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INT'L BANCORP: THE FOURTH CIRCUIT GAMBLES WITH SERVICE MARKS RENDERED IN FOREIGN COMMERCE

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I. INTRODUCTION

Monaco's legendary Casino de Monte Carlo has served as playground for the rich and famous since the mid-nineteenth century. Were you to log on to www.casinodemontecarlo.com (or fifty-two similar Web addresses), you might expect to be transported to far-off Monaco—and you'd be nearly right. At one time, the site featured pictures of the casino's interior and exterior and commentary that purported to offer online gambling services as an alternative to the pricey purchase of a round-trip ticket to Monaco.[1] However, none of the money a visitor lost playing virtual blackjack entered the casino's vaults—in fact, the website was not affiliated with the casino at all.

In *Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, the Fourth Circuit ruled that the companies responsible for the imitative websites (collectively Bancorp) infringed on the casino's "Casino de Monte Carlo" trademark.[2] The court ruled against Bancorp despite the fact that the trademark was registered in Monaco and not the United States, and despite the fact that the casino had never rendered casino services in the United States.[3]

Under the Federal Trademark Act, for a service mark (or, trademark for services) to earn the right to be protected in the United States, it must: 1) be advertised in the United States, and 2) be

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[1] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 361 (4th Cir. 2003), *cert. denied*, 124 S. Ct. 1052 (2004).

[2] *Id.* at 382.

[3] *Id.* at 361.

rendered in commerce.[4]

The Casino de Monte Carlo's dilemma was not new—many foreign trademark holders had been in similar straits—however, every U.S. court that had previously considered the issue had arguably determined that not only must the mark be advertised in the United States, but the services themselves must be rendered *in the United States*.[5]

So why did the Fourth Circuit go against precedent and rule as it did? Was it unaware of the previous rulings? Was it unconvinced by them? Did it not understand the legal questions at issue? Did, as the dissent suggests, it seek to turn the law of trademarks on its head?[6]

This Comment will explore the recent cases which have dealt with the issue of "use in commerce" in § 1127. Part II.A provides a primer on trademarks and trademark infringement. Part II.B examines the pre-*Int'l Bancorp* cases, which found that services rendered outside the United States were not protectable. Part II.C scrutinizes the most recent controversial foray in this arena and will analyze *Int'l Bancorp* in great detail. Finally, Part III seeks common ground between the circuits, provides arguments for and against *Int'l Bancorp*'s expansive view of "commerce" in § 1127, and proffers possible remedies for the resulting circuit confusion.

II. THE CASES

A. *Background*

1. Trademarks Generally

A trademark is a distinctive symbol used by a manufacturer or other entity to identify its goods by distinguishing them from the goods of others.[7] Trademarks serve two primary purposes: to identify the "manufacturer or sponsor of a good or the provider of a service"[8] and to "assur[e] the purchaser of a certain degree of uniformity or quality."[9]

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[4] Federal Trademark Act, 15 U.S.C. § 1127 (2000),

[5] *Int'l Bancorp*, 329 F.3d at 383 (Motz, J., dissenting).

[6] *Id.* at 388.

[7] Beer Nuts, Inc. v. Clover Club Foods Co., 711 F.2d 934, 938 (10th Cir. 1983).

[8] Kassbaum v. Steppenwolf Prods., 236 F.3d 487, 492 (9th Cir. 2000).

[9] Szajna v. Gen. Motors Corp., 503 N.E.2d 760, 771 (Ill. 1986).

The Federal Trademark Act, 15 U.S.C. §§ 1051-1127, or the Lanham Act, was enacted in 1946 with the purpose of ensuring that owners of trademarks were able to retain the goodwill of their businesses and to "protect[] the public against spurious and falsely marked goods."[10] By allowing for the registration of trademarks, the Act made actionable the misleading use of trademarks in commerce, thus "secur[ing] to the owner of the mark the goodwill of his business and [protecting] the ability of consumers to distinguish among competing producers."[11] Since its enactment, "[t]he Lanham Act has been an important legislative tool in protecting consumers against deceit and confusion, in creating incentives for American businesses to produce quality goods and services, and in advancing U.S. trademark law."[12]

2. Trademark Infringement

Causes of action for trademark infringement are provided for in § 1125 of the Lanham Act, which reads in pertinent part:

> Any person who . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which is likely to cause confusion, or to cause mistake, or to deceive as to the . . . origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action.[13]

To establish trademark infringement of an *unregistered* trademark, a plaintiff must prove that his or her trademark is "used in commerce . . . and it must be distinctive."[14] This comment primarily

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[10] In re E. I. DuPont DeNemours & Co., 476 F.2d 1357, 1360 (C.C.P.A. 1973). *See also* Erika Marie Brown, *Extraterritorial Application of Trademark Law under the Lanham Act: Recent Decisions from the Second Circuit*, 11 N.Y. INT'L L. REV. 55, 56-57 (1998) ("The purpose of the Lanham Act is twofold: to protect the confidence of the American public . . . and, to protect trademark owners that have invested energy, time and money, from misappropriation of their products by pirates and cheats.")

