

NEW YORK UNIVERSITY  
JOURNAL OF INTELLECTUAL PROPERTY  
AND ENTERTAINMENT LAW

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VOLUME 4

SPRING 2015

NUMBER 2

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A CRITICAL LOOK AT “USE” UNDER THE LANHAM ACT

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*The concept of “use” in trademark law is fundamental. However, many activities undertaken by a mark owner in connection with the trademark are not relevant uses for the purposes of obtaining and maintaining federal trademark registration. Two recent decisions, Clorox and Gameologist, serve as reminders that there is little statutory guidance on the use requirement under the Lanham Act and that uniformity under the Act is yet to be achieved. In exploring the use requirement under the Lanham Act, this note argues that Congressional amendment to a qualitative bona fide minimal use standard would broaden the use requirement and be the most effective way to better protect all trademark owners.*

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## INTRODUCTION

There is an old adage in trademark law: “Use it or lose it.”<sup>1</sup> Whilst use of a mark may appear to be an uncomplicated idea, the concept of “use” is somewhat

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<sup>1</sup> See, e.g., *Menashe v. V. Secret Catalogue, Inc.*, No 05 Civ. 239 (HB), 2005 U.S. Dist. LEXIS 13324, at \*18 (S.D.N.Y. July 7, 2005) (“‘Use it or lose it’ is a fundamental precept of trademark law.” (citing *Capitol Records, Inc. v. Naxos of Am., Inc.*, 262 F. Supp. 2d 204, 211 (S.D.N.Y. 2003); *Holiday Inn v. Holiday Inns, Inc.*, 534 F.2d 312 (C.C.P.A. 1976))). Another old adage is “no trade -- no trademark.” See *La Societe Anonyme des Parfums le Galion v. Jean Patou*,

elusive.<sup>2</sup> In order to obtain and maintain a federal registration the “use in commerce” requirement<sup>3</sup> demands a bona fide “sale” or “transportation” of a good bearing the mark,<sup>4</sup> and subsequent activity of the mark owner, which evidences a continuous effort to use the mark in the ordinary course of trade.<sup>5</sup> But not all activities undertaken in connection with a mark are relevant “uses.” For example, various activities, which are often necessary to launch a brand, lie outside the scope of permissible use. Once one delineates what conduct constitutes the requisite use, the question then becomes what use suffices as a “continuous” effort to use the mark. For many years, courts have held that more than *de minimis* use is required to satisfy the requirement.<sup>6</sup> One of the biggest grey areas in trademark law, and a continual focus of litigation, is how much use will be “continuous use.” The line between what use is *de minimis* and what use is continuous is a murky one. Trademark owners continue to litigate the use issue because there is little statutory clarity regarding what quantum of use constitutes a sufficient use in commerce and because the current use inquiry does not reflect the commercial realities of many business owners. Particularly affected are start-ups and new market entrants with little capital,

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Inc., 495 F.2d 1265, 1274 (2d Cir. 1974); *Lucent Info. Mgmt. v. Lucent Techs., Inc.*, 186 F.3d 311, 319 (3d Cir. 1999) (“It is axiomatic that if there is ‘no trade -- no trademark.’ ” (quoting *id.* at 1274)).

<sup>2</sup> See *Aycock Eng’g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1357 (Fed. Cir. 2009) (“Despite the seeming harmony and simplicity in the application of the use requirement to trademarks . . . opportunity exists for confusion in this area of the law.”); cf. *Zazu Designs v. L’Oreal S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) (“Use is neither a glitch in the Lanham Act nor a historical relic.”).

<sup>3</sup> In this paper, all iterations of the phrase “use in commerce” whether in the form of a noun (a “use in commerce”), a verb (“to use in commerce”), or adjective (“used in commerce”), are intended, without distinction, as instances of that phrase. The “use in commerce” requirement is also referred to as the “use issue,” the “use requirement,” the “use standard,” or the “use inquiry” in this note.

<sup>4</sup> The concept of “use in commerce” is also relevant to whether a trademark has been used in the relevant sense with respect to services, as distinct from physical goods. See, e.g., *Patsy’s Italian Rest., Inc. v. Banas*, 658 F.3d 254, 267 (2d Cir. 2011) (“Due to the different nature of the marks, ‘use in commerce’ is defined differently for trademarks and service marks.” (citing 15 U.S.C. § 1127)). For the purpose of brevity, this note limits the discussion to “use in commerce” that is necessary to support an application for trademark registration in connection with goods.

<sup>5</sup> *Avakoff v. Southern Pacific Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985) (adopting the following two-part test for use necessary for registration: “(1) Was the application upon which the registration application was founded bona fide; and (2) if [so], was it followed by activities proving a continuous effort to use the mark.”). For more recent support of the two-part test, see *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1157 (9th Cir. 2001) and *Dep’t of Parks & Rec. v. Bazaar Del Mundo, Inc.*, 448 F.3d 1118, 1125–26 (9th Cir. 2006).

<sup>6</sup> See, e.g., *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d 1768, 1774 (T.T.A.B. 1994) (finding that where a game was distributed on a less-than-commercial scale at a *de minimis* volume to promote a musical group, the mark was not eligible for register).

and those in industries where there are high barriers to entry or in which products are expensive and sales are therefore infrequent.

The difficulty trademark owners face in satisfying the use requirement is not a new issue.<sup>7</sup> Two recent decisions serve as examples of the recurring and frequent difficulties that some trademark owners face when they attempt to persuade a court that the relevant use has been made. In the 2013 decision, *Clorox Co. v. Salazar*, the trademark owner had used the mark in pre-sale activities, but had not yet sold a mark-bearing product; the Trademark Trial and Appeal Board refused to find a triable issue of fact regarding whether sufficient use of the mark had been made.<sup>8</sup> Similarly, in the 2011 decision, *Gameologist Group, LLC v. Sci. Games Int'l, Inc.*, a court refused to find that there were triable issues of fact sufficient to survive a summary judgment motion despite the owner putting forth four documented sales of its product bearing the trademark.<sup>9</sup> The decisions serve as reminders of how volatile certain trademarks are under the current use requirement, which is uniform on its face but unequal in its application.

This note explores the use requirement under the Lanham Act.<sup>10</sup> Part I of this note discusses the historical context of the use in commerce requirement under the Act and how trademark owners are required to prove use sufficient to obtain and maintain a federal trademark registration. Part II considers how the use inquiry was applied in *Clorox* and *Gameologist* to deny the validity of the marks in issue. Part III critically analyzes the current use standard and, in particular, how the lack of uniformity under the use requirement causes inequity to certain trademark owners. Lastly, Part IV of this note canvasses the Australian concept of use and examines how the standard under Australian law would have produced different, and more favorable, outcomes for the plaintiffs in *Clorox* and *Gameologist*. Ultimately, this note argues that congressional amendment to the Lanham Act, to bring it closer to the Australian use standard, would be the most effective way to correct the inequity

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<sup>7</sup> See, e.g., *Le Blume Imp. Co. v. Coty*, 293 F. 344, 351 (2d Cir. 1923) (holding that “[a] casual sale or a casual importation does not establish or create a market, within the rule that a trader can protect his trade-mark or trade-name in the markets in which he sells, and prevent another trader from adopting the same trade-mark or trade-name in that territory”). The holding in *Le Blume* resulted in occasional importations of the perfume being considered too infrequent with the result that the mark owner was not entitled to trademark protection.

<sup>8</sup> *The Clorox Co. v. Salazar (Clorox)*, 108 U.S.P.Q.2d (BNA) 1083 (T.T.A.B. 2013). The Trademark Trial and Appeal Board is referred to as “the Board” throughout this note.

<sup>9</sup> *Gameologist Group, LLC, v. Scientific Games Int'l, Inc.*, 838 F. Supp. 2d 141 (S.D.N.Y. 2011).

<sup>10</sup> The Lanham Act will be referred to as “the Act” throughout this note.

in the use requirement, make the use standard more predictable, and better protect all trademark owners.

