



1-1-2004

Catching the Flu - Reverse Imperialism in U.S. Trademark Law? - International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco

Thies Bosling
University of Hamburg, Germany

Follow this and additional works at: <https://scholarlycommons.pacific.edu/globe>



Part of the [International Law Commons](#)

Recommended Citation

Thies Bosling, *Catching the Flu - Reverse Imperialism in U.S. Trademark Law? - International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 17 *TRANSNAT'L LAW* 145 (2004).

Available at: <https://scholarlycommons.pacific.edu/globe/vol17/iss2/3>

This Article is brought to you for free and open access by the Journals and Law Reviews at Scholarly Commons. It has been accepted for inclusion in Global Business & Development Law Journal by an authorized editor of Scholarly Commons. For more information, please contact mgibney@pacific.edu.

Catching the Flu—Reverse Imperialism in U.S. Trademark Law? *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco***

Thies Bösling***

TABLE OF CONTENTS

I. INTRODUCTION.....	146
II. STATEMENT OF THE CASE	147
A. <i>History and Operations of SBM</i>	147
B. <i>History and Operations of Plaintiff Companies</i>	149
C. <i>Procedural Background</i>	150
1. <i>Proceedings Before the WIPO Arbitration and Mediation Panel</i> ..	150
2. <i>Proceedings Before the District Court</i>	151
3. <i>Proceedings Before the Court of Appeals</i>	153
a. <i>The Majority Opinion</i>	153
b. <i>The Dissenting Opinion</i>	156
c. <i>The Majority's Review of the Dissent's Arguments</i>	157
III. ANALYSIS	158
A. <i>Overview: Protection of Foreign Trademarks under United States Law</i>	158
B. <i>Analysis of Precedent</i>	159
1. <i>Buti v. Impresa Perosa, S.R.L.</i>	159
2. <i>Person's Co. v. Christman</i>	161
3. <i>Imperial Tobacco, Ltd. v. Philip Morris, Inc.</i>	161
4. <i>Rivard v. Linville</i>	163
5. <i>Fuji Photo</i>	164
6. <i>La Societe Anonyme des Parfums</i>	165
7. <i>Morningside Group v. Morningside Capital</i>	166
8. <i>CBS v. Logical Games</i>	167
9. <i>Mother's Restaurant</i>	168
C. <i>The Provisions of the Lanham Act</i>	171
D. <i>The Territoriality Doctrine</i>	172
IV. CONCLUSION	176

* In her dissenting opinion, Judge Diana Gribbon Motz expresses her concern that *International Bancorp* would promote a form of "reverse imperialism", whereby foreign subjects would "colonize American markets with their foreign trademarks". As a result, foreign trademark rights would spread over the United States like "some sort of foreign influenza". *International Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 389, (4th Cir. 2003) [hereinafter *SBM II*].

** See generally *id.*

*** Dr. iur. 2002, University of Hamburg, Germany; LL.M. 2004, California Western School of Law.

I. INTRODUCTION

In *International Bancorp*, the Fourth Circuit introduced a new interpretation of the Lanham Act's "use in commerce" clause,¹ which turned existing rules governing the protection of foreign trademarks upside down. Granting Lanham Act protection to a mark attached to services rendered exclusively in Monaco,² the court presented a novel understanding of "use" of a mark "in commerce," which could eventually extend the protection of U.S. trademark law to marks used solely outside the United States. In all events, *International Bancorp* denotes a major shift away from earlier decisions,³ which had put stronger emphasis on the principle of territoriality of trademark protection.⁴

The background of the decision is relatively simple. Boiled down to its essentials, the defendant, a Monaco company, operates a casino under the mark "CASINO DE MONTE CARLO."⁵ The defendant advertises the mark in the United States, renders its casino services solely in Monaco, and holds no registration for his mark in the United States.⁶ The plaintiffs, who operate a number of websites incorporating the name "Casino de Monte Carlo," brought an action seeking declaratory judgment as to whether they were entitled to such use of the name.⁷ On appeal from the District Court, the Court of Appeals for the Fourth Circuit ruled in favor of the defendant, holding the "use in commerce" requirement was satisfied because American consumers traveled to and gambled at defendant's facilities in Monaco.⁸

This outcome gives the law governing the protection of foreign trademarks a new turn and is likely to have far reaching consequences for trademark lawyers and their clients in the United States as well as abroad. Courts have addressed the issue of protection of foreign-used trademarks in the United States in prior decisions, but those were mainly cases of *exclusive* foreign use. In these cases, no goods or services were sold to U.S. citizens and no display or advertisement of

1. 15 U.S.C. § 1127 (2003).

2. *SBM II*, 329 F.3d at 361.

3. See generally *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998); *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575; (Fed. Cir. 1990); *Rivard v. Linville*, 133 F.3d 1446 (Fed. Cir. 1998); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 (5th Cir. 1985); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974); *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983); *The Morningside Group Limited v. Morningside Capital Group, L.L.C.*, 182 F.3d 133 (2d Cir. 1999).

4. The territoriality-doctrine essentially stipulates that a trademark is recognized as having a separate existence in each sovereign territory in which it is legally recognized as a mark. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:1, 4th ed. 1996 [hereinafter MCCARTHY]. Therefore, trademark use in foreign countries generally does not create protectible trademark rights in the United States. See also *CBS*, 719 F.2d at 1239; *La Societe Anonyme des Parfums le Galion*, 495 F.2d at 1271.

5. *SBM II*, 329 F.3d at 361.

6. *Id.*

7. *Id.*

8. *Id.* at 365-66.

the mark occurred in the United States or was directed at American consumers.⁹ In these prior cases, courts generally stressed the principle of territoriality of trademark law and were unwilling to grant Lanham Act protection on the basis of activities abroad.¹⁰ *International Bancorp* is the first case where a court had to decide whether Lanham Act protection can be granted to a mark which is advertised in the United States, but is attached to services rendered and purchased by Americans exclusively in another country.

The Fourth Circuit's decision is not completely without merit. A more generous interpretation of the "use in commerce" requirement meets the demands of global trade and trademark use where territorial boundaries have become less important. Yet the court leaves some important questions unanswered and introduces a seemingly boundless understanding of "use" of a mark "in commerce," which would eventually allow foreign trademarks to be protected under U.S. law, even if they are not used within the geographic borders of the United States. The court should have outlined the scope of its novel interpretation of the "use in commerce" clause more precisely and provided more viable criteria to narrow it down to a reasonable scale.

Part II of this note gives an overview of the history and operations of the parties and sets out the factual and procedural background of this litigation. Part III examines the court's reasoning, including its analysis of related case authority. It then turns to a critique of the court's interpretation of the "use in commerce" clause and investigates its possible consequences.

II. STATEMENT OF THE CASE

A. *History and Operations of SBM*

Appellee-Defendant and counterclaim plaintiff *Societe des Bains de mer et du Cercle des Etrangers a Monaco* ("SBM") was established in the Principality of Monaco in 1863.¹¹ Its majority shareholder is the government of Monaco.¹² SBM owns and operates a variety of resort hotels and gambling facilities in Monte Carlo, a quartier¹³ of Monaco.¹⁴ One of SBM's properties has operated

9. See generally *Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 (5th Cir. 1985); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974); *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983).

10. See generally *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998); *Rivard v. Linville*, 133 F.3d 1446 (Fed. Cir. 1998); *Person's Co.*, 900 F.2d 1565; *Imperial Tobacco, Ltd.*, 899 F.2d 1575; *Fuji Photo Film Co.*, 754 F.2d 591; *La Societe Anonyme des Parfums le Galion*, 495 F.2d 1265; *CBS, Inc.*, 719 F.2d 1237.

11. *International Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 192 F. Supp. 2d 467, 470-71 (E.D.Va. 2002) [hereinafter *SBM I*].

12. *Id.* at 471.

13. *SBM II*, 329 F.3d at 361 (stating that the Principality of Monaco is comprised of four "quartiers").

14. *Id.*; see also *SBM I*, 192 F. Supp. 2d at 471.

under the name “Casino de Monte Carlo” since the company’s formation in 1863.¹⁵ The name “Casino de Monte Carlo” is registered as a trademark for SBM under the laws of Monaco.¹⁶ However, SBM had not obtained a registration of the mark in the United States. Although SBM filed for a registration with the U.S. Patent and Trademark Office on November 7, 2001, the registration was still pending when the case was litigated.¹⁷ Besides using the “CASINO DE MONTE CARLO” trademark, SBM had registered and used various domain names, some of which incorporated the words “casino” and “monte-carlo” in different variations.¹⁸ At the time the complaint was filed, SBM provided no online gambling services.¹⁹ However, it was undisputed that SBM had such services under development.²⁰

SBM promotes the Casino de Monte Carlo and its other resort and gambling facilities on a worldwide scale, to many countries including the United States.²¹ Since 1984, SBM operates an office in New York to promote North American tourism to Monaco²² and to its own properties in particular.²³ The office, which operates with four employees,²⁴ is one of SBM’s international sales offices from which American customers can book reservations for SBM’s facilities²⁵ in Monaco.²⁶ SBM’s promotional efforts conducted from the New York office consist of participation in trade shows, advertising campaigns, charity partnerships, direct mail solicitation, internet web sites, telephone marketing and solicitation of media coverage throughout the United States.²⁷ These activities include the advertising of SBM’s “Casino de Monte Carlo” and the display of the “CASINO DE MONTE CARLO” trademark.²⁸ SBM has received significant media coverage in newspapers and lifestyle magazines in the United States regarding its resorts and casinos, especially the Casino de Monte Carlo.²⁹ SBM’s promotions in the United States are funded with approximately one million dollars annually,³⁰ a sum that constitutes roughly twenty-five percent of the

15. *SBM II*, 329 F.3d at 361.