[11] Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 198 (1985).

[12] Letter from Bill Clinton, President of the United States, in observance of the fiftieth anniversary of the Lanham Act (July 2, 1996) (on file with author).

[13] 15 U.S.C. § 1125(a) (2000).

[14] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco,

deals with the unregistered foreign trademarks where the key question before the court turns on the court's interpretation of the word "commerce."[15] Section 1127 reads in pertinent part:

> In the construction of this chapter, unless the contrary is plainly apparent from the context . . . . [t]he word "commerce" means all commerce which may lawfully be regulated by Congress. . . . For the purposes of this chapter, a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.[16]

Thus, section 1127 of the Lanham Act provides the definition of commerce applicable to each case, however, as this Comment will show, there is currently a Circuit split with regard to the interpretations of "use in commerce," and "rendered in commerce" in § 1127.[17]

B. The "Unpersuasive"[18] Circuit Court Decisions

1. Buti v. Perosa[19]

In *Buti*, the U.S. owners of a New York "Fashion Cafe" restaurant filed suit in the U.S. District Court for the Southern District of New York, requesting a declaratory judgment that owners of a

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329 F.3d 359, 363, *cert denied*, 124 S. Ct. 1052 (2004).

[15] Thus, the analysis for each case will focus only on the use-in-commerce prong of the test for trademark infringement. Although each case generally goes on to determine whether the marks at issue are distinctive, for the purposes of this Comment, that second prong will not be considered in detail. Some commentators, however, have urged that the "famous marks" doctrine, not the "use in commerce" inquiry, should have been used in this, and similar cases. J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 29:4 (4th ed. 2003) ("The Casino should have been permitted to use Lanham Act § 43(a) to prove that its mark was so well-known in the U.S. that . . . the defendant's Internet gambling site that used the Casino's marks [made] users think that it was an on-line version of the plaintiff Casino.").

[16] 15 U.S.C. § 1127 (2000).

[17] James W. Dabney, *On the Territorial Reach of the Lanham Act*, 83 TRADEMARK REP. 465, 465 (1993) ("Over the past forty years, however, United States courts have restricted the reach of the Lanham Act to far less than 'all commerce which may lawfully be regulated by Congress.'").

[18] *Int'l Bancorp*, 329 F.3d at 374.

[19] 139 F.3d 98 (2d Cir. 1998).

"Fashion Cafe" in Milan, Italy had no rights in restaurant services or related clothing in the U.S.[20] The Milan Fashion Cafe owners had registered their mark in Italy, and though they had not engaged in "any formal advertising or public relations campaign" in the U.S., they had promoted the Milan restaurant by visiting the U.S. and distributing "literally thousands" of T-shirts, keychains, and gift certificates.[21]

At trial, the district court granted the U.S. cafe owner's motion for summary judgment.[22] On appeal, the Second Circuit affirmed, ruling that the owners of the Milan Fashion Cafe had not met § 1127's "use in commerce" requirement because they had "rendered no restaurant services nor operated any other business, under [the Fashion Cafe] name in the United States."[23] The court went on to hold that the Milan cafe owner's remaining activities, the promotional advertising, were insufficient to constitute "use in commerce" under § 1127.[24] Since its ruling, *Buti* has been interpreted by the Second Circuit,[25] and by commentators, to stand for the proposition that advertising in the United States must be accompanied by "actual rendering of services in this country" to constitute use in commerce under the Act.[26]

2. *Rivard v. Linville*[27]

In *Rivard*, a Canadian hair salon owner who operated many successful salons in Canada registered the trademark "ULTRACUTS" in the U.S.[28] In 1991, five years later, a U.S. hair salon owner petitioned the U.S. Patent and Trademark Office to terminate the trademark due to the Canadian owner's "apparent abandonment" of the mark.[29]

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[20] *Id.* at 99.
[21] *Id.* at 99-100.
[22] *Id.* at 99.
[23] *Id.* at 103.
[24] *Id.*
[25] *See* discussion *infra* Part II.C.3.b.
[26] Dyann L. Kostello, *Where Goodwill Is Established, Rights May Follow: Worldwide Decisions Show That Trademark Protection May Attach Despite Nonuse of Mark*, NAT'L L.J., May 18, 1998, at 1. *See also*, *Lanham Act Does Not Reach Advertising of Foreign Business*, J. PROPRIETARY RTS., Apr. 1998, at 15. ("[A]dvertising in the United States of a foreign business does not constitute 'use in commerce' when the advertising or promotion is unaccompanied by any actual rendering of services *in the United States*.") (emphasis added).
[27] 133 F.3d 1446 (Fed. Cir. 1998).
[28] *Id.* at 1447.
[29] *Id.* at 1447-48.

