the subjects of the United States and subjects of a foreign nation, frequently enacting laws that regulate the commercial interactions of U.S. citizens and the subjects of foreign nations, such as The Trading with the Enemy Act, the International Emergency Economic Powers Act, and Cuban embargo regulations. These laws specifically extend to transactions that occur solely on the foreign sovereign's soil. Accordingly, the evidence of U.S. residents gambling at Casino de Monte Carlo’s Monaco location is sufficient to constitute "foreign trade" regulated by Congress.

The second casino case, Kerzner International Ltd. v. Monarch Casino & Resort Inc., 2009 U.S. Dist. LEXIS 116622 (D. Nev. Dec. 14, 2009), involved a dispute over U.S. rights to the mark ATLANTIS between the owners of casinos in the Bahamas and in Reno, Nev.

The Nevada casino attacked the Bahamas casino's claimed prior U.S. rights on the ground that it had not used the ATLANTIS mark in U.S. commerce. The Bahamas casino did not have a U.S. location but did have substantial U.S. clientele who traveled to the Bahamas to gamble at the ATLANTIS casino. The Bahamas casino engaged in substantial U.S. advertising and had U.S.-based operations for casino accounting, casino treasury, and casino credit activities.

First, relying on the Penta holding, the Bahamas casino argued that its U.S.-based casino financial operations were integral to its principal casino services performed in the Bahamas and thus supplied the requisite "use in commerce." But the Nevada District Court distinguished the Penta decision (perhaps questionably) as basing "use on commerce" on the promotion of the U.S. affiliate BARBIZON hotel as part of the PENTA group.

Second, the Bahamas casino relied on the holding in Casino de Monte Carlo, arguing that U.S.-based promotion, combined with sales to U.S. residents visiting the Bahamas, constitutes use in commerce as "foreign trade." However, the Nevada District Court declined to follow Casino de Monte Carlo because it conflicted with earlier precedent (such as Linville, Buti, and others) and would therefore not be adopted by the Ninth Circuit. Thus, the Nevada District Court held that the Bahamas casino had not used ATLANTIS in commerce.

Oppositions and Cancellations

Two recent opposition decisions have created further confusion about the Territoriality Principle. In First Niagara Ins. v. First Niagara Financial Group Inc., 476 F.3d 867 (Fed. Cir. 2007), the Federal Circuit determined that while a Canadian opposer's spillover U.S. advertising and minor insurance sales to U.S. citizens were insufficient to constitute "use in commerce," they were sufficient to meet the less onerous "previously used in the United States" standard of 15 U.S.C. § 1052(d).

The TTAB's March 15, 2010, decision in Fiat Group Automobiles S.p.A., v. ISM Inc., 2010 WL 956670 (Opp. No. 91190607 TTAB Mar. 15, 2010), further complicates the Territoriality Principle. Opposer Fiat argued that ISM's PANDA application for automobiles diluted Fiat's famous European automotive PANDA marks.

ISM moved to dismiss the opposition because Fiat did not allege any use of the PANDA marks in the U.S. Fiat argued that its pleading was sufficient since the anti-dilution statute, 15 U.S.C. § 1125(c), does not contain any specific requirement for "use in commerce" or "use in the United States."

The TTAB held that the concept of "use" was part of the definition of "mark," 15 U.S.C. § 1127, thus requiring either (1) "use in the U.S." (but not necessarily "use in commerce") or (2) an "intention to use" coupled with a pending U.S. application. Accordingly, the TTAB dismissed the opposition (with leave to amend) as neither requirement was alleged in Fiat's pleading.

How to Play the Odds

While the Territoriality Principle presents a serious challenge to foreign trademark owners with no U.S. operations, there are some steps they may take to improve the odds of successful U.S. trademark protection.

- Document orders and shipments of goods to U.S. residents, as well as purchases of services by U.S. residents, even if the services are performed largely outside the U.S.
- Document any advertising or press coverage specific to the U.S. public. Mere spillover foreign advertising viewable by U.S. residents will not count as "use in commerce" for infringement, but might count for "use in the U.S." in an opposition.
- If possible, retain a U.S.-based agent to specifically promote your goods and serviceswithin the United States. Similarly, if possible, handle any supporting services for the principal foreign service (such as bookings, ticketing, planning and consulting for U.S. customers) through a U.S.-based employee or agent.

- For Internet sales, specifically indicate that the goods and services are available to U.S. residents and offer pricing in U.S. dollars.
- Include foreign marks in the promotional materials of any U.S. affiliate or U.S. sister's company's goods and services.
- Take affirmative steps to increase awareness of famous foreign marks in the U.S. By following this approach, foreign trademark owners should significantly improve their chances of winning U.S. trademark litigation by meeting the statutory "use" requirements.

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