16. *Id.*

17. *SBM I*, 192 F. Supp. 2d at 471.

18. *Id.*

19. *Id.*

20. *Id.*

21. *SBM II*, 329 F.3d at 361; *SBM I*, 192 F. Supp. 2d at 471.

22. *SBM I*, 192 F. Supp. 2d at 471.

23. *SBM II*, 329 F.3d at 361; *SBM I* 192 F. Supp. 2d at 471.

24. *SBM II*, 329 F.3d at 361.

25. *SBM I*, 192 F. Supp. 2d at 471. When reviewing the record, the Court of Appeals found that these “facilities” included only SBM’s resort facilities but not gambling facilities. *SBM II*, 329 F.3d at 365.

26. *SBM I*, 192 F. Supp. 2d at 471.

27. *Id.*

28. *SBM II*, 329 F.3d at 361; *SBM I*, 192 F. Supp. 2d at 471.

29. *SBM I*, 192 F. Supp. 2d 471.

30. *SBM II*, 329 F.3d at 361.

company's worldwide marketing efforts.³¹ Consistent with the volume of their marketing activity, approximately twenty-two percent of SBM's customers in Monaco are from North America.³² However, SBM does not operate casino or gambling facilities within U.S. territory.³³

B. History and Operations of Plaintiff Companies

The plaintiffs-appellants are five companies: International Bancorp, LLC, International Services, Inc., International Lotteries, LLC, Las Vegas Sportsbook, Inc. and Britannia Finance Corporation³⁴ (hereinafter referred to as "plaintiff companies"). All plaintiff companies are owned, controlled, and operated by Claude Levy,³⁵ a French national³⁶ residing in Belgium,³⁷ and are not affiliated with SBM.³⁸

The plaintiff companies are in the business of developing and operating websites related to online gambling.³⁹ They operate about 150 web sites devoted to online gambling.⁴⁰ Fifty-three of those websites were found to incorporate some portion of the term "Casino de Monte Carlo" in their domain name.⁴¹ Domain names registered for the plaintiff companies included "casinomonte carlo.com" and "montecarlocasinos.com."⁴² These two sites, which were found to be of prominent significance to the plaintiff companies' online gambling activities, comprised of pages describing their online gambling services and containing pictures and graphics of the interior of a casino that appeared to be a copy of SBM's Casino de Monte Carlo.⁴³ The sites provided the opportunity to download the plaintiff companies' online gaming software, entitled "Casino de Monte Carlo."⁴⁴ Along with providing the gambling software, the websites displayed pictures of SBM's Casino de Monte Carlo's exterior and interior and alluded to the geographic location of Monte Carlo.⁴⁵ In so doing, the websites implied that they offer online gambling services as an alternative to the plaintiff

31. *SBM I*, 192 F. Supp. 2d at 471.

32. *Id.*

33. *Id.*

34. *SBM II*, 329 F.3d at 361; *SBM I*, 192 F. Supp. 2d at 472.

35. *SBM I*, 192 F. Supp. 2d at 472.

36. *SBM II*, 329 F.3d at 361.

37. *SBM I*, 192 F. Supp. 2d at 472.

38. *SBM II*, 329 F.3d at 361; *SBM I*, 192 F. Supp. 2d at 472.

39. *SBM I*, 192 F. Supp. 2d at 472-475.

40. *SBM II*, 329 F.3d at 361.

41. *Id.*

42. *SBM I*, 192 F. Supp. 2d at 473; *SBM II*, 329 F.3d at 361.

43. *SBM I*, 192 F. Supp. 2d at 474.

44. *Id.*

45. *Id.*

companies' Monaco casino, though the plaintiff operates no such facility.⁴⁶ The websites further alluded to SBM,⁴⁷ including a greeting card that read "Welcome to Casino de Monte Carlo," pictures of the outside of SBM's Casino de Monte Carlo, and statements that the casino was owned and managed by a group of corporations who have been in the business "for more than 140 years."⁴⁸ In addition, they included extensive descriptions of the Principality of Monaco.⁴⁹ Neither Levy nor any of the plaintiff companies hold any registered trademarks using the terms "Casino," "Monaco," or "Monte Carlo" in one form or another.⁵⁰ None of the plaintiff companies' websites criticizes or parodies SBM or any of its facilities, nor do they disclaim any commercial affiliation.⁵¹

All plaintiff companies are substantially undercapitalized and have no officers, directors, or members (other than Levy and his wife), no employees, and essentially no corporate records.⁵² Furthermore, some of the plaintiff companies were found to have neither offices, bank accounts, nor ever to have filed a tax return in any jurisdiction.⁵³ Although the plaintiff companies purport to be distinct entities they have a common leadership, common goals, and work together with a common purpose.⁵⁴

C. Procedural Background

In this litigation, the plaintiff companies sought a declaratory judgment as to whether they are entitled to use the term "Casino de Monte Carlo" in their domain names.⁵⁵ SBM challenges the registration and use of the fifty-three domain names that incorporate the mark "CASINO DE MONTE CARLO,"⁵⁶ claiming the use of the mark by the plaintiff companies misleads consumers by creating the false impression that plaintiffs' websites are somehow affiliated with SBM.⁵⁷

1. Proceedings Before the WIPO Arbitration and Mediation Panel

When registering each of the disputed fifty-three domain names, the plaintiff companies agreed to arbitrate any dispute regarding ownership of the domain

46. *SBM II*, 329 F.3d at 361.

47. *SBM I*, 192 F. Supp. 2d at 474.

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.*

52. *Id.* at 472.

53. *Id.* at 472-74.

54. *Id.* at 472.

55. *Id.* at 470, 475-76.

56. *Id.*

57. *Id.* at 475-76.

names in accordance with the Uniform Policy for Domain Name Dispute Resolution ("UDRP"), adopted by the Internet Corporation for Assigned Names and Numbers. ("ICANN").⁵⁸ When SBM learned of the plaintiff companies' use of the "CASINO DE MONTE CARLO" mark on their websites, it filed complaints with the World Intellectual Property Organization ("WIPO")⁵⁹ pursuant to the UDRP against four of the plaintiff companies, challenging the use of the disputed domain names.⁶⁰ In four substantially identical decisions,⁶¹ the Administrative Panel of the WIPO Arbitration and Mediation Center ruled against the plaintiff companies.⁶² The Panel found that the domain names used by the plaintiff companies, which incorporated the term "Casino de Monte Carlo" as such and in different variations,⁶³ were identical or confusingly similar to SBM's mark,⁶⁴ plaintiff companies had no legitimate right or interest in the mark "CASINO DE MONTE CARLO" or in respect of the domain names,⁶⁵ and the disputed domain names were registered and used by the plaintiff companies in bad faith.⁶⁶ Accordingly, the panel required that the registration of all fifty-three domain-names including or related to the term "Casino de Monte Carlo" be transferred to SBM.⁶⁷

2. Proceedings Before the District Court

To escape the decision of the WIPO Administrative Panel, the plaintiff companies filed a complaint in Federal District Court against SBM, seeking a declaratory judgment that they are entitled to retain ownership in the disputed domain names.⁶⁸ SBM counterclaimed for trademark infringement, trademark dilution, cyber-squatting and unfair competition,⁶⁹ SBM sought statutory damages in the amount of \$100,000 for each of the contested domain names, the transfer

58. *Id.* at 475.

59. *Societe des Bains de Mer et du Cercle des Etrangers a Monaco v. Britannia Finance*, Case No. D2000-1315, WIPO ARBITRATION AND MEDIATION CENTER, available at <http://arbitr.wipo.int/domains/decisions/html/2000/d2000-1315.html>; *Societe des Bains de Mer et du Cercle des Etrangers a Monaco v. Bancorp Europe*, Case No. D2000-1323, WIPO ARBITRATION AND MEDIATION CENTER, available at <http://arbitr.wipo.int/domains/decisions/html/2000/d2000-1323.html>; *Societe des Bains de Mer et du Cercle des Etrangers a Monaco v. International Lotteries*, Case No. D2000-1327, WIPO ARBITRATION AND MEDIATION CENTER, available at <http://arbitr.wipo.int/domains/decisions/html/2000/d2000-1327.html>; *Societe des Bains de Mer et du Cercle des Etrangers a Monaco v. International Services, Inc.*, Case No. D2000-1328, WIPO ARBITRATION AND MEDIATION CENTER, available at <http://arbitr.wipo.int/domains/decisions/html/2000/d2000-1328.html>.

60. *SBM I*, 192 F. Supp. 2d at 475; *SBM II*, 329 F.3d at 361.

61. *SBM I*, 192 F. Supp. 2d at 475.

62. *See supra* note 59 and cases cited therein.

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

67. *Id.*

68. *SBM I*, 192 F. Supp. 2d at 475; *SBM II*, 329 F.3d at 361.