At issue in *Rivard* was whether, under the Lanham Act, the Canadian salon owner used the ULTRACUTS mark in commerce within the statutory period.[30] The Canadian salon owner's radio advertisements were broadcast in the United States, and his salon services attracted regular customers from the United States.[31] The *Rivard* court, however, did not take these factors into account, and, because the Canadian salon owner had not used the ULTRACUTS mark "in connection with hair dressing and beauty salon services *in the United States*," the court concluded there was no use in commerce, and therefore the mark was abandoned.[32]

3. Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc.[33]

In *Mother's Restaurants*, the owner of a Canadian pizza parlor, who ran many successful restaurants in Canada, opposed the U.S. registration of the trademark "Mother's Other Kitchen."[34] The Canadian restaurant owner argued that because he engaged in radio and other advertising that reached the United States and because numerous U.S. citizens used his restaurant services while traveling in Canada, that his use of the "Mother's" mark was entitled to priority.[35]

In its considerations, the Trademark Trial and Appeal Board (TTAB) first ruled that the Canadian owner's "promotional activities" alone were not sufficient to constitute use in commerce.[36] The TTAB then concluded that because there was no showing of any "use of the mark on goods or services sold and/or offered in the United States," there could be no showing of priority.[37] Thus, the TTAB did not explore the statutory definition of "commerce" or whether the Canadian restaurant's activities might fit within that category.[38]

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[30] Linville v. Rivard, 26 U.S.P.Q.2d 1508, 1993 WL 156480 at *2 (T.T.A.B. 1991).
[31] *Id.* at *3.
[32] *Rivard*, 133 F.3d at 1449.
[33] 218 U.S.P.Q. 1046, 1983 WL 51992 (T.T.A.B June 2, 1983).
[34] *Id.* at 1047.
[35] *Id.* at 1047-48.
[36] *Id.* at 1048.
[37] *Id.*
[38] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 380-81, *cert denied*, 124 S. Ct. 1052 (2004).

C. *The Fourth Circuit's Divergence:* Int'l Bancorp

1. Facts

In 1863, Prince Charles III of Monaco formed Societe des Bains de Mer (SBM), which in turn formed the Casino de Monte Carlo.[39] SBM subsequently registered this trademark in Monaco, though not in the United States, and used the mark to advertise its casino services throughout the world.[40] In the 1980s, SBM established a New York office from which it began directly advertising the Casino de Monte Carlo to United States citizens, spending $1 million annually on, inter alia, trade shows, advertising campaigns, direct mail, and telephone marketing.[41] In the year 2000, approximately 22 percent of SBM's customers hailed from North America.[42]

The appellant companies (collectively Bancorp), incorporated in Panama, the Netherlands Antilles, the United States, and elsewhere, began acquiring domain names for their planned gambling websites in 1997.[43] Bancorp eventually operated over 150 gambling websites, including 53 whose domain names utilized some derivative of the term "Casino de Monte Carlo."[44] In addition, the websites displayed interior and exterior pictures of the actual Casino de Monte Carlo and proffered their services "as an alternative to *their* Monaco-based casino, though they operate[d] no such facility."[45]

SBM challenged Bancorp's use of these domain names before the World Intellectual Property Organization (WIPO), which ordered the disputed domain names transferred to SBM, finding bad-faith use on the part of Bancorp.[46] To avoid this judgment, Bancorp brought

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[39] Brief in Opposition at 4, Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, *cert. denied*, 124 S. Ct. 1052 (2004) (No. 02-1364). Interestingly, SBM subsequently named the destination "Monte Carlo" in Prince Charles' honor. *Id.*

[40] *Int'l Bancorp,* 329 F.3d at 361.

[41] *Id.*

[42] Brief in Opposition at 4, Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, *cert. denied*, 124 S. Ct. 1052 (2004) (No. 02-1364).

[43] Petition for a Writ of Certiorari at 3-4, Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, *cert. denied*, 124 S. Ct. 1052 (2004) (No. 02-1364).

[44] *Int'l Bancorp,* 329 F.3d at 361. Examples of these domain names include "casinodemontecarlo.com" and "casinodemontecarlo.net". *Id.* at 361 n.1.

[45] *Id.* at 361 (emphasis in original).

