

# When Does International Trademark Use Become Infringement? Advising Clients on Questions of Territoriality of Trademark Rights and Fair Use<sup>1</sup>

By Jenna P. Torres

The internet, mobile devices, satellite television and other electronic transmissions allow trademark owners to cross borders and reach potential customers in ways that were never possible in the past. And while none of these technologies are new, international trademark law dealing with cross-border advertising is constantly developing as courts and trademark offices clarify how trademark rights may be established and protected within or across borders.

Trademark attorneys are familiar with the important concept of territoriality in trademark law; trademark rights are jurisdictional, and the scope of the rights is generally limited to the territory in which rights are established through use and/or registration. But what does this mean for the U.S. trademark owner whose website is accessed by Canadians on a regular basis? Does this constitute use in Canada, even if Canadians are not a targeted audience for the services offered on the website? Is the U.S. owner in danger of being liable for infringement in Canada if there are any prior Canadian users of the same or similar mark for similar or related goods or services?

The answer, of course, depends on the facts involved, but there are a few factors to consider when clients are choosing a mark and a target market, creating online advertising, and wanting to establish use (or not) and avoid potential infringement based on recent trends in relevant law.

## Establishing Use: Something more than mere accessibility

Cross-border bleed over of advertising or mere accessibility of a webpage in a jurisdiction is not often actionable as infringement and rarely relied upon to establish use of a mark because this type of use is generally lacking one key component: commercial effect or “real and effective use.” Real and effective use of a mark is commercialization: sales of the good or service or advertising targeting particular potential customers in that jurisdiction so that customers

in that jurisdiction are able to purchase the goods or take advantage of the services in their own jurisdiction.

A website that is in German, selling goods with prices in Euros, with shipping options specific to Germany, a local number to call for support and testimonials (in German) from customers in Germany is an example of creation of commercial effect in that jurisdiction. In fact, many countries specifically note that language is an important (or often the most important) factor in creating commercial effect; the Republic of Korea, Japan, China, Germany and the United Kingdom are a few examples.<sup>2</sup> A key factor in jurisdictions such as Colombia and Uruguay is commercialization, as they require that a trademark owner prove sales to customers in those countries or as exports from those countries, with invoices to prove real and effective use of the mark.

Mere use of a mark on the internet has very limited function in establishing or defending trademark rights in strict territoriality jurisdictions, such as Japan, China and Taiwan. In these jurisdictions, English-only advertisements will not suffice to show use.<sup>3</sup> In China, there is a particularly high standard for proving use of a mark via internet advertising; use on a website originating outside of China (as determined by the domain address) will not be considered, even if the site is in Chinese and offers prices in RMB.

In the United States, this concept of real and effective use is embodied in the “use in commerce” requirement, with U.S. commerce defined as “all commerce which may be lawfully regulated by Congress.”<sup>4</sup> The Federal Circuit clarified the use in commerce test for services, which may be easily rendered and advertised online:

For service marks, the “use in commerce” requirement is met when (1) a mark is “used or displayed in the sale or advertising of services: and (2) either (i) the services are “rendered in commerce” or (ii) the services are “rendered



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in more than one State or in the United States and a foreign country and the person rendering those services is engaged in commerce in connection with the services.”<sup>5</sup>

The Trademark Trial and Appeal Board (TTAB) recently ruled on a question of territoriality of use in a cancellation proceeding regarding the mark AUK AMERICAN UNIVERSITY OF KUWAIT & Design for “educational services, namely, courses of instruction at the college level.”<sup>6</sup> The registrant claimed that U.S. students could access the website of the university and that the registrant distributed promotional materials to American students prior to the filing of the 1(a) application. However, the materials and declarations submitted could not definitively prove that these marks were in use prior to the filing date. Therefore, the registration was considered void ab initio. The TTAB continued to the second prong of the analysis for the sake of completeness and found that the services of the registration were only rendered in Kuwait, not in the United States. The registrant claimed that American students had attended the university but could not provide any records corroborating that claim. Regardless, the TTAB noted that “simply traveling to Kuwait to attend classes in Kuwait is not the type of foreign commerce contemplated by the Trademark Act. Services rendered wholly within a foreign country are not a type of commerce that Congress may regulate, even if the services are provided to citizens in the United States while in a foreign country.”<sup>7</sup> Thus, even though the internet and print advertising reached the United States and were targeted towards U.S. students, this type of use was not sufficient to sustain a registration in the U.S.