69. *SBM I*, 192 F. Supp. 2d at 475; *SBM II*, 329 F.3d at 361-62.

of each of the domain names, and an injunction enjoining the plaintiff companies and Levy from registering domain names incorporating the term “Casino de Monte Carlo” or similar terms and from using the term “Casino Monte Carlo” on the internet.⁷⁰

The District Court ruled against SBM on its unfair competition claim, as well as on its trademark dilution claim, holding SBM had failed to show that the use of the term “Casino de Monte Carlo” by the plaintiff companies had caused them any economic harm.⁷¹ However, the District Court granted summary judgment in favor of SBM on its trademark infringement and cyber-squatting claims ordering that forty-three of the fifty-three⁷² disputed domain names be transferred to SBM,⁷³ and awarding SBM \$ 51,000 in statutory damages.⁷⁴ The court had no trouble finding that the plaintiff companies used the mark in commerce⁷⁵ and in connection with the sale, distribution, or advertising of goods or services⁷⁶ and that they did so in a manner that was likely to confuse consumers.⁷⁷ Relying on *Larsen v. Terk Technologies Corp.*,⁷⁸ the court initially pointed out that U.S. trademark law generally protects foreign nationals who own marks protectible under American law.⁷⁹ The court noted that the fact that the process of registering SBM’s “CASINO DE MONTE CARLO” trademark in the federal register had not yet been completed was not fatal to SBM’s claim.⁸⁰ Under U.S. trademark law, a mark is protected against infringement even when the mark is not federally registered,⁸¹ as long as the mark-holder succeeds in establishing that the mark is distinctive and has been used in American commerce.⁸² Applying the definition provided by 15 U.S.C. § 1127, the court held that a mark is used in commerce:

[W]hen it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services . . .

70. *SBM I*, 192 F. Supp. 2d at 475-76.

71. *Id.* at 484.

72. *Id.* at 491 (Ten of the contested domain names did not incorporate the term “Casino de Monte Carlo,” but merely the geographic description “Monte Carlo”).

73. *Id.* at 491-92.

74. *Id.* at 490-91.

75. *Id.* at 478-79.

76. *Id.* at 478.

77. *Id.* at 478, 482-83.

78. *Larsen v. Terk Technologies Corp.*, 151 F.3d 140 (4th Cir. 1998).

79. *SBM I*, 192 F. Supp. 2d at 478.

80. *Id.* at 479.

81. *Id.* (citing *Perini Corp. v. Perini Construction, Inc.*, 915 F.2d 121, 124 (4th Cir. 1990).)

82. *Id.* (citing *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*, 33 F. Supp. 2d 488, 494 (E.D. Va. 1999), *aff’d*, 217 F.3d 843 (4th Cir. 2000).)

The court understood “commerce” as being commerce that may be lawfully regulated by Congress.⁸³ Although the court noted that the U.S. Court of Appeals for the Second Circuit has determined that the mere advertisement of a mark in the United States, however extensive, does not establish “use” in American commerce,⁸⁴ it acknowledged that this was essentially not an advertising case.⁸⁵ Rather, the court held that SBM had used its “CASINO DE MONTE CARLO” mark in U.S. commerce⁸⁶ because customers could book reservations from its New York office.⁸⁷ Thus, the District Court held that services were rendered in the United States.⁸⁸ Yet the court failed to enter into any further inquiries as to whether reservations from SBM’s New York office could be made *for the “Casino de Monte Carlo.”* Consequently, it never addressed the issue of whether a mark is “used in commerce” when it is advertised in the United States attached to services rendered solely in a foreign country and purchased by United States citizens in that country.

3. Proceedings before the Court of Appeals

The plaintiff companies appealed the District Court’s judgment,⁸⁹ claiming the court erred in holding that SBM had a protectible interest in the “CASINO DE MONTE CARLO” mark.⁹⁰ The Court of Appeals affirmed the decision of the District Court in a split decision,⁹¹ holding that the District Court was right to arrive at the conclusion to grant summary judgment to SBM on its trademark infringement and cyber-squatting claims.⁹² However, the Court of Appeals rejected the District Court’s reasoning and grounded its decision on a completely different approach.⁹³

a. The Majority Opinion

The appellate court’s reasoning is based on the assumption that as a prerequisite for its infringement claim to be successful, SBM must have a protectible interest in the “CASINO DE MONTE CARLO” mark.⁹⁴ Since the

83. *SBM I*, 192 F. Supp. 2d at 475.

84. *Id.* (citing to *Buti v. Perosa, S.R.L.*, 139 F.3d 98, 106 (2d Cir. 1998); *Morningside Group Ltd. v. Morningside Capital Group L.L.C.*, 182 F.3d 133, 138 (2d Cir. 1999)).

85. *Id.*

86. *Id.* at 480.

87. *Id.* at 479.

88. *Id.* at 479-80.

89. *SBM II*, 329 F.3d at 361.

90. *Id.* at 363.

91. *Id.* at 383.

92. *Id.* at 361.

93. *Id.* at 361-82.

94. *Id.* at 363.

mark is not registered under U.S. law, it must be used in commerce in order to be protected under the Lanham Act.⁹⁵ After stating that “commerce” within the meaning of the Lanham Act incorporates all commerce that Congress may lawfully regulate,⁹⁶ the court turned to the question of what exactly constitutes “use in commerce” within the meaning of the Lanham Act.⁹⁷ To determine when exactly a mark is “used” in commerce, the court reverted to the definition provided by the Lanham Act 15 U.S.C. § 1127:

The term use in commerce means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be used in commerce. . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.⁹⁸

From this definition the court extracted a two-pronged test to determine whether a mark has been used in commerce.⁹⁹ With respect to services, “use in commerce” occurs when:

- (1) a mark is used or displayed in the sale or advertising of services, and
- (2) the services are rendered in commerce.¹⁰⁰

The court concluded that as a consequence of this conjunctive command,¹⁰¹ it is not enough for a mark owner simply to render services in foreign commerce, or simply to use or display the mark in the sale or advertising of services to United States consumers.¹⁰² To be eligible for protection under U.S. trademark law, both elements have to be met, and both elements have to be distinctly analyzed.¹⁰³

The court then turned to the core issue of this case, assessing whether SBM had used the “CASINO DE MONTE CARLO” mark in commerce.¹⁰⁴ There was no question that SBM displayed its “CASINO DE MONTE CARLO” mark in the United States since SBM conducted various promotional efforts under the mark

95. *SBM II*, 329 F.3d at 363.

96. *Id.* at 364.

97. *Id.*

98. *Id.*

99. *Id.* at 383. The two-pronged test applied by the Court of Appeals originates in pre Lanham Act trademark-cases.

100. *Id.* at 364.

101. *Id.* at 373.

102. *Id.*

103. *Id.* at 364.

104. *Id.* at 361, 364.

from its New York office.¹⁰⁵ However, the parties disagreed on whether the activities conducted by SBM under the “CASINO DE MONTE CARLO” mark from its New York office constituted “services rendered in interstate commerce” within the meaning of the Lanham Act.¹⁰⁶ SBM claimed that by providing for the booking of reservations, it rendered services in commerce. In addition, by maintaining the office, advertising its services, and maintaining its promotional website etc., the mark was attached to the services.¹⁰⁷ Thereby, SBM argued it satisfied the “use in commerce” requirement.¹⁰⁸ The plaintiff companies countered SBM’s claim by arguing its customers could not book reservations to SBM’s casino facilities from its New York office.¹⁰⁹ Reservations could only be made for SBM’s other facilities, such as resorts.¹¹⁰ The “CASINO DE MONTE CARLO” trademark, however, applies only to SBM’s gambling services, and these services were rendered in Monaco, not in the United States.¹¹¹ Therefore, the office engaged in no other activity than mere advertising,¹¹² which is generally regarded as insufficient to satisfy the “use in commerce” requirement.¹¹³

While the District Court followed SBM’s argument,¹¹⁴ the Court of Appeals found the record showed that from SBM’s New York office reservations could be made only for the resort facilities, but not for the casino.¹¹⁵ Since the mark in question applied only to the casino,¹¹⁶ and all activities of the New York office other than the reservations have to be regarded as merely promotional,¹¹⁷ the Court of Appeals held that SBM’s activities in their New York office were mere advertising and therefore, of no relevance to resolving the case.¹¹⁸ Accordingly, the court concluded that since SBM did not present any evidence that the New York office did anything other than advertise the “CASINO DE MONTE CARLO” mark, the plaintiff companies would have the better argument if the case rested on this alone.¹¹⁹

Yet the court chose a different approach. According to the court’s majority, the key fact in this case is that U.S. citizens went to and gambled at SBM’s

105. See generally *SBM II*, 329 F.3d at 361, 364.

106. *Id.* at 364.

107. *Id.*

108. *Id.*

109. See generally *id.*

110. *Id.* at 364-65.

111. *Id.* at 365.

112. *Id.* at 365.

113. *Id.* at 364; see also *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998).

114. *SBM I*, 192 F. Supp. 2d at 478-492.

115. *SBM II*, 329 F.3d at 365.

116. *Id.*

117. *Id.* at 361, 365.

118. *Id.* at 365.

119. *Id.*

casino facilities in Monaco.¹²⁰ This piece of information alone, which was not in dispute between the parties,¹²¹ formed the basis of the court's holding that foreign trade was present in this case. Therefore, "commerce" had occurred within the meaning of the Lanham Act.¹²²

In its analysis, the court first provided its understanding of "foreign trade". It identified "foreign trade" as trade between subjects of the United States and subjects of a foreign nation, not limited to traffic, buying and selling, or the interchange of commodities but also incorporating all sorts of commercial intercourse, including service transactions.¹²³ Based on this definition of foreign trade, the court drew the conclusion that the promotional activities conducted by SBM in its New York office did not by itself constitute "foreign trade", and therefore was not "use in commerce."¹²⁴ However, the "CASINO DE MONTE CARLO" mark was used in commerce since U.S. citizens traveled to and gambled at the casino facilities operated by SBM, the subject of a foreign nation, thereby constituting trade with a foreign nation.¹²⁵

b. The Dissenting Opinion

The majority's reasoning was not supported unanimously. Judge Diana Gribbon Motz delivered a dissenting opinion strongly advocating a more conventional understanding of "use in commerce."¹²⁶ Judge Motz followed the majority's holding that for a mark to be "used in commerce," a service must be rendered in commerce and a mark must be used or displayed in the sale or advertising of that service.¹²⁷ She also agreed that "commerce" within the meaning of the Lanham Act is commerce that Congress may lawfully regulate, and the rendering of gambling services to U.S. citizens in Monaco constituted commerce under the Lanham Act.¹²⁸ Furthermore, Judge Motz did not question that SBM formally and intentionally used and displayed its "CASINO DE MONTE CARLO" mark in the sale and advertising of its services to U.S. citizens in the United States.¹²⁹ In her opinion, however, this was not enough to grant the mark protection under the Lanham Act.¹³⁰

120. *SBM II*, 329 F.3d at 366.