[46] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco,

suit before the U.S. District Court for the Eastern District of Virginia, seeking a declaratory judgment under 28 U.S.C. § 2201(a), that Bancorp was entitled to keep the disputed domain names.[47] SBM counter-claimed for trademark infringement, dilution, and cybersquatting under the Lanham Act, 15 U.S.C. § 1125, for unfair competition under § 1126, and for trademark infringement under Virginia's common law.[48] Both SBM and Bancorp cross-claimed for summary judgment, and the parties agreed that the district court could forego a bench trial and decide the case "on the existing voluminous summary judgment record."[49]

2. At the District Court

Judge T.S. Ellis of the Eastern District of Virginia ruled against SBM on its unfair competition claim and also its dilution claim, finding SBM had shown no economic harm.[50] The district court also declined to address SBM's infringement claim under Virginia common law, finding that federal law (i.e., the Lanham Act) provided SBM an adequate source of relief.[51] The court, however, ruled in favor of SBM with regard to its cybersquatting claim, and, most pertinent to this discussion, to its trademark infringement claim.

In addressing the infringement claim, the district court first analyzed whether, under § 1127 of the Lanham Act, SBM's "Casino de Monte Carlo" mark was used in U.S. commerce.[52] Applying § 1127, the district court found that the mark had clearly been used in advertising in the U.S., and, because SBM's New York office allowed U.S. customers to book reservations, that services had been "rendered" by SBM in the U.S.[53] Having met the threshold "use in commerce"

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192 F. Supp. 2d 467, 475 (E.D. Va. 2002).

[47] *Id.*

[48] *Id.*

[49] *Id.* at 476.

[50] *Id.* at 484, 488. To prove dilution, the Fourth and Fifth Circuits first require a showing of actual economic harm. Other circuits, including the Second, Sixth, and Seventh, require only a showing of threatened injury to the strength of a mark. *See* Cable News Network v. CNNews.com, 177 F. Supp. 2d 506, 521 (E.D. Va. 2001).

[51] *Int'l Bancorp*, 192 F. Supp. 2d at 488.

[52] *Id.* at 479. Because the Fourth Circuit had not yet addressed the scope of the Lanham Act's "use in commerce" requirement, the district court relied on the Eleventh Circuit's interpretation, that "commerce" extended to all commerce regulated by Congress under the Commerce Clause. *Id.*

[53] *Id.* at 479-80.

requirement, the district court went on to find that the "Casino de Monte Carlo" mark was distinctive, and, ultimately, hold that Bancorp's use of the mark created likelihood of confusion.[54] Judge Ellis awarded SBM $51,000 in statutory damages and ordered Bancorp to surrender to SBM 43 of the 53 domain name .[55]

3. The Fourth Circuit Decision

On appeal, Bancorp challenged, inter alia, the district court's finding of infringement, arguing that because the "Casino de Monte Carlo" mark was not in fact "used in commerce," SBM did not have a "protectable interest" in the mark under the Lanham Act.[56] In a 2-1 decision, a three-judge panel of the Fourth Circuit upheld the district court's finding of "use in commerce," however, the appeals court rejected the district court's reasoning and adopted its own.[57]

a. The Majority.

The "critical question" facing the Fourth Circuit was "whether the *services* SBM provided under the 'Casino de Monte Carlo' mark were *rendered in commerce*."[58] Aligning itself with the Second and Eleventh Circuits, the court began its analysis by holding that "commerce" under the Lanham Act involves the scope of commerce that Congress may regulate under the Commerce Clause.[59] Applying a literal reading of § 1127, the court next laid out its two-prong test for evaluating "use in commerce," requiring that services be: 1) advertised, and 2) rendered in commerce.[60]

The court held that the district court made a factual error in finding that the activities affiliated with SBM's New York office

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[54] *Id.* at 483.

[55] *Id.* at 491-92.

[56] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 363, *cert denied*, 124 S. Ct. 1052 (2004).

[57] *Id.* at 365.

[58] *Id.* at 363. *But see* J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 27:47 (4th ed.) 2003 (suggesting that the Lanham Act "requires that the *defendant's* accused use be 'in commerce,' it does not require that the *plaintiff's* mark have been used in commerce.") (first emphasis added).

[59] *Id.* at 363-64. "The Congress shall have Power . . . [t]o regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes." U.S. CONST. art. I, § 8, cl. 3.

[60] *Int'l Bancorp*, 329 F.3d at 364.

constituted a rendering in commerce: the record did not contain evidence that reservations were made for the actual Casino de Monte Carlo casino. Rather, reservations through the New York office were made for SBM's resorts in general, which were "irrelevant to the analysis."[61] Because of the Supreme Court's admonition against protecting a mark based on "mere advertisin " alone,[62] for SBM to have a protectable mark, it must have been "rendered in commerce" some other way.[63]

The court ruled that because it was undisputed that U.S. citizens went to gamble at the casino, which was the subject of Monaco, a foreign nation, that "foreign trade" occurred.[64] Because foreign trade is regulated under the Commerce Clause, the court held that this activity constituted commerce under the Lanham Act.[65] For the court, the fact that the commerce (i.e., the foreign trade) did not occur in the United States was not determinative: "[T]he locality in which foreign commercial intercourse occurs is of no concern to Congress' power under the Constitution to regulate such commerce . . . . [t]he subject of foreign trade . . . is defined not by where the trade occurs but by the characteristics of the parties who engage in the trade."[66]