## I

### THE PREREQUISITES FOR FEDERAL TRADEMARK RIGHTS

#### *A. Historical Context of “Use in Commerce”*

It is a fundamental rule of trademark law that creating or merely adopting a mark, on its own, is insufficient to create trademark rights.<sup>11</sup> In order to obtain registration under federal trademark law, the owner must make “use” of its trademark “in commerce.”<sup>12</sup> The basis for rights under the federal trademark registration regime is not the ingenuity or invention that may accompany the creation of the trademark, but rather making sufficient public use of the mark in the marketplace.<sup>13</sup> It therefore follows that use in commerce of a trademark is one of the prerequisites in order to gain, and maintain, protectable rights in a trademark under the Lanham Act.<sup>14</sup> If a federal registration is issued in circumstances where a trademark has not been properly used, the registration is *void ab initio*.<sup>15</sup>

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<sup>11</sup> See, e.g., *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916) (“[T]he right grows out of use, not mere adoption.”). For more recent pronouncements of this statement, see *Aycock Eng’g*, 560 F.3d at 1358 (“[M]ere adoption (selection) of a mark accompanied by preparations to begin its use are insufficient . . . for claiming ownership of . . . the mark.” (quoting *Intermed Commc’ns, Inc. v. Chaney*, 197 U.S.P.Q. 501, 507–08 (T.T.A.B. 1977))); *Int’l Bancorp, LLC v. Societe Des Bains De Mer Et Du Cercle Des Etrangers a Monaco*, 329 F.3d 359, 364 (4th Cir. 2003) (“[T]he right to a particular mark grows out of its use, not its mere adoption.” (quoting *United Drug Co. v. Theodore Rectanus, Co.*, 248 US 90, 97 (1918))).

<sup>12</sup> Lanham Act § 1, 15 U.S.C. § 1051(a) (“Application for use of trademark . . . the owner of a trademark *used in commerce* may register his trademark. . . .” (emphasis added)); see, e.g., *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 133 (2d Cir. 2009) (stating that “[§ 1] sets the standards and circumstances under which the owner of a mark can qualify to register the mark and to receive the benefits and protection provided by the Act”) (emphasis omitted).

<sup>13</sup> *Allard Enters. v. Advanced Programming Res., Inc.*, 146 F.3d 350, 356 (6th Cir. 1998) (“One of the bedrock principles of trademark law is that trademark . . . ownership is not acquired by federal . . . registration. Rather, ownership rights flow only from prior appropriation and actual use in the market.” (quoting *Homeowners Grp., Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100 (6th Cir. 1991)) (internal quotations marks omitted)); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012, 1018 (N.D. Ill. 1998) (“Trademark rights are acquired by adoption and use, not by registration.”); *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) (“[C]onception of the mark, . . . [does not] establish[] trademark rights.”).

<sup>14</sup> See, e.g., *In re Compagnie Generale Mar.*, 993 F.2d 841, 854 (Fed. Cir. 1993) (“[U]se in commerce . . . is essential to obtain a federal registration of a mark.”).

<sup>15</sup> *Aycock Eng’g*, 560 F.3d at 1357 (“The registration of a mark that does not meet the use requirement is void ab initio.” (citing *Gay Toys, Inc. v. McDonald’s Corp.*, 585 F.2d 1067, 1068

The Act defines the term “use in commerce” to mean “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”<sup>16</sup> This definition has been in effect for some 27 years and was introduced by the Trademark Law Revision Act of 1988 which implemented a radical change to the concept of use as it was then understood.<sup>17</sup> The revised definition of use in commerce abandoned the practice of “token” use and introduced the concept of “bona fide” use “in the ordinary course of trade” — resulting in a more rigorous use standard.<sup>18</sup> Regarding the shift to bona fide use, the Federal Circuit recently remarked that the “bona fide use language was intended to eliminate token uses, which occurred when applicants used marks in conjunction with selling goods or offering services for the sole purpose of obtaining registration, and with no intention of legitimately using the mark in commerce until a later date.”<sup>19</sup> Under the token use concept, a trademark owner was able to use a mark solely for the purpose of reserving rights in the mark as there was no intent-to-use system.<sup>20</sup> Under the current

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(CCPA 1978))). “Void ab initio” means “[n]ull from the beginning.” BLACK’S 1064 (8th ed. 2004); see also *Premier Pool Mgmt. Corp. v. Lusk*, No. CIV S-11-2896 GEB CKD, 2012 U.S. Dist. LEXIS 63350, at \*15 (E.D. Cal. May 3, 2012) (“The registration of a mark that does not meet the use requirement is void ab initio.” (quoting *Quia Corp. v. Mattel, Inc.*, No. C 10-1902 JF (HRL), 2011 U.S. Dist. LEXIS 76157, at \*10 (N.D. Cal. Jul. 14, 2011))).

<sup>16</sup> Lanham Act § 45, 15 U.S.C. § 1127 (“Use in Commerce”); see *Aycock Eng’g*, 560 F.3d at 1357 (stating that “[f]or trademarks, the use in commerce requirement is met when a mark is (1) placed on the good or container, or on documents associated with the goods if the nature of the goods makes placement on the good or container impracticable, and (2) that good is then sold or transported in commerce” (internal quotation marks omitted)).

<sup>17</sup> Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (effective November 16, 1989) (codified at 15 U.S.C. § 1127 (2006)). The Trademark Law Revision Act of 1988 is referred to as “the TRLA” in this note.

<sup>18</sup> *Id.* The change to a bona fide use standard has been described as a “stricter” standard. See *Allard*, 146 F.3d at 357 (explaining that the purpose of the amended standard “was to eliminate token use as a basis for registration, and that the stricter standard contemplates instead commercial use of the type common to the particular industry in question.” (quoting *Paramount Pictures*, 31 U.S.P.Q.2d at 1774), *aff’d*, 108 F.3d 1392 (Fed. Cir. 1997)); *Chance*, 242 F.3d at 1157 (referring to the use standard implemented in 1988 as a “stricter standard”).

<sup>19</sup> *Aycock Eng’g*, 560 F.3d at 1357 (internal quotation marks omitted); see also *Automedx Inc. v. Artivent Corp.*, 95 U.S.P.Q.2d 1976, at \*5 (T.T.A.B. 2010) (explaining that token sales are “artificially made solely to reserve a right in a mark and not made as part of a usual product or service launch” (quoting MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:109 (4th ed. 2010))).

<sup>20</sup> See *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1199 n.17 (11th Cir. 2001) (“The reason ‘token use’ was expressly eliminated was that the [Trademark Law] Revision Act had created an ‘intent-to-use’ application system that rendered such a ‘commercial sham’ unnecessary.” (citing 134 Cong. Rec. 32,053 (Oct. 20, 1988) (Sen. DeConcini))).

use standard, a bona fide use of a mark must be made before federal registration will issue and in order to maintain a registration if challenged.<sup>21</sup>

*B. Proving “Use in Commerce”*

At the outset, it is useful to note that a claimant’s ability to prove it has made a use in commerce of a trademark depends on what type of use is in issue, as the type of use, including the standard applied by the court and the evidence it will consider, may differ depending on the context of the dispute and the claims made by the parties.<sup>22</sup> Of specific relevance to this note is the use required to obtain and maintain a valid federal registration, in which the framework for analyzing use hinges on the definition of “use in commerce.”

The current use standard has two aspects: that a bona fide use occur by way of a “sale” or “transportation,” and that continuous use be made of the mark after the initial sale or transportation.<sup>23</sup> Satisfying the “sale” or “transportation” aspect of the use standard requires a technical use, which is use of the relevant mark on, or in

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<sup>21</sup> *NetJets Inc. v. IntelliJet Group, LLC*, No. 15a0138n.06, 2015 U.S. App. LEXIS 2621, at \*7 (6th Cir. 2015) (“The requirement that the use in commerce be a bona fide use . . . in the ordinary course of trade . . . requires that the goods or services have been used in a way which is typical in a particular industry . . . .” (internal quotation marks omitted)); *Chance*, 242 F.3d at 1157 (“[B]ecause token use is not enough, mere adoption of a mark without bona fide use, in an attempt to reserve it for the future, does not create trademark rights.”) (internal quotation marks omitted) (citation omitted); *see also Allard*, 146 F.3d at 357.

<sup>22</sup> For example, analysis of use is also required when the parties are in a priority dispute. In such disputes, each party is attempting to persuade the trier of fact that it was the first to use the trademark, and is therefore the rightful owner. The standard of use, in addition to the type and quantum of evidence of use that is considered when the court is adjudicating a priority dispute, is different than the use analysis regarding registration use. *See, e.g., Allard*, 146 F.3d at 358 (holding, in relation to a priority dispute, that “ownership may be established even if the first uses are not extensive and do not result in deep market penetration or widespread recognition.”); *Sheila’s Shine Prods., Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 123 (5th Cir. 1973) (holding that a low volume of door-to-door sales of goods over ten years was sufficient to establish priority, reasoning that “the mere fact that a business is small and its trade modest does not necessarily militate against its . . . acquiring goodwill and rights in a trademark.”). Additionally, use is also relevant when a trademark owner alleges infringement of its mark but the use analysis regarding alleged infringement by a defendant is entirely different. *See, e.g., Rescuecom*, 562 F.3d at 133 (noting that “The Act employs the term ‘use in commerce’ in two very different contexts . . . . The first . . . sets the standards . . . under which the owner of the mark can qualify to *register* the mark . . . [The second] appears as part of the Act’s definition of reprehensible conduct, i.e., the conduct which the Act identifies as infringing of the rights of the trademark owner . . . .”).