121. *Id.* at 365.

122. *Id.* at 366.

123. *Id.* at 365.

124. *Id.* at 366.

125. *Id.*

126. *Id.* at 383-98.

127. *Id.*

128. *Id.*

129. *Id.*

130. *Id.*

Relying on an abundance of cases,¹³¹ the dissent asserted that both elements of the two-pronged “use in commerce” test must be met within the geographic borders of the United States.¹³² She concluded that because SBM had not rendered its casino services in the United States, it had not satisfied the statutory “use in commerce” requirement and was, therefore, not eligible to Lanham Act protection for its “CASINO DE MONTE CARLO” mark.¹³³ The dissent argued that the majority’s opinion would extend the protection of United States trademark law to marks used exclusively abroad.¹³⁴ The dissent claimed that consequently, any entity that uses a mark to advertise and sell its goods or services to U.S. citizens in a foreign country would be eligible for trademark protection under U.S. law.¹³⁵ If the majority’s opinion were adopted, like “some sort of foreign influenza,”¹³⁶ U.S. trademark rights would accompany American travelers on their way home,¹³⁷ and in a surge of “reversed imperialism,”¹³⁸ foreign subjects would “colonize American markets with their foreign trademarks.”¹³⁹

c. The Majority’s Review of the Dissent’s Arguments

When directly addressing the arguments brought forward by the dissent, the majority found them to be based on three major errors:¹⁴⁰ First, instead of analyzing both elements of the two-pronged “use in commerce” test¹⁴¹ distinctly, the dissent conflated them into one.¹⁴² Only on the basis of this conflation did the dissent come to the conclusion that both elements must occur within the geographic borders of the United States.¹⁴³ Second, the dissent relied on precedent that does not control the case.¹⁴⁴ In assessing the cases that the dissenting judge cited in support of her opinion, the majority found them to be either not on point or (as to

131. *SBM II*, 329 F.2d at 383-98 (citing to *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998)); *Rivard v. Linville*, 133 F.3d 1446 (Fed. Cir. 1998); *Person’s Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990); *The Morningside Group Ltd. v. Morningside Capital Group, L.L.C.*, 182 F.3d 133 (2d Cir. 1999); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 540 (5th Cir. 1985); *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974)).

132. *SBM II*, 329 F.3d at 383.

133. *Id.*

134. *Id.* at 384.

135. *Id.* at 388.

136. *Id.* at 389.

137. *Id.*

138. *Id.*

139. *Id.*

140. *Id.* at 372.

141. The two prongs are: (1) a mark is used or displayed in the sale or advertising of services, and (2) the services are rendered in commerce; *see also supra* note 100 and accompanying text.

142. *SBM II*, 329 F.3d at 372.

143. *Id.*

144. *Id.*

two cases decided by the TTAB¹⁴⁵ which held that both elements of the two pronged “use in commerce” test must be met within the territory of the United States rejected their reasoning.¹⁴⁶ Third, the dissent relied on unpersuasive policy arguments.¹⁴⁷ The majority admitted to not putting great weight on policy, but contends that the ultimate goal of trademark law is the prevention of consumer confusion, which it found to be better served by its own rule.¹⁴⁸

III. ANALYSIS

A. *Overview: Protection of Foreign Trademarks under United States Law*

Trademark law protects foreign nationals who own marks protectible under American law.¹⁴⁹ As a general rule, however, foreign trademarks are protected by U.S. trademark law only if they have been used in the United States.¹⁵⁰ Foreign marks that are not “used” in the United States may only be protected if the mark is “famous” or “well known” in the United States, or if the foreign mark owner meets the requirements of section 44 of the Lanham Act.¹⁵¹ Section 44 provides that if a foreign mark owner’s country is a party to the Paris Convention¹⁵² and the mark owner already has or applied for a trademark registration in that country, the foreign mark owner may obtain U.S. registration without proving actual use in the United States.¹⁵³ Yet the mark-owner still has to state a bona fide intention to use the mark in the United States.¹⁵⁴ The foreign applicant may then secure priority by obtaining the filing date of his foreign application as the effective filing date in the United States.¹⁵⁵

There can be little doubt that SBM’s “CASINO DE MONTE CARLO” mark is neither famous nor well known in the United States. In fact, SBM never made that claim. Section 44 of the Lanham Act also provides no relief for SBM. SBM’s problem is not in obtaining a better priority for its registration or in obtaining a registration at all. To enjoin the plaintiff companies from using the term “Casino de Monte Carlo” with immediate effect, SBM has to show actual “use” of its mark before the process of registration is completed.

145. Trademark Trial and Appeals Board.

146. *SBM II*, 329 F.3d at 372.

147. *Id.*

148. *Id.* at 381-82.

149. See generally *Larsen v. Terk Technologies Corp.*, 151 F.3d 140 (4th Cir. 1998).

150. MCCARTHY, *supra* note 4 § 16:21.

151. *Id.*

152. The Paris Convention is the principal international treaty governing patents, trademarks and unfair competition. *Id.* § 19:74.

153. *Id.* § 19:73. See also *Larsen*, 151 F.3d at 140.

154. MCCARTHY, *supra* note 4 § 19:73.

155. *Id.*

B. Analysis of Precedent

The dissent in *International Bankcorp* alleges that courts of different circuits as well as the U.S. Trademark Trial & Appeal Board ("TTAB") ruled that use of a trademark in connection with goods and services sold only in a foreign country by a foreign entity does not constitute "use" of the mark in the United States.¹⁵⁶ All of these cases accent the concept of territoriality in trademark law, stressing that trademark rights exist in each country solely according to that country's statutory scheme¹⁵⁷ and that foreign use of a trademark is ineffective to create trademark rights in the United States.¹⁵⁸ From these decisions the dissent infers that in order to be granted protection under the Lanham Act, a mark must be displayed or advertised in the United States *and* the services to which the mark attaches must be rendered within the territory of the United States.¹⁵⁹ Reviewing each of the cases individually,¹⁶⁰ the majority found them either to be not on point¹⁶¹ or rejected their reasoning.¹⁶² Since the precedent forms an integral part of both the majority's and the dissent's reasoning, they deserve a closer look with regard to whether they support one or the other position.

1. *Buti v. Impresa Perosa, S.R.L.*

One of the key cases in this area is *Buti v. Impresa Perosa, S.R.L.*¹⁶³ In *Buti*, the court had to decide the right to use the mark "FASHION CAFÉ" for restaurant services in the United States.¹⁶⁴ The defendant had opened an establishment in Italy under the name "Fashion Café" and had registered the trademark in that country.¹⁶⁵ Yet, the defendant never operated any such establishment in the United States.¹⁶⁶ Moreover, the defendant never conducted any formal advertising or public relations campaign in the United States to promote its establishment in Italy.¹⁶⁷ However, the defendant informally promoted his company's business in the United States by distributing T-Shirts, cards, and key chains with the "Fashion Café" name and logo.¹⁶⁸ Subsequently,

156. *SBM II*, 329 F.3d at 383.

157. *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1569 (Fed. Cir. 1990); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985).

158. *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1270 (2d Cir. 1974).

159. *SBM II*, 329 F.3d at 383-88.

160. *Id.* at 372-81.

161. *See id.* at 372 (noting court decisions).

162. *See id.* (discussing TTAB decisions).

163. *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998).

164. *Id.* at 99.

165. *Id.* at 100.

166. *Id.*

167. *Id.*

168. *Id.*

the plaintiff opened a restaurant in the United States under the name “Fashion Café.”¹⁶⁹ Plaintiff filed an action for declaratory judgment regarding the defendant’s rights in the name “Fashion Café” for restaurant services in the United States.¹⁷⁰

The court held that the plaintiff first used the contested mark in “commerce” within the meaning of the Lanham Act.¹⁷¹ The court found that defendant’s efforts in the United States to advertise and promote its restaurant were insufficient to satisfy the statutory standard for use in commerce.¹⁷² The court stated that the defendant’s mere advertising of the “FASHION CAFÉ” mark alone did not constitute “use” of the mark in commerce.¹⁷³ Next, the court assessed whether the defendant’s promotional activities in the United States merited Lanham Act protection for its mark based on the ongoing business of its establishment in Milan.¹⁷⁴ The court answered in the negative.¹⁷⁵ Absent proof that the defendant rendered any restaurant services in U.S. commerce, the court held that the defendant’s activities in the United States were insufficient to establish “use” of the contested mark “in commerce.”¹⁷⁶

The dissent in *International Bancorp* analogized the facts of their case to *Buti*. Like *International Bancorp* the defendant in *Buti* displayed its mark by advertising its business to U.S. consumers in the United States, but only rendered services abroad.¹⁷⁷ The majority, however, rejected *Buti* as not on point.¹⁷⁸ First, the majority made an attempt to distinguish *Buti* by saying that unlike *International Bancorp*, the foreign user in *Buti* conceded that the services he offered formed no part of the trade between Italy and the United States, and therefore, did not constitute foreign trade.¹⁷⁹ Consequently, the *Buti* court did not address the application of the Lanham Act to foreign trade.¹⁸⁰ Moreover, the majority argued it was not clear whether the foreign user in *Buti* used its mark in foreign trade, since the restaurant conducted no formal advertising or public relations campaign aimed at U.S. citizens.¹⁸¹ As opposed to the foreign trademark owner in *Buti*, SBM has advertised its mark systematically and at great cost to U.S. consumers.¹⁸²

169. *Id.*

170. *Id.* at 100-01.