Thus, the majority of the court concluded that SBM's sales and advertising of its gambling services to United States citizens constituted foreign trade, that is, commerce under the Lanham Act and activity that Congress may lawfully regulate.[67] Therefore, the services SBM rendered under the "Casino de Monte Carlo" mark to U.S. citizens were considered services "rendered in commerce," and the Lanham Act's "use in commerce" requirement to protect the mark was satisfied.[68]

But the court did not stop there. In response to the vigorous

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[61] *Id.* at 365.

[62] Theodore Rectanus, 248 U.S. 90 (1918).

[63] *Int'l Bancorp*, 329 F.3d at 365.

[64] *Id.*

[65] *Id.* at 366. *See also* Gibbons v. Ogden, 22 U.S. 1, 193-94 (1824) ("It has, we believe, been universally admitted that [the foreign commerce clause] comprehend[s] every species of commercial intercourse between the United States and foreign nations. No sort of trade can be carried on between this country and any other, to which this power does not extend.").

[66] *Int'l Bancorp*, 329 F.3d at 366, *citing* United States v. Mazurie, 419 U.S. 544, 554 (1975) ("This Court has repeatedly held that [the Indian commerce clause] affords Congress the power to prohibit or regulate the sale of alcoholic beverages to tribal Indians, wherever situated.").

[67] *Int'l Bancorp*, 329 F.3d at 370.

[68] *Id.* at 370.

objections of the dissenting judge, the majority took great pains to distinguish the many cases proffered by the dissent as precedent. Three cases, in particular, received the most attention from the court.

The court first trained its lens on *Buti v. Perosa*.[69] Though the facts of *Buti* were strikingly similar to those of *Int'l Bancorp*,[70] the majority summarily distinguished *Buti* in its analysis of whether the mark at issue in *Buti* was used in commerce. First, analyzing the "rendered in commerce" prong, the court noted that, unlike SBM, the plaintiff in *Buti*, "in a 'pivotal concession[], . . . conceded at oral argument that . . . the food and drink services [it sold] form[ed] no part of the trade between Italy and the United States.'"[71] Second, in analyzing the advertising prong, the court distinguished the *Buti* plaintiff's "ad hoc" advertising with SBM's formal, intentional, and expensive advertising campaign geared toward U.S. citizens.[72]

Next, the majority turned its attention toward two 1998 cases which were decided initially by the TTAB and relied upon heavily by the dissent, *Rivard* and *Mother's Restaurants*. Noting that the court owed these precedents "great weight," it nevertheless discounted them by focusing on what it considered the "overwhelmingly clear" language of the statute, noting that "there is no other precedent to support these two decisions."[73]

The court's primary problem with both *Rivard* and *Mother's Restaurants* was that the court felt the TTAB in those cases was short-circuiting or "conflat[ing]" the clear statutory test for "use in commerce" in § 1127.[74] In both these cases, the TTAB asked whether the mark had been used in commerce in the United States.[75] The TTAB did not go on, as the Fourth Circuit now requires, to determine

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[69] 139 F.3d 98 (2d Cir. 1998).

[70] *See* discussion *supra* Part II.B.1.

[71] *Int'l Bancorp*, 329 F.3d at 369, *citing* Buti, 139 F.3d at 103.

[72] *Int'l Bancorp*, 329 F.3d at 369-70.

[73] *Id.* at 379. "[G]reat weight certainly does not mean obeisance, and it does not even mean deference, particularly in the face of overwhelmingly clear statutory language that leads us to a contrary conclusion." *Id.*

[74] Id. at 373.

> On our understanding of the statutory language it does not follow that since the mark has not been rendered in commerce in the United States it is equally fair to say that the mark has not been used in the United States, when in fact it has been widely used in the United States for advertising and marketing purposes. Unless one conflates these two elements then, one cannot fairly criticize our holding today. *Id.*

[75] Id. at 379.

what "use in commerce" means, i.e., whether a combination of advertising to United States customers and "servicing United States customers constituted qualifying commerce."[76] Thus, in the opinion of the court, the TTAB was guilty of conflating the "rendering in commerce" prong with the overarching "use in commerce" inquiry, and thus construing the statute in a way devoid of precedential value.[77]

b. The Dissent

In a scathing dissent, Judge Diana Gribbon Motz marshaled voluminous precedent to highlight what she saw as a new and untenable expansion of trademark law. If the court's ruling was left to stand, the dissent feared that:

> [A]ny entity that uses a foreign mark to advertise and sell its goods or services to United States citizens in a foreign country would be eligible for trademark protection under United States law. Such a rule threatens to wreak havoc over this country's trademark law and would have a stifling effect on United States commercial interests generally.[78]

The dissent began by stating that "all existing authority" has concluded that to meet the use in commerce requirement, the use must occur in the United States.[79] Therefore, SBM did not render its casino services in the United States, and it did not satisfy § 1127's use in commerce requirement.[80]

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[76] *Id.* at 376.
[77] Id. at 381.