Proving use in U.S. commerce by international actors is possible for other types of services, however. For example, non-U.S. hotels and casinos have successfully proven use of their marks in commerce in the U.S. for reservation services and advertising services, despite not having any physical hotels or casinos in the U.S.<sup>8</sup> The mark owners successfully argued that U.S. customers were able to take advantage of their services, that is, to make reservations in the U.S. for their hotels and casinos in a way that is consistent with the above definition of commerce regulated by Congress.

Things get particularly complicated between the U.S. and Canadian border, since there is a large amount of travel and sharing of electronic transmissions between the two countries that share a common language, though case law on both sides of the border is fairly consistent in how it



analyzes use of a mark. On the U.S. side, courts and the TTAB have found that advertising on Canadian radio stations that can reach the U.S. alone does not constitute use in U.S. commerce, particularly for services that are only rendered in Canada, even if U.S. customers have used the services in Canada.<sup>9</sup> This type of “spillover” use without actual rendering of services in Canada is also not considered use for purposes of registration or proving infringement in Canada.<sup>10</sup> However, use can be established in cases where the services can be activated or available in Canada, for example, downloading software for use in Canada, activating prepaid telephone services or making hotel reservations.<sup>11</sup>

There are, of course, some exceptions to the notion that mere accessibility of a website is insufficient to show use. In India and the United Arab Emirates, for example, mere accessibility of a website by individuals in those jurisdictions may be considered use for the purposes of trademark registration and can help defend against a claim of non-use.

### Reputation vs. Use

When dealing with well-known marks, use may not be the most important factor in establishing rights in a jurisdiction to prevent infringement; reputation is key. Recent case law in the U.S. and India has reinforced the notion that rights based on reputation are also territorial, though the courts differ on the notion of the extent of how that reputation may spread across borders and how harm may be claimed based on reputation alone.

The U.S. Court of Appeals for the Fourth Circuit took an unusual turn in declaring that Bayer could defend its goodwill in its FLANAX trademark in the U.S. for its analgesic pharmaceutical product, despite the fact that it does not use FLANAX in the U.S., nor does it plan on using FLANAX in the U.S.<sup>12</sup> Bayer sells its naproxen sodium pain reliever in the U.S. under the mark ALEVE and in Mexico under the mark FLANAX. Belmora registered the FLANAX mark in the

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U.S., also for naproxen sodium pain relievers. The Fourth Circuit determined that Bayer was being harmed because Belmora was benefiting in the U.S. from Bayer's goodwill and reputation in the mark established in Mexico, and among Mexican immigrants into the U.S. In a similar case, the Federal Circuit ruled in favor of Prolacto, which long used the mark LA MICHOCACANA in Mexico and discovered that an entity called Paleteria la Michoacana had started using the mark in the U.S. seven years prior for identical goods.<sup>13</sup> Even though Paleteria la Michoacana was the prior user of the mark in the U.S., Prolacto was able to show harm since it had established the goodwill and reputation of the mark before in Mexico and with Mexican immigrants into the U.S.<sup>14</sup>

The Supreme Court of India, on the other hand, recently ruled that Toyota needed to establish evidence of its reputation of the goodwill of its mark within India, not internationally, for it to have any rights in its PRIUS mark over a prior registrant of the mark.<sup>15</sup> Toyota found that a local auto parts seller in India was unlawfully using its PRIUS trademark. The defendant, however, had a registration for PRIUS in India, while Toyota did not. Toyota also did not sell Prius cars in India. The court found that while Toyota established international use of the PRIUS mark prior to the defendant's use and registration in India, Toyota could not prove that it had sufficient reputation or goodwill in India to sustain a claim for passing off. Just the fact that the mark appeared in a few news stories and automobile magazines and in a few instances on the then-nascent internet (the relevant time period for the case was 1997-2002) did not constitute evidence of goodwill or reputation in India.