<sup>23</sup> *See Avakoff*, 765 F.2d at 1098, *see also Chance*, 242 F.3d at 1157 and *Dep’t of Parks & Rec.*, 448 F.3d at 1125–26 (9th Cir. 2006).

connection with, the goods.<sup>24</sup> The affixation requirement was liberalized with the passage of the TRLA, making it easier to satisfy.<sup>25</sup> Generally, the requirement is satisfied by an owner affixing the mark to the goods in question “in any manner” and selling the goods with the mark so affixed.<sup>26</sup> However, the law acknowledges that it is not always practicable to put a mark on goods and, in such circumstances, the trademark owner may place the mark on documents associated with the sale of the goods.<sup>27</sup>

A further aspect of the use in commerce requirement is that the sale or transportation be open and public.<sup>28</sup> The logic behind the requirement is that sale or transport will lead intended consumers of the relevant product to become aware of both the availability of the goods and the mark.<sup>29</sup> The terms “sale” and “transportation” do not correspond to ordinary dictionary definitions, as the meaning of both terms in trademark law is influenced by the necessity that the use be open and public. As such, “[s]ecret, undisclosed internal shipments are generally

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<sup>24</sup> Lanham Act § 45, 15 U.S.C. § 1127(1); *see also* Kelly-Brown v. Winfrey, 717 F.3d 295, 305 (2d Cir. 2013) (stating the “use in commerce” definition and the affixation requirement under § 1127(1) and holding that “the use in commerce requirement . . . is satisfied if the mark is affixed to the goods in any manner.”) (internal quotation marks omitted).

<sup>25</sup> *See Rescucom*, 562 F.3d at 135 (discussing and describing the new requirement as “less complicated” and “more accommodating”).

<sup>26</sup> Lanham Act § 45, 15 U.S.C. § 1127(1)(A). Section 45 of the Act states that a mark is deemed to be used in commerce on goods when “it is placed *in any manner* on the goods . . . .” *See, e.g., Blue Bell*, 508 F.2d at 1267 (holding that “[e]lementary tenets of trademark law require that labels or designs be affixed to the merchandise actually intended to bear the mark in commercial transactions”).

<sup>27</sup> Lanham Act § 45, 15 U.S.C. § 1127(1)(A).

<sup>28</sup> *See, e.g., Gen. Healthcare Ltd. v. Qashat*, 364 F.3d 332, 335 (1st Cir. 2004) (stating that “transportation” requires “open and public use before customers” and that “courts . . . require[] an element of public awareness of the use.”) (citing *New England Duplicating Co. v. Mendes*, 190 F.2d 415, 418 (1st Cir. 1951) (“[U]se in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind . . . is competent to establish ownership, . . . .”); *Dynamet Technology, Inc. v. Dynamet Inc.*, 197 U.S.P.Q. (BNA) 702, 705–06 (T.T.A.B. 1977) (“[U]se must be open and notorious public use directed to the segment of the purchasing public for whom the [products] are intended.”), *aff’d*, 593 F.2d 1007, 201 U.S.P.Q. (BNA) 129 (1979); *Chere Amie, Inc. v. Windstar Apparel, Corp.*, No. 01 Civ. 0040 (WHP), 2002 U.S. Dist. LEXIS 4950, at \*17 (S.D.N.Y. Mar. 25, 2002) (holding that an intra-company shipment is devoid of the requisite open and public use before customers).

<sup>29</sup> *See, e.g., Smith International, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, at \*10 (T.T.A.B. 1981) (holding that “use of a mark must be open and notorious so that the *purchasing public* for whom the goods are intended are aware of the *availability of the goods* and aware of *use of the mark* . . . .” (emphasis added) (citing *Bellanca Aircraft Corporation v. Bellanca Aircraft Engineering, Inc.*, 190 U.S.P.Q. 158 (T.T.A.B. 1976)).



inadequate to support use.”<sup>30</sup> Consequently, there are limitations on what constitutes a sale or a transportation under the Act. For example, intra-company shipments are not a transportation because such transactions are neither arms-length, nor public, and are likely to be considered sham shipments.<sup>31</sup> Lastly, in order to file an application that meets the requirements for registration, a single sale or transportation of a good will suffice.<sup>32</sup>

However, in order to maintain registration, the Act requires more than a single public sale or transportation of the good bearing the mark.<sup>33</sup> A mark owner must be able to demonstrate that it has made continuous use of its mark since the initial sale or transportation.<sup>34</sup> The Act, however, does not state how much use constitutes continuous use. The continuous use requirement is therefore one of trademark law’s fuzziest requirements. Despite the lack of a specific statutory threshold regarding the quantum of continuous use, the legislative history and the case law provide some limited assistance in answering the quantum question.<sup>35</sup>

### *C. Nature and Quantum of Use Necessary to Prove Continuous Use*

The Act does not explicitly mandate a specific quantum of use in order to maintain federal registration. The Act’s legislative history, however, states that use adopts a measure of flexibility, with the sufficient amount of use viewed in the context of the trademark owner’s industry. Specifically, Congress has said that use should be interpreted to mean “commercial use which is typical in a particular

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<sup>30</sup> *Mystique, Inc. v. 138 Int’l, Inc.*, 375 F. App’x 997, 999 (11th Cir. 2010) (quoting *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1196 (11th Cir. 2001)).

<sup>31</sup> Another example of circumstances in which a sale or transportation has not satisfied the requirements of the Act is *Jaffe v. Simon & Schuster, Inc.*, No. 86 Civ. 1577 (GLG), 1987 U.S. Dist. LEXIS 14902, at \*46 (S.D.N.Y. Feb. 3, 1987) (internal nominal sales of goods to friends and relatives).

<sup>32</sup> *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 437 (2d Cir. 1974) (recognizing that a number of courts have accepted “a minimal amount of interstate commerce -- either a sale or transportation -- will suffice [to satisfy the trademark laws]”).

<sup>33</sup> *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796, 808 (N.D. Ill. 1998) (holding that a single use of the mark on the goods was insufficient where “[t]here is no evidence that this [single use] was followed by active use that allows consumers to associate a mark with particular goods . . . .” (internal quotations marks omitted)).

<sup>34</sup> *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271–72 (2d Cir. 1974) (holding that “[t]o prove bona fide usage, the proponent of the trademark must demonstrate that his use of the mark has been deliberate and continuous . . . .”); *Momentum Luggage & Leisure Bags v. Jansport, Inc.*, No. 00 CIV. 7909 (DLC), 2001 U.S. Dist. LEXIS 10253, at \*21 (S.D.N.Y. July 23, 2001).

<sup>35</sup> *White v. Paramount Pictures Corp.*, 108 F.3d 1392, at \*2 (Fed. Cir. 1997) (stating that “[t]he legislative history of the [ ] Act is instructive as to the quantum of use required for registration.”).

industry.”<sup>36</sup> Congress, quite rightly, recognized that sales patterns and use vary from industry to industry — indeed, infrequent sales may be part of the ordinary course of trade in some industries, but not in others.<sup>37</sup> The acknowledgement that use differs from industry to industry is the reason Congress urged that the revised definition be interpreted with some flexibility, encompassing “various genuine, but less traditional, trademark uses.”<sup>38</sup> Less frequently cited in literature concerning trademark use is Congress’ intent to preserve ownership rights if a unique situation disrupts the use. Specifically, the Senate Report states that ownership rights should be preserved “if, absent an intent to abandon, use of a mark is interrupted due to special circumstances.”<sup>39</sup> Congress, however, did not elaborate on what type of special circumstances may be encompassed under this concept, and it appears the courts have not considered the passage of the report in case law at any length.<sup>40</sup>

Whilst the legislative history provides some guidance as to how the use standard is to be interpreted by the courts, the case law provides insight as to how courts evaluate the quantum issue and whether such use meets the continuous use threshold. A continuous use has been held to mean use that is “maintained without interruption.”<sup>41</sup> Additionally, the case law clearly says that *de minimis* use of a mark is not continuous use.<sup>42</sup> Nonetheless, *de minimis* use is not a defined concept, and

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<sup>36</sup> S. Rep. No. 100-515, 100th Cong., 2d Sess. at 44 (Sept. 15, 1988); *see also White*, 108 F.3d at \*3 (citing the Senate Report in determining the required quantum of “use in commerce” under the Act).