> Our disagreement with the Board's analytical approach . . . convinces us that our circuit's law will be better served if we hew to the language of the statute and apply the Lanham Act with a careful eye toward, and an appreciation of, the two distinct elements of the "use in commerce" requirement." *Id.*

[78] Id. at 388 (Motz, J., dissenting).
[79] *Id.* at 383 (Motz, J., dissenting). "As the foremost trademark authority has explained, '[f]or purposes of trademark rights in the United States, "use" means use in the United States, not use in other nations.'" *Id.* at 384 (Motz, J., dissenting), *quoting* 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 17.9 (4th Ed. 2000).
[80] *Int'l Bancorp*, 329 F.3d at 383 (Motz, J., dissenting).

The dissent then turned to *Rivard*[81] for "recent precedent on this precise issue" and proffered that, in the *Rivard* case, the Federal Circuit clearly and correctly ruled that rendering services outside the United States did not allow for protection of a mark within the United States.[82] "The resulting rule is unambiguous: in order for a service mark to qualify for U.S. trademark protection, the services to which that mark attaches must be rendered in commerce in the United States."[83]

According to the dissent, in addition to conflicting with the Federal Circuit in *Rivard*, the rule offered by the *Int'l Bancorp* majority also conflicted with the Second Circuit in *Buti*.[84] The dissent interpreted *Buti* to stand for the proposition that use of the Fashion Cafe trademark in Italy, as opposed to the United States, did not afford it protection under the Lanham Act.[85] The majority had eschewed that rule, distinguishing *Buti* due to the "pivotal concession[]" by the Milan cafe that its services constituted "no part of the trade between Italy and the United States."[86] The dissent then countered with a subsequent Second Circuit case, *Morningside Group Limited v. Morningside Capital Group*,[87] which distinguished *Buti*, but in doing so, suggested that *Buti*'s outcome turned on the fact that the Milan cafe did not provide its services in the United States.[88]

Last, the dissent relied on *Mother's Restaurant*,[89] arguing that the *Mother's* court, with its "virtually identical set of facts," (albeit in a priority contest context) held that advertising that reached United States citizens could not alone create rights in a foreign trademark absent evidence of the mark's use in services offered in the United States.[90] Because the majority seemingly ignored all this precedent, the dissent concluded that the majority's rule disserved not only the *Int'l Bancorp* plaintiffs, but trademarks law in general, by defying "all prior authority on the matter."[91]

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[81] *See* discussion *supra* Part II.B.2.
[82] *Int'l Bancorp*, 329 F.3d at 389-90 (Motz, J., dissenting).
[83] *Id.* at 390 (Motz, J., dissenting).
[84] *Id.*
[85] *Id.* at 385 (Motz, J., dissenting).
[86] *Id.* at 369, *citing* Buti v. Perosa, S.R.L., 139 F.3d 98, 103 (2d Cir. 1998).
[87] 182 F.3d 133 (2d Cir. 1999).
[88] *Int'l Bancorp*, 329 F.3d at 390 (Motz, J., dissenting).
[89] *See* discussion *supra* Part II.B.3.
[90] *Int'l Bancorp*, 329 F.3d at 393 (Motz, J., dissenting).
[91] *Id.* at 394 (Motz, J., dissenting).

III. ANALYSIS

A. *Common Ground*

Before analyzing the points of strident disagreement between the majority and dissent in *Int'l Bancorp*, it would first be helpful to lay out those principles from the case on which the two sides agreed:

First, the dissent and majority agreed that the text of the Lanham Act gives protective rights to marks that meet the test for being "used in commerce" if those marks are also distinctive.[92]

Second, the dissent and majority agreed that the "use in commerce" requirement involves two distinct prongs: a service being rendered in commerce, and a mark that is used to advertise that service.[93]

Third, the dissent and majority agreed that "commerce" under the Lanham Act is equated with all commerce that Congress may lawfully regulate.[94]

Fourth, the dissent and majority agreed that the commerce at issue in *Int'l Bancorp*, namely, the sale of casino services to United States citizens visiting Monaco, constituted foreign commerce under the Commerce Clause of the U.S. Constitution.[95]

Fifth, the dissent and majority agreed that SBM intentionally used its mark when advertising its gambling services in the United States to U.S. citizens, in hopes of selling its foreign services to them.[96]