### Advice For Clients – Is it Use or Not?

For clients wanting to establish use in a jurisdiction or avoid establishing use in a jurisdiction, or for those contemplating infringement actions across borders, besides the obvious questions of the existence of a registration, clients should consider the following questions:

- Do I have use in the target language?
- Do I offer sales in the local currency?
- Do I have a local webpage with a domain that originates in the target country?
- Do I have shipping options to the target country?
- Do I have testimonials of customers from the target country?

- Do I have sales representatives or a customer service number in the target country?
- Can I show proof of sales of goods into (or out of) the target country?
- Is the nature of the services such that they can be rendered in the target country?
- What is the nature and extent of the goodwill I have established in my mark in that country?



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### Endnotes

- 1 This article is based in part on research conducted by the Territorial Limits and Fair Use subcommittee of the International Trademark Association (INTA) Emerging Issues Committee. The subcommittee members conducted surveys of the current status of relevant law in the following countries: Australia, Canada, Chile, China, Colombia, Germany, India, Israel, Japan, the Republic of Korea, Mexico, New Zealand, Taiwan, the United Arab Emirates, the United Kingdom, the United States and Uruguay. A brief summary of the subcommittee's findings was published as: Jenna P. Torres, Matthew Frederick, and Micheline Johnson, Emerging Issues Committee Update: Cross-Border 'Bleed-Over' in Advertising and Availability of Trademarks on the Internet – Questions of Use and Infringement, 74 INTA Bulletin, April 15, 2019.
- 2 *Id.*
- 3 *Id.*
- 4 15 USC § 1127.
- 5 *Aycock Eng'g, Inc. v. Airflite Inc.*, 560 F.3d 1350, 90 USPQ2d 1301, 1305 (CAFC 2009) (quoting Trademark Act Section 45, 15 USC §1127).
- 6 *American University v. American University of Kuwait*, Cancellation No. 92049706 (TTAB January 30, 2020) (not precedential).
- 7 *Id.*
- 8 See, e.g. *International Bancorp LLC v. Societe des Bains de Mer et du Cercle de Etrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003).
- 9 *Linville v. Rivard*, 41 USPQ2d 1731, 1736 (TTAB 1996), *aff'd Rivard v. Linville*, 133 F.3d 1446, 45 USPQ2d 1374 (Fed. Cir. 1998) (cancelling U.S. registration for ULTRACUTS for hair dressing and beauty salon services because Canadian registrant did not use mark in commerce. Registrant had no salons in U.S., only Canada, though he had large U.S. clientele).
- 10 See *Express File v. HRB Royalty*, 2005 FC 542 (deciding advertisements of U.S.-based tax filing service were not use in Canada because it was "spillover" use and not actual use, since services were not offered in Canada).
- 11 See *Hilton Worldwide Holdings LLP v. Miller Thomson*, 2018 FC 778; *AT&T Intellectual Propserly II, L.P. v. Lecours Hebert Avocats Inc.* 2017 FC 734.
- 12 *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697 (4th Cir. 2016).
- 13 *Paleteria La Michoacana Inc. v. Productos Lacteos Tocumbo SA De CV*, 743 F.App'x 457 (D.C. Cir. 2016)
- 14 For a very thorough analysis of these two cases and U.S. case law that led up to the change in perception for use requirements for federal unfair competition claims under the Lanham Act, see Martin B. Schwimmer and John L. Welch, US Law Inches Towards Protecting Trademark Reputation Without Use, *World Trademark Review* 78-83, Autumn 2019.
- 15 *Toyota Jidosha Kabushiki Kaisha v. M/S Prius Auto Industries Ltd.* [2018] 142CLA39 (SC).