<sup>37</sup> S. Rep. No. 100-515 (Sept. 15, 1988); H. Rep. No. 100-1028, 100th Cong., 2d Sess. at 15 (Oct. 3, 1988).

<sup>38</sup> S. Rep. No. 100-515 at 44 (Sept. 15, 1988).

<sup>39</sup> *Id.* at 45.

<sup>40</sup> A search of cases in Lexis that contain the phrase “interrupted due to special circumstances” generates only two case references: *FN Herstal, S.A. v. Clyde Armory, Inc.*, No. 3:12-CV-102 (CAR), 2015 U.S. Dist. LEXIS 4310, at \*27 n.98 (M.D. Ga. Jan. 8, 2015) and *Electro Source, LLC v. Brandess-Kalt-Aetna Grp., Inc.*, 458 F.3d 931, 940 (9th Cir. 2006).

<sup>41</sup> *Casual Corner Assoc., Inc. v. Casual Stores of Nevada, Inc.*, 493 F.2d 709, 712 (9th Cir. 1974). For more recent pronouncements of this statement, *see, Neurovision Med. Prods. v. NuVasive, Inc.*, 494 F. App’x 749, 751 (9th Cir. 2012) (quoting *Casual Corner*, 493 F.2d at 712); *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 762 (9th Cir. 2006).

<sup>42</sup> *Planetary Motion*, 261 F.3d at 1196 (“In general, uses that are *de minimis* may not establish trademark ownership rights.”); *Allard*, 146 F.3d 350 at 359 (“Trademark rights are not created by sporadic, casual, and nominal shipments of goods bearing a mark.” (quoting *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1274 (2d Cir. 1974))); *Major League Baseball Properties, Inc. v. Opening Day Prods.*, 385 F. Supp. 2d 256, 265 (S.D.N.Y. 2004) (“[U]se of the mark . . . [must be] deliberate and continuous, not sporadic, casual or transitory.” (quoting *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1271 (2d Cir. 1974))); *Larsen v. Terk Techs. Corp.*, 151 F.3d 140, 146 (4th Cir. 1998).

whether use is *de minimis* is considered on a case-by-case basis.<sup>43</sup> Despite the lack of definition, the courts hold that some use may be deemed so isolated or minimal that rights are never created in the mark. For example, in *Momentum Luggage & Leisure Bags v. Jansport, Inc.*, a single sale of eight pieces of luggage for \$760 in two years was *de minimis* and insufficient to prove use as a mark.<sup>44</sup> The following examples are other cases in which federal courts have held that the alleged use was insufficient because it was minimal, *de minimis*, or too sporadic; they demonstrate that attempts at proving use are surrounded with seemingly insurmountable difficulties:

- *LeBlume Import Co. v. Coty* (1923): Occasional casual importations of perfume considered so infrequent that the perfume producer was not entitled to trademark protection.<sup>45</sup>
- *Vapon, Inc. v. Dreyfuss* (1957): Evidence of customer orders, shipping orders and invoices showing one shipment of the product bearing the mark each year between 1944 to 1953 to customers in Connecticut, Massachusetts, New Jersey and Pennsylvania, with a total sales value of \$478.44 held to be sporadic and inconsequential use.<sup>46</sup>
- *United Plywoods Corp. v. Congoleum-Nairn, Inc.* (1959): During a period of upwards of two years, the applicant had made two sales of goods bearing the mark; which was held to be sporadic.<sup>47</sup>
- *Philip Morris, Inc. v. Imperial Tobacco Co.* (1965): Sales of cigarettes and tobacco bearing the trademark were considered over a 55 year period. The largest amount of tobacco sold in a year did not exceed 300 pounds and cigarette sales did not exceed \$51,000. Sales were considered sporadic, casual and nominal in character and thus created no trademark rights.<sup>48</sup>

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<sup>43</sup> *Chere Amie*, 2002 U.S. Dist. LEXIS 4950 at \*12 (“Whether a trademark has been used in commerce is a question to be determined on a case by case basis, considering the totality of the circumstances surrounding the alleged use of the mark.”) (citing *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 433 (7th Cir. 1999)).

<sup>44</sup> No. 00 CIV. 7909 (DLC), 2001 U.S. Dist. LEXIS 10253 (S.D.N.Y. July 23, 2001).

<sup>45</sup> 293 F. 344, 351 (2d Cir. 1923).

<sup>46</sup> 110 U.S.P.Q. 142 (Comm’r of Patents 1956).

<sup>47</sup> 121 U.S.P.Q. 102 (T.T.A.B. 1959).

<sup>48</sup> 251 F. Supp. 362 (E.D. Va. 1965), *aff’d*, 401 F.2d 179 (4th Cir. 1968).

- *D. M. & Antique Import Corp. v. Royal Saxe Corp.* (1969): Use relating to one sale was held transitory and minimal.<sup>49</sup>
- *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.* (1974): Holding that 89 sales of perfume bottles over a 20 year period was held as a “meager trickle of business” and that could not constitute bona fide use to afford trademark protection.<sup>50</sup>
- *Paramount Pictures Corp. v. White* (1994): Affixing mark to a game consisting of three pieces of paper and distributing the game to promote a musical group was *de minimis* use.<sup>51</sup>
- *WarnerVision Entm’t Inc. v. Empire of Carolina Inc.* (1996): The plaintiff’s promotional efforts failed to establish sufficient use where only a few presentations were made to industry buyers, even though one resulted in a sale to a major retailer.<sup>52</sup>
- *S. Indus., Inc. v. Diamond Multimedia Sys., Inc.*, (1998): Denying summary judgment to the mark owner because sales of five computers for \$5,301 over three years were *de minimis* sales did not establish continuous use under the Act.<sup>53</sup>
- *Lucent Info. Mgmt. Inc. v. Lucent Techs. Inc.* (1999): A single sale and no advertising was held to be inadequate to demonstrate sufficient use.<sup>54</sup>
- *Harod v. Sage Prods., Inc.* (2002): A low level sales of samples to distributors, followed by sporadic sales thereafter, did not establish trademark rights (\$70 of sales to distributors in 1996 and sales of \$75 in 2000 and \$60 in 2001 with no advertising).<sup>55</sup>

In *Momentum Luggage* the court held “a single use in trade may sustain trademark rights if followed by *continuous* commercial utilization.”<sup>56</sup> However, even where subsequent use is made of the mark by the trademark owner after an initial sale, it may be difficult to satisfy the continuous use requirement as courts interpret use strictly, denying rights in a mark if subsequent use appears objectively

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<sup>49</sup> 311 F. Supp. 1261, 1270 (S.D.N.Y. 1969).

<sup>50</sup> 495 F.2d 1265, 1272 (2d Cir. 1974).

<sup>51</sup> 31 U.S.P.Q.2d 1768, 1774 (T.T.A.B. 1994).

<sup>52</sup> 915 F. Supp. 639 (S.D.N.Y. 1996).

<sup>53</sup> 991 F. Supp. 1012, 1019 (N.D. Ill. 1998).

<sup>54</sup> 186 F.3d 311 (3d Cir. 1999).

<sup>55</sup> 188 F. Supp. 2d 1369, 1378 (S.D. Ga. 2002).

<sup>56</sup> *Momentum Luggage*, 2001 U.S. Dist. LEXIS 10253, at \*21 (emphasis added).

haphazard or random. The rationale, as one court observed, is that a single sale of a product followed by “frenetic but futile efforts to make a second sale” does not justify the grant of trademark rights by “denying its use to sellers who can actually sell.”<sup>57</sup> The theory behind such reasoning is that trademark rights become stronger with public acceptance and recognition of the mark, which occurs as the owner makes greater bona fide public use of the mark.<sup>58</sup> As one scholar notes, “[i]f it is true that trademark rights arise from actual use of the mark, it is also true that greater rights arise from greater use.”<sup>59</sup>

It can be surmised, then, that under the current standard of use, a single use of a mark without subsequent continuous use in the ordinary course of trade does not create trademark rights sufficient to maintain a federal registration under the Act, but a single sale will suffice to create rights so long as the initial sale is succeeded by a commercial use of the mark which is not merely sporadic or *de minimis*.<sup>60</sup> As there are no bright line rules regarding what quantum of use will be considered sufficient, or what level of use will cross the threshold to use that is continuous (as distinguished from use that is merely sporadic), the standard for registration use therefore raises practical challenges for trademark owners to knowing what degree of use is required.<sup>61</sup>

## II THE CASES

The use inquiry undertaken by the courts is fact-sensitive and compels the courts to consider a number of case-by-case factors including the amount of use, the nature or quality of the transaction, and what use is typical within a particular

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<sup>57</sup> *Custom Vehicles, Inc. v. Forest River, Inc.*, 476 F.3d 481, 486 (7th Cir. 2007).