B. *A More Objective View*

1. Arguments Against a More Literal—and Therefore More Expansive—Reading of "Commerce" in § 1127

The dissent's primary weapon, and a powerful one in any system of common law, is the voluminous precedent from cases very similar to *Int'l Bancorp*, which hold, in essence, that commerce under

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[92] *Id.* at 372.
[93] *Id.*
[94] *Id.* at 373.
[95] *Id.*
[96] *Id.*

the Lanham Act must be commerce occurring in the United States.[97] The majority in *Int'l Bancorp* derides these cases for conflating, if not ignoring, the requisite steps in the statutory use-in-commerce inquiry, but, that appears to be exactly what all prior precedent does. Thus, the rule in *Int'l Bancorp*, while strictly adhering to the letter of the law, highlights the conflict between the statute as written and the statute as historically applied.

Hand in hand with the precedential argument against a broad reading of "commerce" in § 1127, is an underlying principle of trademark law: that of territoriality. The territoriality concept is "basic" to trademark law, and stands for the proposition that "trademark rights exist in each country solely according to that country's statutory scheme."[98] This territoriality principle underlies many of the United States' trademark agreements with other countries, which decree, in effect: you regulate your trademarks, and I'll regulate mine.[99]

The territorial argument has a very practical significance. As highlighted by the dissent in *Int'l Bancorp*, if solely foreign use coupled with U.S. advertising is allowed to constitute use in commerce:

> Before investing in a mark, firms and individuals would be forced to scour the globe to determine when and where American citizens had purchased goods or services from foreign subjects to determine whether there were trademarks involved that might be used against them in a priority contest or in an infringement action in the United States.[100]

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[97] *See* discussion *supra* Part II.C.3.b.

[98] Person's Co. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990).

[99] *Int'l Bancorp*, 329 F.3d at 384 n.3 (Motz, J., dissenting). *See also* Pamela E. Kraver & Robert E. Purcell, *Application of the Lanham Act to Extraterritorial Activities: Trend Toward Universality or Imperialism?*, 77 J. PAT. & TRADEMARK OFF. SOC'Y 115, 115 (1995).

> U.S. courts presume that the United States is in fact a leader in the development of trademark law, that other nations desire to follow that lead, and that application of U.S. law merely encourages uniformity and universality in the world's trademark laws. In actuality, however, the presumption that U.S. law is morally and intellectually superior to the law of other countries smacks of ignorance and arrogance. U.S. court decisions overwhelmingly reveal an underlying imperialistic perspective that the United States is self-righteously empowered to force other, allegedly less civilized persons and countries to adhere to its laws.

[100] *Id.* at 388 (Motz, J., dissenting).

The last argument against a literal, and therefore more expansive, reading of § 1127 is the inevitable "slippery slope" argument. Under the *Int'l Bancorp* rule, any foreign company, such as SBM, that merely advertised to and sold a good or service to a United States citizen would "suddenly acquire a windfall of potential United States trademark rights." [101] Therefore, adoption of the use-in-commerce test in *Int'l Bancorp* would make moot and undermine much of this country's current trademark law:[102] "Like some sort of foreign influenza, these new entitlements would accompany American travelers on their return home, creating a vast array of new duties for individuals in the United States seeking to use the same or similar marks on goods or services sold in the United States."[103]

Fortunately, says the dissent in *Int'l Bancorp*, the pre-*Bancorp* and, in its mind, correct, interpretation of § 1127 (whereby the services at issue must occur in the United States) does not require this.[104]

A final, and more remote, danger of the *Int'l Bancorp* rule is that "if services provided exclusively abroad are now considered 'use in commerce' . . . it is conceivable that someone may seek to extend the decision as a means of establishing personal jurisdiction over foreign entities."[105]

2. Arguments For a More Literal—and Therefore More Expansive—Reading of "commerce" in § 1127

There are several arguments for the interpretation of the use-in-commerce test adopted by the *Int'l Bancorp* majority. First, the test espoused by the court is a literal reading of the statute, which arguably hews closest to Congress's legislative intent. The statute clearly states that "commerce," for the purposes of the statute, extends to all commerce regulatable by Congress.[106] As we have seen, there is

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[101] *Id.* at 389 (Motz, J., dissenting).
[102] *Id.* at 388 (Motz, J., dissenting).
[103] *Id.* at 389 (Motz, J., dissenting).
[104] *Id.*
[105] *Top E-Commerce Law Stories in 2003*, DAILY REP. FOR EXECUTIVES ANALYSIS & PERSP., Jan. 15, 2004, at 1.
[106] 15 U.S.C § 1127 (2000).

no doubt that Congress has the power to regulate foreign commerce.[107] Therefore, under a plain-meaning interpretation of the statute, foreign commerce can also be "rendered" to satisfy the second prong of the use-in-commerce inquiry.