171. *Id.* at 100.

172. *Id.* at 101-02.

173. *Id.* at 102.

174. *Id.* at 103-04.

175. *Id.* at 103.

176. *Id.*

177. *SBM II*, 329 F.3d 359, 383 (4th Cir. 2003).

178. *Id.* at 372.

179. *Id.* at 369.

180. *Id.*

181. *Id.* at 369-70.

182. *Id.* at 370.

2. *Person's Co. v. Christman*

The dissent also put great weight on another key case in this area, *Person's Co. Ltd. v. Christman*.¹⁸³ In *Person's*, the court had to determine whether certain commercial activities the plaintiff had conducted abroad were sufficient to establish Lanham Act protection for a mark in the United States. Plaintiff was in the business of selling clothing items under the "PERSON'S" mark in his native Japan.¹⁸⁴ Among its customers were some U.S. citizens.¹⁸⁵ The defendant, after visiting one of plaintiff's retail stores in Japan, started her own company in the United States, which manufactured and sold similar merchandise under the "PERSON'S" logo.¹⁸⁶ The plaintiff later expanded its business to the United States and sued the defendant for trademark infringement.¹⁸⁷ The court denied the plaintiff's claim on the grounds that the use of the mark in Japan had no effect on United States commerce, and therefore, did not establish priority to merit protection in the United States.¹⁸⁸

The dissent argued that the *Person's* court affirmed the rule that trademarks exist in each country solely according to that country's statutory scheme.¹⁸⁹ Moreover, *Person's* showed that foreign use of a mark was not sufficient to merit Lanham Act protection, even if U.S. citizens purchased goods or services abroad from a subject of a foreign nation.¹⁹⁰ The majority, however, found *Person's* not to be on point either.¹⁹¹ Its major argument was that, unlike in the case at issue here, the plaintiff in *Person's* never used or displayed its mark to advertise or sell its products in the United States and tried to establish priority *solely* on the basis of its Japanese operations.¹⁹²

3. *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*

Seeking support for her position, the dissent also relied¹⁹³ on *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*¹⁹⁴ In *Imperial Tobacco*, the plaintiff, a U. K. corporation, owned a trademark registration in the Principal Register, which it obtained on the basis of a prior registration of the mark in the United Kingdom in

183. See *Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990).

184. *Id.* at 1566-67.

185. *Id.* at 1567.

186. *Id.*

187. *Id.*

188. *Id.*

189. *SBM II*, 329 F.3d 359, 385 (4th Cir. 2003).

190. *Id.*

191. *Id.* at 374-75.

192. *Id.* at 374.

193. *Id.* at 387.

194. See *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990).

accordance with section 44 (e) of the Lanham Act.¹⁹⁵ However, plaintiff made no sales under the registered mark in the United States¹⁹⁶ and made no use of the mark in commerce “in or with the United States.”¹⁹⁷ After the expiration of the statutory term, the defendant filed a petition to cancel the plaintiff’s registration on the grounds that the plaintiff had abandoned his mark.¹⁹⁸ The court ruled in favor of the defendant.¹⁹⁹ It found a prima facie case of abandonment based on the fact that plaintiff did not use its mark in the United States for more than two years.²⁰⁰ The court held that plaintiff’s foreign sales under the mark abroad were irrelevant; “use” within the meaning of the Lanham Act meant use in the United States.²⁰¹ The dissent alleged *Imperial Tobacco* supported the contention that “use” of a mark must occur in the United States in order to merit protection under the Lanham Act.²⁰² The majority argued that the *Imperial Tobacco* court never addressed the essential facts of if and to what extent the contested mark was advertised in the United States or to U.S. consumers, or if and to what extent the goods to which the mark was attached were purchased by U.S. consumers abroad.²⁰³

As opposed to *Imperial Tobacco*, SBM “used” the “CASINO DE MONTE CARLO” mark “in advertising and displays”²⁰⁴ in the United States and attached it to services rendered in “qualifying commerce”²⁰⁵ overseas. Moreover, the majority argued, *Imperial Tobacco* supports the majority’s position rather than that of the dissent.²⁰⁶ The majority pointed to the court’s factual notation that “no use of the mark in commerce in or with the United States”²⁰⁷ had occurred.²⁰⁸ This notation implied that different forms of commerce could support trademark

195. *Id.* at 1577 § 44 (noting that the Lanham Act provides that if a foreign mark owner’s country is a party to the Paris Convention and the mark owner has, or has applied for, a trademark registration in that country, the foreign mark owner may obtain a U.S. registration without proving actual use in the United States by stating a bona fide intention to use the mark in the United States. The foreign applicant may then secure priority by obtaining the filing date of his foreign application as the effective filing date in the United States. MCCARTHY, *supra* note 4 § 19:73.

196. *Imperial Tobacco*, 899 F.2d at 1577.

197. *Id.*

198. *Id.* The right to use a registered mark is subject to the defense that the mark has been abandoned by the registrant. *See* 15 USCS § 1115(b)(2).

199. *Imperial Tobacco*, 899 F.2d at 1577.

200. *Id.* at 1579. The case was decided in 1990. The statutory period is now three years. *See* 15 U.S.C.A. § 1127.

201. *Imperial Tobacco*, 899 F.2d at 1579.

202. *SBM II*, 329 F.3d 359 at 387.

203. *Id.* at 375.

204. *Id.* at 376. In making this statement, the majority decides not to clearly distinguish between “use” of a mark and advertising of a mark.

205. *Id.*

206. *Id.* at 375.

207. *Imperial Tobacco, Ltd v. Phillip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990).

208. *SBM II*, 329 F.3d at 375.

protection.²⁰⁹ Commerce *in* the United States, the majority concluded, is not the only commerce that can satisfy the Lanham Act, but commerce *with* the United States is also implicated.²¹⁰

4. *Rivard v. Linville*

Relying on *Rivard v. Linville*²¹¹ (*Rivard II*), the dissent in *International Bancorp* alleged that the Federal Circuit had embraced a rule that “use in commerce” must occur within the United States, which the dissent believed directly conflicted with the majority’s opinion.²¹²

Rivard II, which relied heavily on *Imperial Tobacco*, concerned a dispute over the right to use the mark “ULTRACUTS” for hair and beauty salons in the United States. Rivard, the respondent in the initial TTAB dispute and later appellant, had registered his mark “ULTRACUTS” in connection with hair dressing and beauty salon services based on his prior registration of the mark in Canada.²¹³ He successfully operated a chain of hair and beauty salons in Canada but did not offer any such services in the United States.²¹⁴ Petitioner and later appellee, Linville, filed a petition to the TTAB to cancel respondent’s “ULTRACUTS” mark, alleging it was confusingly similar to his own mark and respondent had abandoned it by not using it in the United States commerce for two years.²¹⁵ Respondent admitted he personally made no sales of hairdressing and beauty salon services under the mark in the United States.²¹⁶ Yet, he claimed he still used the mark in United States commerce because he advertised his beauty salons on radio stations that could be heard both in Canada and in the United States, as well as in Canadian newspapers that he believed were also read by U.S. citizens.²¹⁷ Moreover, respondent claimed that his business attracted customers from the United States, who purchased hair dressing services and hair products at his facilities.²¹⁸

The TTAB ruled in favor of the petitioner, rejecting respondent’s argument that he had used the mark in U.S. commerce “through his advertising.”²¹⁹ Moreover, the TTAB held that U.S. residents’ purchases of services at respondent’s Canadian facilities did not constitute “use” of the mark in U.S.

209. *Id.*

210. *Id.*

211. *See Rivard v. Linville*, 133 F.3d 1446 (Fed. Cir. 1998).

212. *SBM II*, 329 F.3d at 387.

213. *Rivard*, 133 F.3d at 1447-48.

214. *Id.* at 1448.

215. *Id.* The case was decided in 1998 and the statutory period is now three years per 15 U.S.C.A. § 1127.

216. *Linville v. Rivard*, 1993 TTAB LEXIS 5, 3 (TTAB 1993).

217. *Id.* at 7.

218. *Id.* at 7-8.

219. *Id.* at 13.

commerce.²²⁰ On appeal from the TTAB, the Court of Appeals for the Federal Circuit found that the appellee established a prima facie case that the appellant abandoned the “ULTRACUTS” mark because he did not use it in connection with hair dressing and beauty services in the United States.²²¹ “Use” of a trademark, the court implied, meant use in the United States.²²²

The dissent relied on *Rivard II* to argue that in order for a service mark to qualify for U.S. trademark protection, the services to which the mark attaches must be rendered in commerce in the United States.²²³ The majority, however, argued that both the TTAB and the Court of Appeals never directly addressed the issue whether the respondent-appellant’s promotional activities in the United States, in connection with sales to American consumers abroad, were sufficient to merit Lanham Act protection for his “ULTRACUTS” mark.²²⁴ The majority argued that the TTAB rejected the respondent’s position solely on the grounds that no qualifying commerce was present but failed to address the issue of whether the mark had been “used” in commerce within the meaning of the Lanham Act.²²⁵ The Court of Appeals never even considered the mark owner’s claim that his servicing of United States consumers and his United States advertising constituted “use in commerce,” but solely relied on a prior unpublished opinion.²²⁶ As in *Imperial Tobacco*, the *Rivard II* court did not address the issue of if and to what extent the services to which the mark was attached were purchased by U.S. consumers in Canada.²²⁷ Therefore, the majority concluded, *Rivard II* was unable to support the dissent.²²⁸

5. *Fuji Photo*

The dissent in *International Bancorp* also relied on *Fuji Photo Film Company, Inc. v. Shinohara Shoji Kabushiki Kaisha*.²²⁹ In *Fuji*, two Japanese corporations litigated over the right to use the trademark “FUJI” on graphic arts equipment and supplies in the United States.²³⁰ After both companies had sold their products in Japan for some time, they expanded their business to the United States.²³¹ Holding that the parties’ foreign use of their respective “FUJI”

220. *Id.* at 14.