<sup>58</sup> See ANNE GILSON LADONDE, *GILSON ON TRADEMARKS* § 3.02[9] (“As more and more bona fide public trademark use is made and increasing sales and advertising under the mark show a degree of consumer acceptance, legal rights become stronger and stronger.”).

<sup>59</sup> *Id.*

<sup>60</sup> See, e.g., *Chance*, 242 F.3d at 1157 (holding that “where a mark has been placed on goods, a single sale or shipment may be sufficient to support an application to register the mark, providing that [the] shipment or sale . . . is accompanied . . . by activities which . . . tend to indicate a continuing effort or intent to continue such use and place the product on the market on a commercial scale within a time demonstrated to be reasonable in the particular trade.” (citing *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1472–74 (Fed. Cir. 1987))); *Custom Vehicles*, 476 F.3d at 485–86; *Chere Amie*, 2002 U.S. Dist. LEXIS 4950, at \*11–12.

<sup>61</sup> *White*, 108 F.3d at \*2 (“This court has yet to set any bright line rules concerning the quantum and nature of use necessary to constitute an ‘ordinary use in trade’ under the . . . Act.”).

industry.<sup>62</sup> In *Clorox* and *Gameologist* the courts were unimpressed with the alleged uses of the trademarks in question. In *Clorox*, the applicant had difficulty satisfying the use standard as the applicant's evidence indicated that annual sales of its product were likely to be one sale (or less) annually. In *Gameologist*, the court dismissed the plaintiff's actual evidence of sales as being minimal and did not give any weight to other evidence of marketing and promotions as use of the mark. Each of these decisions serve as examples of the recurring and frequent difficulties that some trademark owners face when attempting to prove the necessary use has been made.

#### A. *Clorox*

In *Clorox*, a 2013 precedential opinion of the Board, the applicant sought to register the term "Clorotec" and an accompanying design for certain electronic equipment relating to the manufacture of various cleaning solutions. The opposer brought a summary judgment application claiming that relevant use of the Clorotec mark had not been made. The Board ultimately blocked registration of the mark, siding with the opposer, and holding that the applicant had not made the relevant use in commerce of its mark at the time of filing.<sup>63</sup>

#### B. *The Arguments and Evidence*

A number of grounds for opposition to registration were advanced by the opposer, including that the applicant's use of the mark was not bona fide use in commerce.<sup>64</sup> This argument was made on the basis of statements made by the applicant in the discovery process to the effect that the applicant had not used the mark on a product sold within the United States. Specifically, in response to interrogatories, the applicant stated (*inter alia*) that "[it] has not yet used the [m]ark on any product sold in the United States" and "[n]o units have been sold to clients inside the United States."<sup>65</sup> In response, the applicant alleged that such statements misrepresented the substance of its responses, and the mark had been used in commerce.<sup>66</sup> To further its argument, the applicant pointed to evidence

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<sup>62</sup> See, e.g., *Electro Source, LLC v. Brandess-Kalt-Aetna Grp.*, 458 F.3d 931, 940 (9th Cir. 2006) ("Evaluating whether a use is in 'the ordinary course of trade' is often an intensely factual undertaking."); *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, 188 F.3d 427, 433 (7th Cir. 1999) ("The determination of whether a party has established protectable rights in a trademark is made on a case by case basis, considering the totality of the circumstances.") (citing *New West Corp. v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1200 (9th Cir. 1979) *cert. denied*, 528 U.S. 1188 (2000)).

<sup>63</sup> *Clorox*, 108 U.S.P.Q.2d at \*8.

<sup>64</sup> *Id.* at 2.

<sup>65</sup> *Id.* at 2–4.

<sup>66</sup> *Id.* at 5.

demonstrating the mark had been used in internet advertising offering the goods for sale, as well as evidence demonstrating that machinery parts bearing the mark (but not the actual product) had been shipped interstate from an interstate manufacturer to the applicant in Mexico via the applicant’s licensee.<sup>67</sup>

The applicant contended that requiring an actual sale or transportation of its goods would be “inequitable and inconsistent with Congress’ intent.”<sup>68</sup> The alleged inequity, argued the applicant, would occur by requiring sales in low-volume, high-cost businesses: Sales of the applicant’s products only occurred once per year (or even less frequently); price points ranged from \$200,000 to \$2,000,000 per item; and products were approximately one ton and custom-made to the customers’ requirements.<sup>69</sup>

### *C. The Board’s Findings*

The Board poured cold water on the applicant’s congressional intent argument, ruling that a sale still must be made, even in an industry that has infrequent sales patterns. It emphasized that no authority had been cited to hold otherwise.<sup>70</sup> In holding that the applicant’s congressional intent argument was without merit, the Board noted that the “[a]pplicant’s position is in conflict with the clear and plain statutory definition of use in commerce.”<sup>71</sup> Along a similar line of reasoning, the Board concluded that the applicant’s argument that it had made use of its mark by way of advertising a product bearing the mark was unavailing; ultimately, the Board held that the relevant use requires such advertising to accompany an actual sale or transport of the goods in commerce.<sup>72</sup> Finally, the Board specifically disavowed the applicant’s contention that shipment of parts of goods bearing the mark could constitute use, holding that an actual finished product must be shipped.<sup>73</sup> However, the Board noted that even if a finished product had been shipped, the parts were shipped from the manufacturer to the applicant; this was merely delivery of goods to the trademark owner in preparation for offering the goods for sale, and not a bona fide use of the mark in commerce.<sup>74</sup>

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<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 5–6.

<sup>69</sup> *Clorox*, 108 U.S.P.Q.2d at \*5–6.

<sup>70</sup> *Id.* at 9.

<sup>71</sup> *Id.* (internal quotation marks omitted).

<sup>72</sup> *Id.*

<sup>73</sup> *Id.* at 9–10.

<sup>74</sup> *Id.* at 10.

The Board granted summary judgment against the applicant, ruling that there was no genuine dispute of material fact and that there had been no bona fide use of the mark in commerce at the time the applicant filed its use-based application.<sup>75</sup>

#### *D. Gameologist*

In *Gameologist*, a 2013 decision of the United States District Court for the Southern District of New York, the plaintiff had a trademark registration for the mark “BLING BLING 2002”<sup>76</sup> and it sought to establish that it had protectable rights for the bling mark in relation to, *inter alia*, board games.<sup>77</sup> The plaintiff initially sought to register the bling mark in relation to lottery tickets, but the plaintiff failed to file the requisite evidence of its use of the bling mark in connection with lottery tickets.<sup>78</sup> The plaintiff sued for trademark infringement under the Act for the defendant’s use of the term “bling” in connection with the marketing of lottery tickets.<sup>79</sup> In order to sue for infringement, one of the elements the plaintiff was required to prove was that its bling mark was a valid mark entitled to protection. Such a showing required the plaintiff to demonstrate it had made a use in commerce of the mark.<sup>80</sup> The defendant argued that the plaintiff could not succeed in establishing the requisite use and moved to dismiss the suit by way of a summary judgment application. The Court sided with the defendant, holding that the plaintiff’s *de minimis* use of its mark was not sufficient to maintain its registration.

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<sup>75</sup> *Clorox*, 108 U.S.P.Q.2d at \*11.

<sup>76</sup> Referred to in this note as the “bling mark.”

<sup>77</sup> *Gameologist*, 838 F. Supp. 2d at 149.

<sup>78</sup> *Id.* at 149, 153 n.4. As the trademark application filed by the plaintiff was an intent-to-use application, the plaintiff divided its application so a registration would issue for the bling mark in relation to board games. As such, no trademark registration was obtained for the bling mark in relation to “lottery tickets.”

<sup>79</sup> *Id.* at 147. The plaintiff also sued for a variety of related claims including false designation of origin, unfair competition and false advertising under the Lanham Act. The plaintiff alleged claims under New York common law for unfair competition, passing off, breach of contract, unjust enrichment and *quantum meruit*.

<sup>80</sup> *Id.* at 152–54. To succeed on a federal claim for trademark infringement the plaintiff must establish that “(1) it has a valid mark that is entitled to protection under the Lanham Act; and that (2) the defendant used the mark, (3) in commerce, (4) in connection with the sale . . . or advertising of goods or services, 15 U.S.C. § 1114(1)(a), (5), without the plaintiff’s consent.” *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406–07 (2d Cir. 2005) (internal quotation marks omitted) (citing *Time, Inc. v. Petersen Publ’g Co.*, 173 F.3d 113, 117 (2d Cir. 1999)); *see also* *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997). Only element one has been discussed as the remaining elements are not relevant to the use requirement which is the focus of this paper.