Second, although the *Int'l Bancorp* dissent highlights many prior cases that do not engage in the extensive use-in-commerce inquiry advocated by the court, there are several discussions in those same cases which suggest that the dissent's criticisms are not as justified as their sweeping nature would suggest.

The Fourth Circuit, in a 1983 case relied upon by the dissent, clearly stated: "[F]actual situations can be imagined in which extensive—especially reiterated—purchase abroad and marketing in the United States might operate to create in the American importer trade dress rights in the United States for a format employed elsewhere by the foreign manufacturer."[108] Similarly, a 1990 Federal Circuit case relied upon by the dissent, in discussing use in commerce, states: "No use of the mark in commerce in *or with* the United States was alleged."[109] This shows that the Federal Circuit was contemplating and looking for renderings in commerce occurring both inside and outside the United States.

Third, as seen above, the determination of trademark infringement is a two-step process.[110] The first step involves the use-in-commerce analysis expounded upon by this comment. However, a second and equally important requirement for the protection of any trademark is that the trademark be found distinctive.[111] Thus, the *Int'l Bancorp* dissent's criticism that the court's rule will unduly expand and "wreak havoc" on U.S. trademark law is not necessarily the case: the foreign trademark must also have acquired a readily-recognizable meaning to U.S. citizens.[112]

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[107] Brown, *supra* note 11, at 58 ("[T]here is no question that Congress may regulate in matters involving foreign commerce.").

[108] CBS, Inc. v. Logical Games, 719 F.2d 1237, 1239 (4th Cir. 1983).

[109] Imperial Tobacco Ltd. v. Philip Morris, Inc., 899 F.2d 1575, 1577 (Fed. Cir. 1990) (emphasis added).

[110] *See* discussion *supra* Part II.A.2.

[111] Leslie J. Lott, *Current Developments in Trademark and Trade Dress Law*, 764 Practising Law Institute: Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series 507, 513 (2003) ("For an unregistered mark that is used in foreign trade to warrant Lanham Act protection, the mark must also be distinctive among United States consumers.")

[112] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 388, *cert. denied*, 124 S. Ct. 1052 (2004) (Motz, J., dissenting).

C. *Possible Remedies (or, Ways to Reconcile* Int'l Bancorp *and* Buti*, et al)*

The first option for reconciling the *Int'l Bancorp* rule with prior precedent is to let it stand, but construe it in such a way as to better align itself with the other cases on point. If courts construe the rule narrowly, confining it to service marks only (as opposed to trademarks in general), this would greatly decrease the number of instances in which the rule need apply.[113] A similar way to minimize the *Int'l Bancorp* rule is to confine it to its facts. Instead of saying that "mere advertising" *plus* rendering in foreign commerce *equals* use in commerce, courts could require the sort of significant advertising found in *Int'l Bancorp*, namely, a formal, intentional, and expensive advertising campaign.[114]

A second option for reconciling the *Int'l Bancorp* decision would be to reject it all together. This approach seems imprudent due to the fact that the Supreme Court did not avail itself of the opportunity to do just that in January 2004.[115]

A third way to reconcile the Circuit split with regard to use in commerce would be for Congress to amend the Lanham Act. If it were Congress's intent to limit the scope of the inquiry to commerce rendered in the United States, § 1127 could easily be modified to read:

> For the purposes of this Act, a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services *in the United States* and the services are rendered in commerce *in the United States*.[116]

Similarly, were it truly Congress's intent to allow for "commerce" to extend to the full reach of the Commerce Clause, § 1127 could be modified to read:

> For the purposes of this Act, a mark shall be

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[113] *Id.* at 390 (Motz, J., dissenting).

[114] Brief in Opposition at 17, Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, *cert. denied*, 124 S. Ct. 1052 (2004) (No. 02-1364).

[115] Int'l Bancorp v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 124 S. Ct. 1052 (2004).

[116] Emphasis added to proposed changes. For actual language of 15 U.S.C. § 1127, see discussion *supra* Part II.A.2.

> deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in *intrastate, interstate, or foreign* commerce.[117]

IV. CONCLUSION

The Circuit split between the Fourth Circuit, in *Int'l Bancorp*, and the Second and Federal Circuits, is a schism that demands review. It involves the Commerce Clause, a cornerstone of Constitutional interpretation, and modern trademark law, which are both of vital importance to our nation's economic well-being. The remedies outlined above do not seem adequate, and rightly so: only a grant of certiorari from the Supreme Court can resolve this issue. As the Supreme Court denied certiorari in the *Int'l Bancorp* case, the circuits, as well as trademark holders around the globe, will remain in limbo until this noteworthy discrepancy is resolved.

[117] Emphasis added to proposed changes. For actual language of 15 U.S.C. § 1127, see discussion *supra* Part II.A.2.