221. *Rivard*, 133 F.3d at 1449.

222. *Id.*

223. *SBM II*, 329 F.3d 359, 387-88 (4th Cir. 2003).

224. *Id.* at 376.

225. *Id.* at 376.

226. *Id.* at 376.

227. *See generally Rivard*, 133 F.3d 1446.

228. *SBM II*, 329 F.3d at 376.

229. *See generally Fuji Photo Film Company, Inc. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 (5th Cir. 1985).

230. *Id.* at 593.

231. *Id.*

trademarks was ineffectual to create trademark rights in the United States, the court excluded evidence of the parties' foreign trademark practices from its analysis.²³² The dissent argued that according to *Fuji*, use of a foreign mark in a foreign country could not grant the foreign holder priority over one who used the mark first in the United States.²³³ Yet the majority rejected *Fuji* for the same reason it rejected *Person's*.²³⁴ It distinguished *Fuji* by saying that unlike in the case at issue here, *Fuji* concerned non-qualifying commerce *and*²³⁵ foreign use and display of the mark to advertise and sell products to foreign consumers.²³⁶

6. *La Societe Anonyme des Parfums*

The dissent in *International Bancorp* also looked to *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*²³⁷ to find support for its position. In *La Societe Anonyme*, the plaintiff, a French perfume manufacturer, used the mark "SNOB" for its perfume in a number of countries other than the United States.²³⁸ The plaintiff was unable to sell the product in the United States because the defendant, an American perfume manufacturer, obtained a U.S. trademark registration for "SNOB" and U.S. customs subsequently refused to permit the import of plaintiff's products to the United States.²³⁹ In this context, the court ruled that the plaintiff's foreign use was ineffectual to create trademark rights in the United States.²⁴⁰ Again, the majority rejected the dissent's argument on the same grounds it had rejected *Person's* and *Fuji*.²⁴¹ In *La Societe Anonyme*, the majority contended, plaintiff attached its trademark to products it manufactured abroad, advertised abroad to foreigners, and sold abroad to foreigners.²⁴² This, the majority found, was non-qualifying commerce and foreign use and display of the mark to advertise and sell the product to foreign consumers, dissimilar to the facts of the present case.²⁴³

232. *Id.* at 599.

233. *SBM II*, 329 F.3d at 385.

234. *Id.* at 377.

235. Emphasis in the original.

236. *SBM II*, 329 F.3d at 377.

237. *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974).

238. *Id.* at 1269.

239. *Id.*

240. *Id.*

241. *SBM II*, 329 F.3d at 377.

242. *Id.*

243. *Id.*

7. *Morningside Group v. Morningside Capital*

Although factually dissimilar, the dissent in *International Bancorp* also cited to *The Morningside Group Limited v. Morningside Capital Group, L.L.C.*²⁴⁴ The object in this case was a dispute over the right to use the service mark “MORNINGSIDE” in the United States.²⁴⁵ Plaintiff Morningside Group, who ran a Hong Kong based financial business and was engaged in various financial activities in the United States, selected the mark “MORNINGSIDE” to identify its institution. Defendant Morningside Capital was a Connecticut based private equity investment group that conducted its business under the same mark.²⁴⁶ The District Court found that plaintiff did not provide services within the meaning of the Lanham Act and, therefore, did not have a valid service mark.²⁴⁷ The Court of Appeals reversed.²⁴⁸ In its reasoning, the court distinguished *Buti* on the basis that unlike the plaintiff in *Morningside*, the *Buti*-claimant did not provide its actual services in the United States, but only advertised and promoted them in the United States.²⁴⁹ Mere advertising and promotion of a mark in the United States, the court held, were not enough to constitute “use” of the mark “in commerce”.²⁵⁰

The dissent argued that *Morningside* shows the Second Circuit’s intent that trademark protection under the Lanham Act should only be granted where the mark claimant conducted material aspects of its services in the United States, thereby satisfying the “use in commerce” requirement.²⁵¹ The majority, however, interpreted *Morningside* in an entirely different way.²⁵² It expressly agreed with the court’s statement that mere advertising of a mark in the United States was not enough to constitute “use” of the mark “in commerce,” but pointed to the court’s conclusion that further inquiry had to be made as to whether the advertising and promotion undertaken in the United States was conjoined with qualifying commerce.²⁵³ Therefore, the majority concluded *Morningside* could not support the dissent’s position.²⁵⁴

244. See *The Morningside Group Limited v. Morningside Capital Group, L.L.C.*, 182 F.3d 133 (2d Cir. 1999).

245. *Id.* at 136.

246. *Id.*

247. *Id.*

248. *Id.* at 144.

249. *Id.* at 138.

250. *Id.*

251. *SBM II*, 329 F.3d 359 at 385 (4th Cir. 2003).

252. *Id.* at 377.

253. *Id.*

254. *Id.*

8. *CBS v. Logical Games*

The dissent in *International Bancorp* also relied on *CBS Inc. v. Logical Games*.²⁵⁵ In this case, the plaintiff, distributor of "Rubik's Cube," sued the distributor of an identical puzzle "Magic Cube," alleging trademark infringement, unfair copying of trade dress, and other claims.²⁵⁶

The plaintiff's puzzle, widely known to U.S. consumers under its "RUBIK'S CUBE" trademark, was invented in 1975 by Erno Rubik, a native and resident of Hungary.²⁵⁷ In 1978, the principal of defendant Logical Games, while on a visit to Hungary, saw examples of the puzzle, realized its sales potential in the United States and ordered 3000 puzzles from its Hungarian manufacturer Konsumex.²⁵⁸ By February 1980, all 3000 puzzles had been sold in the United States.²⁵⁹ In February or March 1980, CBS's predecessor in interest, who had entered an exclusive distribution agreement with Konsumex, began the importation of the puzzle to the United States, accompanied by a massive advertising campaign.²⁶⁰ By 1983, CBS had sold a total of 16,000,000 puzzles.²⁶¹ Defendant contended that due to its 1978 purchase in Hungary and subsequent sale of 3000 puzzles in the United States, it had an exclusive right to the puzzle trade dress.²⁶² The CBS court acknowledged that factual situations could be imagined in which extensive purchases abroad and marketing in the United States could create trade dress rights in the U.S. for a format employed elsewhere by a foreign manufacturer, but found defendant's purchase and resale of 3000 puzzles too minimal to establish such rights.²⁶³ Citing *La Societe Anonyme*, the court accepted the assertion that trade dress use in foreign countries does not create protectible trademark rights in the United States.²⁶⁴ However, the court based its decision primarily on the holding that the purchase and resale of only 3000 puzzles was insufficient to create trade dress rights, no matter where or when they occurred, without further addressing the issue of whether and when activities abroad could in any way create trademark rights in the United States.²⁶⁵

Although the case is factually widely dissimilar to *International Bancorp*, the dissent relied on CBS, for it contended it provided parallel reasoning that trade dress use in foreign countries could not create protectible trademark rights in the

255. See *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983).

256. *Id.* at 1237.

257. *Id.*

258. *Id.*

259. *Id.*

260. *Id.*

261. *Id.*

262. *Id.* at 1239.

263. *Id.* at 1239-1240.

264. *Id.* at 1239.

265. *Id.* at 1240.

United States.²⁶⁶ The majority argued that *CBS* not only did not support the dissent's reasoning, but explicitly rejected it.²⁶⁷ According to the majority interpretation, *CBS* merely stated that the importer of a product could not acquire trade dress rights in that product based on a third-party manufacturer's foreign production of and foreign sale to foreign consumers of that product.²⁶⁸ Moreover, the majority pointed to the court's dicta that in a different factual situation, purchases abroad and marketing in the United States could create trade dress rights in the United States for a format employed elsewhere by a foreign manufacturer.²⁶⁹

9. *Mother's Restaurant*

Finally, the dissent in *International Bancorp* relied on a number of TTAB decisions in which the TTAB consistently upheld the rule that priority of right in a trademark in the United States depended on priority of use of the mark in the United States and was not affected by use of the mark in another country.²⁷⁰ The most relevant TTAB decision, since it is arguably factually similar to *International Bancorp*, is *Mothers's Restaurants Inc. v. Mother's other Kitchen, Inc.*²⁷¹

In *Mother's Restaurants*, the applicant filed an application to register the mark "MOTHER'S OTHER KITCHEN" for carry out restaurant services.²⁷² Mother's Restaurants, Inc. opposed the registration on the grounds that the mark was confusingly similar to its mark "MOTHER'S PIZZA PARLOUR."²⁷³ The opposer asserted priority of his mark on the basis of promotional activities conducted in Canada.²⁷⁴ He claimed that he had advertised the mark on Canadian radio stations with signals strong enough to reach into the United States and distributed promotional materials at tourist information booths along tourist routes in southern Ontario.²⁷⁵ Moreover, the opposer claimed that American citizens dined at his restaurants in Canada.²⁷⁶ Denying the opposer's claim, the TTAB held that use and advertising of a mark in connection with goods or services marketed in a foreign country (whether it occurs inside or outside the United States) created no priority rights in the United States.²⁷⁷

266. *SBM II*, 329 F.3d 359, 385 (4th Cir. 2003).