*E. The Evidence and the Arguments*

Despite the plaintiff’s application for the bling mark in relation to lottery tickets, the board game is the only product that was both sold by the plaintiff and featured the bling mark.<sup>81</sup> In an attempt to demonstrate that relevant use of the bling mark had been made, the plaintiff put a variety of evidence forward. In particular, the plaintiff had manufactured 500 units of its board game featuring the bling mark and indicated that all 500 units were either sold or given away.<sup>82</sup> However, the number of board games actually sold by the plaintiff was in dispute. The plaintiff submitted documentary evidence substantiating four sales of the board game at about \$30 each,<sup>83</sup> claiming that about half of the remaining units were sold via unrecorded cash transactions and the remainder were distributed as promotional items without charge.<sup>84</sup> Additionally, there was evidence that the plaintiff posted an online slot machine, free of charge that bore the mark. Lastly, the plaintiff also relied on negotiations with potential licensees of the bling mark and various advertising, marketing, and promotion using the bling mark.<sup>85</sup>

*F. The Court’s Findings*

The court curtly dismissed the plaintiff’s claims, stating that the plaintiff “take[s] ‘bling’ too far.”<sup>86</sup> The Court was unconvinced by the plaintiff’s arguments, holding that the evidence of use of the bling mark was minimal and not sufficiently widespread.<sup>87</sup>

In relation to the court’s finding that the use made of the bling mark was minimal, the court pointed out that even if plaintiff could substantiate the undocumented case sales, “*de minimis* sales such as these are insufficient to demonstrate use in commerce under the Lanham Act.”<sup>88</sup> The Court also took issue with the lack of widespread use of the bling mark. The plaintiff attested to it having attended trade shows, publishing press releases and advertisements, producing product prototypes, and purchasing an email blast directed to the gaming industry informing recipients of the “bling bling” casino game.<sup>89</sup> However, the plaintiffs

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<sup>81</sup> *Gameologist*, 838 F. Supp. 2d at 151.

<sup>82</sup> *Id.*

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> *Id.* at 155.

<sup>86</sup> *Id.* at 147.

<sup>87</sup> *Gameologist*, 838 F. Supp. 2d at 155–56.

<sup>88</sup> *Id.* at 155 (emphasis added).

<sup>89</sup> *Id.*

were unable to provide evidence as to how widespread its efforts were.<sup>90</sup> As a result, the Court held that the plaintiff had failed to raise a genuine issue of material fact that its use of the mark was anything other than “sporadic, casual or transitory.”<sup>91</sup> Accordingly, the plaintiff’s mark was not entitled to protection under the Act, and the defendants were entitled to summary judgment on the plaintiff’s infringement claim.<sup>92</sup>

### III

#### ANALYSIS OF THE USE REQUIREMENT

The following analysis of *Clorox* and *Gameologist* does not question whether the application of the law or the analytical framework applied by the courts is correct. Indeed, in this note’s view, both decisions largely comport with the law and the established principles for the use standard applied by the courts. Similarly, neither case stands out as causing a significant change in trademark law or would be expected to cause a significant future impact on how courts approach the use inquiry. The importance of *Clorox* and *Gameologist*, however, is that the decisions highlight a distinct issue of trademark law which make certain trademark owners more vulnerable than others. The purpose of this section is to analyze the use in commerce requirement and discuss why it is more difficult for certain trademark owners to prove use than others. Ultimately, it can be seen that the unequal application of the use requirement is more acute for business owners who, like the applicants in each of the decisions, offer infrequent sales of large and expensive goods, or are small businesses and start-ups whose initial sales patterns are haphazard or minimal.

#### *A. The Open and Public Use Aspect of the Sale or Transportation Requirement is Burdensome*

The *Clorox* decision demonstrates that, when interpreting the use requirement to prove the validity of a federal registration, the courts follow a literal interpretation of the Act, which mandates a “sale” or “transportation” of the goods bearing the mark.<sup>93</sup> It is this note’s contention that the stringent interpretation of the open and

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<sup>90</sup> *Id.*

<sup>91</sup> *Id.* at 156.

<sup>92</sup> *Id.*

<sup>93</sup> As noted earlier in this paper, the Board stipulated “sales” must still be made, stating that the “Applicant’s position is in conflict with the clear and plain statutory definition of use in commerce.” *Clorox*, 108 U.S.P.Q.2d at \*9 (internal quotation marks omitted); see also *Scorpiniti v. Fox TV Studios, Inc.*, 918 F. Supp. 2d 866 (N.D. Iowa 2013) (“The language of the statute . . . makes plain that advertisement and actual use of the mark in commerce are required . . .” (quoting *Aycock Eng’g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1360 (Fed. Cir. 2009))).

notorious public use aspect of the sale or transportation requirement is inequitable, as it makes it more difficult for trademark owners who operate in industries with high barriers to entry to prove use. In *Clorox*, the manner in which the sale or transportation requirement was interpreted required the Board to disregard evidence of bona fide use relating to both the applicant’s internet advertising, via its website, and an interstate shipment of parts of the applicant’s products bearing the mark.<sup>94</sup> The shipment of parts of the applicant’s products from Utah to Mexico would have posed no difficulty satisfying the jurisdictional prerequisite that the use in question have an effect on commerce with foreign nations.<sup>95</sup> Thus, inequity follows where the Act requires invalidation of a federal registration in circumstances where an applicant is making a bona fide use of a mark, and significantly investing in its brand, in order to obtain an *initial* sale.<sup>96</sup> If sales are typically infrequent in a given industry, a sale is going to be unquestionably harder to make in that industry. It logically follows that a trademark owners’ ability to satisfy the sale or transportation requirement of the Act is more burdensome where the standard of use dictates a sale must be made, but the trademark owner’s evidence of its open and public use of the mark in connection with obtaining a sale (which would likely be building some public association between the mark and the good) is disregarded. Consequently, the use requirement is unequal in its application as the sale or transportation requirement does not factor in that sales are more difficult to attain in certain industries.

The Act’s legislative history expresses the desire of Congress to interpret use in commerce flexibly, and to accommodate use that is typical in a particular industry.<sup>97</sup> However, Congress’ desire for a flexible interpretation focuses on use of a mark made *after* an initial sale or transportation of the good bearing that mark. The need for a flexible interpretation of use equally applies to uses that may be made of a mark *before* an initial sale or transportation of the good has been made. Trademark owners would receive greater protection and certainty if the Act stipulated a more flexible commercial standard of use that incorporated open and public pre-sales use of a mark (that is, use occurring before an initial sale or

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<sup>94</sup> *Id.* at 9–10.

<sup>95</sup> See *Rescuecom Corp. v. Google, Inc.*, 562 F.3d at 133, *supra* note 12.

<sup>96</sup> *But cf.* *Zazu Designs v. L’Oreal S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) (stating that “[c]ourts have read ‘used’ in a way that allows firms to seek protection for a mark before investing substantial sums in promotion.”). *Zazu Designs* then cites to a 1968 pre-TRIA decision, *Fort Howard Paper Co. v. Kimberly-Clark Corp.*, 390 F.2d 1015 (CCPA 1968), in support of this proposition.

<sup>97</sup> S. Rep. 100-515, 100th Cong., 2d Sess., p 44 (Sept. 15, 1988); see also Part I of this note which discusses the legislative history in more detail.

transportation takes place) as sufficient. This is especially important where applicants, like the applicant in *Clorox*, operate in an industry where products are high-end, custom made goods and therefore sales are, by their inherent nature, more infrequent and difficult to obtain. As the system currently stands, injustice results to the extent that the law requires businesses to invest in a mark to secure a sale, only to have a registration invalidated at a later date merely because the trademark owner had not actually attained any sales.

*B. The Continuous Use Threshold Disadvantages  
Small Businesses and New Market Entrants*

The *Gameologist* decision, and the litany of cases before it litigating the use issue, indicate that, in order to maintain a valid registration, more than minimal use of a trademark is required.<sup>98</sup> In this note's view, the continuous approach to use is undesirable as courts are essentially required to make a ruling regarding whether a brand is growing fast enough.<sup>99</sup> In *Gameologist*, the requirement for more than *de minimis* use compelled the court to disregard documented bona fide evidence of actual sales of the plaintiff's products bearing the mark, with the court holding, "de minimis sales such as these are insufficient to demonstrate use in commerce."<sup>100</sup> In simple terms, the court effectively said that the plaintiff's use of its mark was not good enough. Thus, *Gameologist* highlights the difficulty trademark owners face when attempting to determine whether use of the mark crosses the threshold from minimal to sufficient, as there is no bright line test to answer this question.<sup>101</sup>

Many start-up and small businesses have sporadic initial sales patterns for a number of justifiable reasons, including a lack of resources or expertise (if the mark owner is new to the industry) or lack of capital (which may prevent the mark owner from obtaining legal counsel). It follows, then, that the continuous use standard is prejudiced in favor of those brands that are already strong, or have sufficient capital, over those that are starting out. In this way, the continuous use standard under the Act is unequal in its application as the standard is biased in favor of the strong. Where *de minimis* use is in issue, the law says "might is legally right," or at least,

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<sup>98</sup> See Part I of this note.

<sup>99</sup> Cf. *Bell v. Streetwise Records, Ltd.*, 640 F. Supp. 575, 580 (D. Mass. 1986) (stating in relation to trademark use, albeit in a priority dispute, that "[I]t is not required that a product be an instant success the moment it hits the market, [but] its usage must be consistent with a present plan of commercial exploitation." (internal quotation marks omitted) (quoting *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1273 (2d Cir. 1974))).

<sup>100</sup> *Gameologist*, 838 F. Supp. 2d at 155.

<sup>101</sup> See *White*, 108 F.3d at \*2

“legally better.” As a result, the continuous use standard deprives some new or start-up businesses from growing a burgeoning brand into a thriving core asset.<sup>102</sup>

Leading trademark scholar Jerome Gilson has voiced similar concerns stating that start-ups should not be deprived of obtaining federal registration because of minimal use.<sup>103</sup> Whilst Gilson’s concerns are not identical to the opinions expressed in this note, Gilson has spoken out against the “usage by industry” approach adopted by Congress with the introduction of the TRLA. Gilson rightly notes that the legislative history does not address the fact that usage within an industry varies significantly. Indeed, there are “likely to be as many different levels of product sales and trademark uses as there are businesses.”<sup>104</sup> Accordingly, attempting to find an industry standard in any given industry “would pose a virtually insurmountable problem both for the courts and for businesses attempting in good faith to comply with the statutory requirements.”<sup>105</sup> Furthermore, Gilson notes that attempts to prove an industry standard may be prohibitive from a cost perspective and inconclusive or unreliable due to the sensitivity with which businesses often treat sales figures of products.<sup>106</sup>

#### IV

#### MOVING FORWARD: CONGRESSIONAL AMENDMENT TO ADDRESS THE USE DILEMMA - AN ALTERNATIVE APPROACH TO USE UNDER AUSTRALIAN TRADEMARK LAW

This note advocates equal treatment for all trademark owners under the use inquiry of the Lanham Act. As in United States law, the concept of use is a bedrock principle of Australian trademark law, and it is fair to say that under both systems trademarks are born from use.<sup>107</sup> Whilst both systems require use to a lesser or greater extent in order to maintain federal registration, and both adopt a measure of

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<sup>102</sup> See Kathreiner’s *Malzkaffee v. Pastor Kneipp Medicine Co.*, 82 F. 321, 326 (7th Cir. Ill. 1897) (“[I]t is . . . not necessary, . . . that a trade in an article should be fully established, in the sense that the article be widely known, . . . . Otherwise it might be impossible, with respect to a valuable and desirable article or product of manufacture, designated by a particular brand or in a particular manner, ever to establish a trade.”).

<sup>103</sup> GILSON LADONDE, *supra* note 60, at § 3.02[8][b][ii] (discussing the commercial use standard).

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

<sup>107</sup> In Australia, the word trademark is spelled as two words, “trade mark.” See *Trade Marks Act 1995* (Cth) (Austl.). For the purposes of consistency, the author has used the American spelling throughout this note.

flexibility in analyzing this type of use, a comparison of use under both systems demonstrates that the differences are more than merely theoretical or academic.<sup>108</sup> The focus on the use being open and public is less pronounced under Australian trademark law. Additionally, in contrast to the United States, Australia mandates a minimal use standard in evaluating whether there has been sufficient use of the trademark.<sup>109</sup> In Australia, minor use will suffice to maintain a registration as long as it is genuine use. Put another way, genuineness trumps volume, resulting in a focus on use that is qualitative rather than quantitative.<sup>110</sup> The analysis of *Clorox* and *Gameologist* suggests that uniformity under the Act has not been achieved for certain trademark owners. The benefits that adoption of a broader use requirement may have can be seen when the outcomes for the plaintiffs in *Clorox* and *Gameologist* are analyzed under use concept standards akin to the standard in Australia. Under the Australian use standard, the outcomes would have been more favorable to the respective mark owners because the use demands placed on Australian trademark owners are modest in comparison to those placed on their American counterparts. Consequently, there is a need for legislative action to amend the use requirement to better protect trademark owners who are vulnerable under the current standard. Specifically, Congress should revise the Lanham Act, broadening

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<sup>108</sup> For example, in Australia the meaning of “trade” encompassed in the phrase “use in the ordinary course of trade” has a much wider meaning than the sale or transportation requirement under the “use in commerce” definition. *See, e.g.* *Angela Christou v Tonch Pty Ltd* [2008] ATMO 24, 22 (“The term ‘trade’ . . . is undoubtedly a wide one. It encompasses a wider range of commercial transactions than the actual sale and purchase of marked goods.” (quoting *Oakley Inc v Franchise China Pty Ltd* [2003] FCA 105; (2003) 58 IPR 452, 459)); *Moorgate Tobacco Co. Limited v Philip Morris Limited and Another*, [1983-1984] 156 CLR 414, 433 (“it is not necessary that there be an actual dealing in goods bearing the trade mark before there can be a local use of the mark as a trade mark.”); *Malibu Boats West Inc v Catanese* [2000] FCA 1141, [27] (“While the mark must be used for the purpose of indicating a connection in the course of trade, this does not mean that any actual trade or dealing in the goods is required.”).

<sup>109</sup> *See, e.g.*, *Angela Christou* [2008] ATMO 24, 22 (holding that use will “probably amount” to trademark use where a mark owner demonstrates that “it is committed to supplying marked goods to persons prepared to purchase them, activities preliminary to the actual commencement of selling the goods, such as the distribution of marked samples and marked brochures to agents, so that they could show them to prospective customers in soliciting business . . . .” (quoting *Oakley, Inc. v Franchise China Pty Ltd* (2003) 58 IPR 452, 459)).

<sup>110</sup> Australian courts having consistently held for decades that very minimal use of the trademark is required to prove use under Australian law. *See, e.g.*, *Re New Atlas Rubber Co.* (1918) 35 RPC 269; *Seven-up Co. v. O.T. Ltd* (1947) 75 CLR 203, 211; *Aston v. Harlee Manufacturing Co.* (1960) 103 CLR 391, 400; *Thunderbird Products Corp v Thunderbird Marine Products Pty Ltd* (1974) 131 CLR 592, 600.

the use requirement to bring it more in line with the less demanding standards of Australian trademark law.

*A. Broadening the Use in Commerce Standard*

If a broader use requirement is to be effective, any change should indicate the types of use that would qualify as sufficient to maintain federal registration. Looking to the Australian standard, a broader use inquiry should at least include use of a trademark by way of preparatory or other steps showing an objective commitment to using the trademark that meets the jurisdictional prerequisite that the use have the requisite effect on commerce.<sup>111</sup> Under such standard, there would be less emphasis on the use being open and public and greater weight placed on how that use has contributed to, and built, the mark owner’s brand.

In order to demonstrate an objective commitment to using the trademark, this category of use may encompass circumstances where an owner has not yet sold or transported a good bearing the mark, but has gone beyond mere consideration of whether to use a mark and has taken objective steps to commit itself to using the mark, such as shipping parts of branded products or building brand awareness by way of preparatory activities.<sup>112</sup> In other words, use would be satisfied under this category where a mark owner could objectively demonstrate carrying its intention to use the mark into effect and such use has the necessary effect on interstate or foreign commerce.<sup>113</sup> For example, if a mark owner had committed itself by taking a number of steps, such as obtaining business cards, letterhead or signs bearing the

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<sup>111</sup> *Buying Systems (Aust) Pty Ltd v Studio SrL* [1995] FCA 1063; *Woolly Bull Enterprises Pty Ltd v Reynolds* [2001] FCA 261, 40.