267. *Id.* at 377.

268. *Id.*

269. *Id.* at 377-378.

270. *Mother's Restaurants Inc. v. Mother's other Kitchen, Inc.*, 218 U.S.P.Q. (BNA) 1046 (TTAB 1983); *Oland's Breweries, Ltd. v. Miller Brewing Co.*, 189 U.S.P.Q. 481 (TTAB 1975); *Sterling Drug Inc. v. Knoll AG Chemische Fabriken*, 159 U.S.P.Q. 628 (TTAB 1968); *Techex, Inc. v. Dvorkovitz*, 220 U.S.P.Q. (BNA) 81 (TTAB 1983); *Stagecoach Properties Inc., v. Wells Fargo & Co*, 1999 U.S.P.Q. 341 (TTAB 1978).

271. *Mother's Restaurants*, 218 U.S.P.Q. (BNA) at 1046.

272. *Id.*

273. *Id.*

274. *Id.*

275. *Id.*

276. *Id.*

277. *Id.*

The majority acknowledged that *Mother's Restaurants* is factually similar to the case at hand, but rejected the TTAB's analysis.²⁷⁸ The majority asserted that, like the dissent, the TTAB did not properly distinguish the two elements of the "use in commerce" test.²⁷⁹ Instead of properly applying the "use in commerce" test, the TTAB conflated the two elements by first measuring the mark owner's "use" of the mark through promotional activity and then measuring it by whether it was attached to interstate commerce.²⁸⁰ Rather, the TTAB should have first determined whether commerce that Congress could lawfully regulate was at issue, and subsequently address the question when the mark owners began to use or display the mark in the advertising and sale of those qualifying services to qualifying consumers.²⁸¹

Courts have consistently put strong emphasis on the principle of territoriality in trademark law. They have been highly reluctant to accede to claims trying to establish protection for foreign-owned trademarks in the United States on the basis of some activity abroad. Across the board the courts, as well as the TTAB, ruled that "foreign use" of a trademark does not create trademark rights in the United States.²⁸² In doing so, all precedent suggests a narrow interpretation of the "use in commerce" clause when it comes to evaluating activities conducted under a mark abroad. However, no court has ever addressed the core issue involved in this case directly, and no court ever decided explicitly whether both elements of the "use in commerce" test have to be met within the geographic borders of the United States.

A number of cases cited by the dissent are factually dissimilar to the instant case because they deal with exclusive foreign use of the contested trademark, where both elements were met abroad, and there was little if any involvement of United States consumers. This is especially true for *Fuji*, *La Societe Anonyme*, *Imperial Tobacco*, *CBS*, and basically even for *Person's*. In *Fuji*, the mark was displayed solely in Japan on products purchased only in Japan by Japanese consumers. The same is true for *La Societe Anonyme*, where the mark owner neither displayed his mark in the United States nor sold any goods to United States consumers. Similarly, in *Imperial Tobacco*, there was no showing that the contested mark was advertised in the United States, or that substantial numbers of American consumers purchased goods the mark was attached to. In *Persons*, the record showed at least one purchase of products bearing the contested mark by an American consumer in Japan, but there was no advertising of the mark in

278. *SBM II*, 329 F.3d 359, 380 (4th Cir. 2003).

279. *Id.*

280. *Id.* at 380-381.

281. *Id.* at 380-381.

282. See *Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990); *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98 (2d Cir. 1998); *Imperial Tobacco, Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575 (Fed. Cir. 1990); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591 (5th Cir. 1985); *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974); *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983).

the United States nor was the advertisement directed towards the American market. Moreover, purchases by American citizens were clearly not substantial.

CBS is also of little help to solve the problem. Its main proposition with respect to the instant case is that where a mark is attached to a product manufactured abroad, sold exclusively to foreign nationals abroad and not advertised to American consumers in any way, the mark cannot be protected under the Lanham Act. This is altogether clear. However, the *CBS* court rejected the defendant's claim for other reasons. The court made clear on several occasions that it ruled against the defendant not because the activities he conducted abroad were insufficient, but because his later sales in the United States were minimal. The defendant in *CBS* never alleged any rights in the contested mark based on his prior use in Hungary. Accordingly, the court did not consider whether, when, or where the defendant sold products under the contested mark, but solely to the fact that his sales were negligible.

Morningside is also of little value. In *Morningside*, the contested mark was used in the United States by both parties, and the respective services the mark was attached to were rendered in the United States. Consequently, both marks were protected under the Lanham Act. The sole fact that the *Morningside* court distinguished *Buti* implies little in respect to our case. There is no dispute that advertising alone is not sufficient to create Lanham Act protection because it must be accompanied by qualifying commerce. That, however, was not shown by the mark-owner.

Buti and *Rivard* are somewhat closer to home. Although the contested mark in *Buti* was not formally advertised in the United States, it was displayed to United States consumers in the United States. Granted, there was no evidence as to whether and to what extent American consumers purchased services at the mark owner's establishment in Milan, whereas in *International Bancorp*, there was a massive advertising campaign conducted in the United States, and American consumers made up a substantial number of the mark-owner's customers. Yet, the attempt to distinguish *Buti* solely on that basis is not entirely convincing. The majority's effort to distinguish the case by arguing that the foreign user in *Buti* had conceded that the services he offered did not constitute foreign trade seems rather dubious.

The majority's dealing with the TTAB's decisions in *Rivard* and *Mother's Restaurants* is even less persuasive. Since the majority is bound to admit that both cases are virtually factually identical to *International Bancorp*, it alludes to technical arguments that are wholly unconvincing. The majority's contention that the TTAB rejected the foreign mark-owner's position in *Rivard* solely on the grounds that no qualifying commerce was present is simply incorrect. The TTAB clearly stated that the fact that residents of the United States purchased the mark owner's services while in Canada does not constitute use sufficient to obtain a

registration in the United States.²⁸³ The TTAB went on to say it was a fundamental rule that activity outside of the United States was ineffective to create trademark rights within the United States.²⁸⁴ The majority's dealing with *Mother's Restaurants* is even more dubious. The majority has to go out of its way to reject the Board's reasoning on the basis of an asserted "conflation" of the two elements of "use in commerce" test. The presentation of the TTAB's analysis in *Mother's Restaurants* may not be well organized. Yet, the TTAB unmistakably held that prior use and advertising of a mark in connection with goods and services marketed abroad (whether the advertising occurs inside or outside the United States) creates no priority rights in the mark in the United States. This is undeniably a clear statement.

In sum, the majority's interpretation of the "use in commerce" clause indicates a major shift. The TTAB as well as courts of different circuits have promoted a much more restrictive interpretation than the one laid out in *International Bancorp*. Even though many of the cases on which the dissent relies are not precisely on point, it is fair to say that the majority steps on virgin soil when it grants Lanham Act protection to a mark attached to services rendered exclusively abroad.

C. *The Provisions of the Lanham Act*

For a full evaluation of the court's novel interpretation of the "use in commerce" clause, it is necessary to take a closer look at the provisions of the Lanham Act and its legislative history. First, the exact language of the Lanham Act deserves a closer look. 15 U.S.C. § 1127 provides the following definition of "use in commerce":

The term use in commerce means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be used in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

The dissent in *International Bancorp* interprets 15 U.S.C. § 1127 to mean that both elements of the test must be met within the geographic borders of the United States.²⁸⁵ The majority sees this as a "conflation" of the two elements.²⁸⁶

283. *Linville v. Rivard*, 1993 TTAB LEXIS 5 (TTAB 1993).

284. *Id.*

285. *SBM II*, 329 F.3d 359, 383 (4th Cir. 2003).

286. *Id.* at 372.

Moreover, the majority purports that its' interpretation of the "use in commerce" clause is supported by the "overwhelmingly clear statutory language" of the Lanham Act.²⁸⁷ In fact, the language of 15 U.S.C.S. § 1127 does not make things much clearer. The statute makes no statement as to whether one, two or any of the elements it incorporates must be met within the geographic territory of the United States. The "overwhelmingly clear statutory language"²⁸⁸ the majority sees to support its position is in fact highly ambiguous when it comes to the question where the elements have to be met.

The legislative history of the Lanham Act²⁸⁹ does not provide much support for either position. It is apparent that when Congress enacted the Lanham Act in 1946,²⁹⁰ factual situations like the one underlying this case were simply unimaginable. Whatever Congress had in mind with respect to the use of trademarks in foreign commerce was based on a fundamentally different world economic setting. It is true that since its enactment, the Lanham Act has been amended numerous times,²⁹¹ and some of these amendments have reflected the needs of internationalization of trademark use.²⁹² However, none of the amendments directly addressed the question presented by *International Bancorp.* With the development of a global economy, the emergence of the Internet and an explosive increase in foreign travel, international commerce has changed dramatically. Therefore, any argument based on the history of the Lanham Act prior to 1946 can have little weight in determining the exact meaning of the statutory language that governs the case at issue here.

D. *The Territoriality Doctrine*

When analyzing the majority's interpretation of "use in commerce," one will also have to examine its compatibility with the territoriality doctrine. The territoriality doctrine is still widely regarded as basic to trademark law.²⁹³ Its main proposition is that a trademark has a separate existence in each sovereign territory in which it is legally recognized as a mark.²⁹⁴ Its function is not necessarily to specify the origin of goods or services, but rather to symbolize the domestic goodwill of the domestic mark-holder so that the consuming public may rely with an expectation of consistency on the domestic reputation earned for the mark by its owner.²⁹⁵ In return, the mark-owner may be confident that his goodwill and reputation will not be injured through use of the mark by others in

287. *Id.* at 379.

288. *Id.*

289. For an overview of the legislative history of the Act, see MCCARTHY, *supra* note 4, §§ 5:4 – 5:11.

290. *Id.* § 5:4.

291. *Id.* §§ 5:5-5:11.

292. *Id.* § 5:10.

293. *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1171 (S.D. NY 1984); MCCARTHY, *supra* note 4, § 29:10.

294. MCCARTHY, *supra* note 4, § 29:10.

295. *Id.*

domestic commerce.²⁹⁶ The basic assumption underlying the territoriality doctrine is that businesses which operate in geographically separate regions do not compete in the same market because consumers would not travel great distances to purchase certain goods or services.²⁹⁷ This may have been completely true in the past, and it may still be true for certain types of goods and services today. Yet one will have to acknowledge that since the territoriality doctrine was first adopted by the Supreme Court in 1923,²⁹⁸ our society has become more mobile. Courts and trademark scholars have acknowledged that for today's consumers, geographical distances are less of an obstacle today than they were in the past.²⁹⁹ This is true not only because of the emergence of the Internet³⁰⁰ but also because of the dramatic increase in foreign travel. In fact, the instant case itself disproves the assumption that consumers do not travel great distances to purchase goods or services.³⁰¹

The Court of Appeals deserves some acclaim for its effort to adapt to these developments. Granting Lanham Act protection to marks that are systematically advertised in the United States and attach to services that are purchased by a substantial number of American consumers abroad does not seem completely unreasonable. In fact, there is nothing in the words of the language of the Lanham Act or in its legislative history that suggests that both elements of the "use in commerce" test have to be met on American soil. However, the court introduces a new, broad interpretation of "use in commerce" that fails to provide manageable criteria.

First, the court failed to state exactly what element of the "use in commerce" test has to be met within the geographic borders of the United States. The court does not only hold that a mark can be protected under United States trademark law when it is advertised in the United States and attaches to services rendered abroad,³⁰² it seems to be willing to go even beyond that. According to the majority, a mark owner must render services in foreign commerce and use or display the mark in the sale or advertising of services *to United States consumers*³⁰³ to be eligible for Lanham Act protection. This implies that the "use or display of the mark" does not have to occur within the geographic territory of the United States either, as long as the mark is displayed to U.S. consumers anywhere in the world. Here the mark was displayed by

296. *Id.*

297. *Dawn Donut Co. v. Hart's Food Stores Inc.*, 267 F.2d 358, 364 (2d Cir. 1959).

298. *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923).

299. *See Circuit City Stores, Inc. v. Carmax, Inc.* 165 F.3d 1047 (6th Cir. 1999); *Members First Federal Credit Union v. Members 1st Federal Credit Union*, 54 F. Supp. 2d 393 (M.D. Pa. 1999); Maggs/Schechter, *TRADEMARK AND UNFAIR COMPETITION LAW*, p. 317 (6th ed. 2002).

300. SBM did not offer Internet gambling services when the case was litigated, *See SBM I*, 192 F. Supp. 2d 467, 472 (E.D. Va. 2002).

301. *See id.* (noting more than twenty percent of SBM's customers in Monaco were from North America).

302. Given that those services are purchased by American consumers.

303. Emphasis added.

SBM in the United States through the operation of its New York office and various other promotional activities, and the services the mark was attached to were rendered to U.S. consumers abroad.

However, the *International Bancorp* court's rule also allows protection of a mark in the reverse situation when services are rendered in the United States, but the mark is used or displayed only abroad. Admittedly, such a factual situation is rather unlikely. However, the court's rule implies even more than that. Because the court grants Lanham Act protection where a mark is displayed in the United States and the services to which it is attached are rendered to American consumers abroad (thereby allowing the first element of the test to be met abroad) and further implicitly says that protection can also be granted where services are rendered in the United States, but the mark is displayed solely to American consumers abroad (thereby allowing the second element to be met abroad) while saying nothing to suggest that at least one of the two elements has to be met within the geographic borders of the United States, the court appears to allow for protection to marks that are displayed solely to American consumers abroad and attach to services rendered solely abroad. Eventually, the court could allow all marks to be protected under the Lanham Act provided that they are advertised to American consumers anywhere in the world and the goods or services they are attached to are purchased by American consumers anywhere in the world.³⁰⁴

Second, the court did not make any suggestion as to what extent a mark has to be advertised to United States consumers. Here the display and advertisement of the contested mark included the operation of a promotional office, distribution of the mark owner's own magazine and extensive media coverage funded with \$ 1,000,000 annually.³⁰⁵ In short, the marketing activities were rather extensive. The court does not say, however, how much promotional activity directed to American consumers would suffice. Could a mark be granted when it is advertised solely via the Internet on the mark owner's foreign-registered web site, as long as it is (or can be) visited by American consumers, and the attached services are rendered to U.S. consumers anywhere in the world?

304. To illustrate the consequences, consider the following example: Ramstein Airbase in Germany is one of the largest American settlements outside the borders of the United States. American consumers constitute an important economic factor in the town of Ramstein, which has a population of only 6652 (<http://www.ramstein-miesenbach.de/02.Stadt/01.Info/> [November 8, 2003]). Consequently, many local businesses have adjusted to their American customers, and offer products and services tailored to their demands. What if a local butcher advertised his "Frankfurters" under a certain name in a campaign directly appealing to U.S. consumers (for example by using the English language or displaying a "Welcome G.I." sign), and Americans make up a significant percentage of his customers? Following the majority's rule, he renders services in foreign commerce and uses and displays the mark in the sale or advertising of services to United States consumers. His mark would therefore be eligible for trademark protection in the United States, a fact whereof the butcher himself would probably be wholly unaware. If he failed to register his mark with the European or German Patent and Trademark office, the mark would not even be protected in Germany, since in most European jurisdictions trademark protection is granted not on the basis of use, but on the basis of registration of the mark, *Markengesetz* [MarkenG] § 4 Nr.1 (F.R.G.).

305. *SBM I*, 192 F. Supp. 2d 467, 472 (E.D. Va. 2002).

Finally, the court fails to set reasonable standards as to how extensive the purchases of goods or services have to be in order to meet the “use in commerce” requirement. Again, in the principal case, the purchases of casino services conducted by U.S. citizens were rather extensive and accounted for twenty-two percent of SBM’s customers.³⁰⁶ But in its discussion of *Person’s*, the court suggests that even a single purchase could be enough.³⁰⁷ Generally, small sales of goods can be sufficient to establish priority of a mark.³⁰⁸ Even a single use in trade may sustain trademark rights if followed by continuous commercial utilization.³⁰⁹ Without challenging this doctrine categorically,³¹⁰ it is fair to ask whether a higher standard should be applied when the sales occur in a foreign country. A reasonable limitation to the court’s “use in commerce” rule could be achieved by incorporating the “market penetration” test traditionally used to determine the territorial scope of trademark rights by measuring the quantity of sales.³¹¹ In *Lucent Information Management, Inc. v. Lucent Technologies Inc.*, the Third Circuit raised the threshold of “use” required to establish priority when it established a four-factor test looking at the volume of sales, growth trends, number of purchasers, and the amount of advertising.³¹² Without discussing the merits of the *Lucent* test as applied to solely domestic use of a mark, there is a strong argument to apply similar criteria where a mark is attached to services rendered exclusively abroad. Specifically, one would have to look at the volume of sales to American consumers, growth trends of sales to American consumers abroad, growth trends into the domestic American market, and the amount of advertising directed to American consumers. The court fails to provide any such criteria.

Looking at these shortcomings, *International Bancorp* seems to be in line with a number of other “anti-cyber-squatting” cases, in which courts applied questionable legal reasoning to reach a result they desire for mere policy reasons.³¹³ One has to presume that one of the true reasons for the court’s holding is that it did not want to rule against the “rightful owner” of a mark, leaving it to a conglomerate of undercapitalized companies, all owned by one individual, which have substantially no officers, directors, or members, no employees, and

306. *Id.*

307. *SBM II*, 329 F.3d 359, 374 (4th Cir. 2003).

308. MCCARTHY, *supra* note 4, § 16:6

309. *Id.* § 16:6; *Blue Bell, Inc. v. Farah Manufacturing Company*, 508 F.2d 1260, 1265 (5th Cir. 1975).

310. The doctrine is not undisputed. Some courts apply a significantly higher standard. MCCARTHY, *supra* note 4, § 16:6; *See generally* *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 355 F.2d 531 (2^d Cir. 1964); *Zazu Designs v. L’Oreal, S.A.*, 979 F.2d 499 (7th Cir. 1992).

311. MCCARTHY, *supra* note 4, § 16:6.

312. *Id.* *See* *Lucent Information Management, Inc. v. Lucent Technologies, Inc.*, 186 F.3d 311 (3rd Cir. 2000).

313. *See* *Panavision International, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998); *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001).

no corporate records.³¹⁴ Understandable as this may be, the approach the Court of Appeals has chosen is hardly beneficial to a reasonable and orderly development of trademark law.

IV. CONCLUSION

The Fourth Circuit's interpretation of the "use in commerce" clause indicates a major shift in the law of protection of foreign trademarks in the United States. Turning away from the strict application of the territoriality doctrine underlying previous decisions in this field, the *International Bancorp* decision allows foreign trademarks to be protected under the Lanham Act even if they are used solely abroad. The court deserves some praise for its attempt to adapt to globalized markets and increased consumer mobility. However, the court goes too far by introducing a seemingly boundless understanding of "use in commerce," and by failing to provide manageable criteria to secure a substantial connection of the foreign mark to the domestic market.

314. *SBM I*, 192 F. Supp. 2d 467, 472 (E.D. Va. 2002).