<sup>112</sup> In order to fit within this category of use, the approach taken by courts in Australia is that a mark owner must have gone beyond simply considering or investigating whether to use a trademark and must have carried its intention to use the mark into effect. *See Woolly Bull Enterprises*, [2001] FCA 261, 40 (“[T]he owner will not use its mark unless it has so acted to show that it has gone beyond investigating whether to use the mark and beyond planning to use the mark and has got to the stage where it can be seen objectively to have committed itself to using the mark, that is, to carrying its intention to use the mark into effect.”).

<sup>113</sup> In *Woolly Bull Enterprises*, the court held “[T]he owner will not use its mark unless it has so acted to show that it has gone beyond investigating whether to use the mark and beyond planning to use the mark and has got to the stage where it can be seen objectively to have committed itself to using the mark, that is, to carrying its intention to use the mark into effect.” [2001] FCA 261, 40.

mark and taken steps towards production, evidence of such activities would constitute an objective commitment to use the mark.<sup>114</sup>

The benefits of the suggested statutory amendment can be readily seen when applicants, like the applicant in *Clorox*, is considered. Under the broader use standard, the applicant in *Clorox* could have maintained its registration, assuming the applicant was ready to manufacture its custom-made goods.<sup>115</sup> The combination of the advertising of the goods via the applicant's website and shipping parts of its products across borders would suffice to constitute use under the "objective commitment to using the trademark" category.

Opponents may argue that intent-to-use applications could be filed in circumstances where the applicant is in an industry where sales are infrequent.<sup>116</sup> But that argument simplifies the complexity of the matter. The current United States use inquiry does not take into account that, in some industries — especially those in which the products sold have high barriers to entry for the producer of the goods — an initial sale will be harder to obtain and the requirements for registration are thereby harder to satisfy. Additionally, arguing that an intent-to-use application could have been filed is not relevant to the continuous use issue because even if an applicant is able to obtain a sale or transportation of a good, it must continue to use the mark and have more than *de minimis* use in order to be considered use "in the ordinary course of trade."

Any potential issues that may arise from the proposed changes to a broader use standard are negligible compared to the inequities under the current use standard that permits trademarks whose owners have invested heavily in obtaining a sale to later be invalidated because the use was not good enough. While the current use standard may arguably promote competition by reserving registration only to those trademark owners who have made the best use of a trademark by way of an actual sale or transportation, this rationale works against trademark owners who have to

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<sup>114</sup> For an example of a case that found that conduct fell within this category, see *Buying Systems*, [1995] FCA 1063. In *Buying Systems*, the mark owner had applied for a trademark in respect of magazines. Evidence was filed showing the mark owner had obtained business cards and letterheads bearing the mark and that it had solicited third parties to advertise in the magazine. Although these activities could not constitute a sale of the goods, the activities were held to demonstrate an objective commitment to use the trademark.

<sup>115</sup> This is assuming the applicant in *Clorox* was ready to accept an order to build one of its custom-made products. The decision did not specifically discuss this issue, but there is nothing in the decision to suggest otherwise.

<sup>116</sup> An intent to use application is based on an applicant's intent to use the mark at a future date. Lanham Act § 1(b), 15 U.S.C. § 1051(b).



invest in the trademark in order to obtain a sale. A legislative change to broaden the use standard would provide equal protection to trademark owners, irrespective of the ease or difficulty the owner has in obtaining a sale. Such a change would thereby offer greater certainty and predictability to business.

*B. The Continuous Use Standard Should be Replaced by a Minimal Use Standard*

In order to achieve uniformity under the Act’s use requirement, the more than *de minimis* use threshold encompassed within the “ordinary course” of a mark owner’s trade should be replaced with a standard of minimal, but bona fide, use that trademark owners can rely on in order to defend against invalidation of a federal registration. In order for a minimal use standard to be effective, the Act should adopt a qualitative, rather than quantitative, analysis that considers evidence of use of the mark after the initial sale. Such evidence may include the mark owner’s ongoing efforts to promote, advertise and market the goods and such use should suffice to create trademark rights if the use is bona fide. Although some case law indicates that registration may be upheld in spite of modest sales programs, that position is not consistently applied in the case law.<sup>117</sup> A lack of consistent subsequent sales after an initial sale should not be determinative of whether requisite use has been made of a mark. The courts should be instructed by legislation to consider other evidence of use including how much the business has spent on use of the mark, how many sales have been made, and what ongoing efforts the mark owner has made to promote and market the goods. Notwithstanding, use of the mark in advertising should be simultaneous with availability of the goods in the marketplace.<sup>118</sup> In other words, advertising alone should not constitute use, but advertising coupled with availability of the advertised goods for sale should suffice to create use so long as the use activities meet the jurisdictional prerequisite that have the requisite effect on commerce.

An intermediate standard has been advanced by Gilson, who states that a more realistic inquiry would consider the “ordinary course” of the trademark owners *own*

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<sup>117</sup> See, e.g., *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1272 (2d Cir. 1974) (“It is true, . . . that trademark rights have often been upheld in spite of modest sales programs . . . [where] the trademark usage, although limited [is] part of an ongoing program to exploit the mark commercially.” (internal citations omitted)).

<sup>118</sup> The approach taken by courts in Australia is that use of a trademark in advertising must be concurrent with the placing of the goods on the market. See, e.g., *John Toh v Paris Croissant Co. Ltd* [2010] ATMO 34, 11 (“An advertisement on its own does not amount to trade mark use but may amount to preparations for use if the [goods] are concurrently available.”).

trade, not the industry in which the mark owner trades in.<sup>119</sup> Under Gilson's inquiry, relevant considerations are size of the trademark owners business and the volume of products shipped.<sup>120</sup> Gilson elaborates using the following example: “[*I*]f Company A typically ships 5,000 cases of cola to distributors in a three-state area when launching a new brand, that level of activity should establish a trademark use standard for the company which it can refer to in filing affidavits in the Patent and Trademark Office.”<sup>121</sup>

The advantages of a minimal use threshold are apparent when considering plaintiffs like the plaintiff in *Gameologist*. Under a qualitative minimal use focus, which focuses on the bona fides of the transactions regarding the mark, the plaintiff in *Gameologist* would have maintained its registration as its initial documented sale of the board game, in addition to its substantial efforts to promote its branded goods (e.g., by way of manufacture of 500 products even though only four had been sold, online advertising and negotiations with licensees), would suffice to create the requisite rights.

Critics may suggest that a minimal use approach would stem the incentive to compete embedded in the current use standard and that greater competition is fostered under the current standard by encouraging mark owners to establish themselves as quickly as possible. But this argument must be balanced against the fact that the current use standard systematically works against certain segments of the market, such as trademark owners who are small businesses or start-ups who are simply not able to quickly establish themselves. Adopting the minimal “single sale will suffice” standard of Australian law will allow American trademark owners a period of time after registration in which to establish and grow their business, without requiring immediate success judged by sales volume and significant advertising and marketing budgets. One benefit of this type of qualitative approach is that it fosters greater inclusiveness, which would better encompass the vast cross-section of commercial enterprises within the American landscape. It also means fewer federal registrations would be invalidated. Additionally, this type of approach would provide greater certainty to all trademark owners as businesses would be able to invest in a mark with greater certainty in knowing quality of use, not quantity, is the yardstick upon which a federal registration is measured. A legislative change to a qualitative, bona fide, minimal use focus thereby fosters greater equality.

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<sup>119</sup> GILSON LADONDE, *supra* note 60, at § 3.02[8][b][ii] (discussing the commercial use standard).

<sup>120</sup> *Id.*

<sup>121</sup> *Id.*

### CONCLUSION

It is time for Congress to empower “weaker” trademark owners by way of added protections to the Lanham Act that achieve greater uniformity in the application of the use requirement. In doing so, Congress would finally provide protection to trademark owners whom the Act, as currently written, denies. In order to ensure the Act’s use requirement is uniform in its application, Congress should amend the Act to broaden the nature of the activities that constitute use and ensure the use inquiry is a qualitative analysis that explicitly includes bona fide but minimal use.

The current use requirement is unpredictable and blurry, given that what constitutes a *de minimis* quantum of use is ultimately at the court’s discretion and is not readily predictable by market participants. The regularity of federal cases litigating the use issue can be explained by the lack of a bright-line rule specifying what types of activity, and what quantum of use, will satisfy the use threshold. Without any change or development in the law, one can expect that actions will continue to saturate the courts. By broadening and clarifying the use provision — including specifying that certain pre-sales activity constitutes use and loosening the quantum of use standard — Congress can keep countless lawsuits from the federal court system while strengthening the underlying spirit of the Act.