

**UNLAWFUL USE IN COMMERCE AND THE
AFFIRMATIVE DEFENSE TO INFRINGEMENT:
WHEN TRADEMARK RIGHTS ARE NOT WHAT THEY
APPEAR TO BE**

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INTRODUCTION

This Article explores the requirement that a trademark¹ must be lawfully used in commerce in order to meet the use in commerce requirements imposed by the Lanham Act to permit registration of the mark with the U.S. Patent and Trademark Office (USPTO).² This Article also discusses the affirmative defense to trademark infringement that may exist where a mark's owner failed to lawfully use the mark in commerce, and as a result failed to obtain trademark rights in the designation because it failed to meet the requirements various courts imposed and the USPTO that the mark was used in commerce at the time of the application, or in the case of an intent to use application, at the time of use of the mark in commerce.³ The defense to infringement—that a mark was not lawfully used in commerce—has recently applied only to marks that are registered with the USPTO under the Lanham Act, but this Article asserts that the same lawful use in commerce requirement should also be applied to marks that have developed common law rights through use, and have not been registered with the USPTO.⁴ This Article asserts that a failure to lawfully use a mark in commerce, for example, when a drug manufacturer fails to comply with the labeling requirements of the Federal Food, Drug and Cosmetics Act (the “FD&C Act”),⁵ or any other number of federal, and sometimes state laws, is a defense to trademark infringement brought by the mark's owner that would be favorably looked upon by the courts, and that litigants should be encouraged to consider this defense when engaged in trademark litigation.⁶

To oversimplify somewhat, a trademark is a word, symbol, or other signifier used to distinguish a good or service produced by one firm from the goods or services of other firms. Thus “Sanka” designates a decaffeinated coffee made by General Foods and “Xerox” the dry copiers made by Xerox Corporation.⁷

The *Third Restatement of Unfair Competition* defines a trademark as “a word, name, symbol, device, or other designation, or a combination of such designations, that is distinctive of a person's goods or services and that is used in a manner that identifies those goods or services and

1. The terms “trademark” and “mark” are used throughout this Article to designate a trademark or service mark.

2. 15 U.S.C. § 1051(a)(3)(C) (2012); *see* discussion *infra* Part II.

3. *Id.* § 1051 (a)–(b), (d); *see* discussion *infra* Part III.

4. *See* discussion *infra* Parts IV, VII.

5. *See* 21 U.S.C. § 352 (2012).

6. *See* discussion *infra* Part VI.

7. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 268 (1987).

distinguishes them from the goods and services of others.”⁸ A mark can be comprised of an arbitrary arrangement of letters,⁹ a color,¹⁰ a combination of colors,¹¹ and a product design,¹² including the shape of a product.¹³ Functional features standing alone are generally not protectable as trademarks,¹⁴ but when both functional and non-functional features are combined to create an object intended to serve as a designation of source of goods, the object will serve as a trademark, and can be protected as such if the combination of the pieces, or parts, is not functional.¹⁵

Infringement of a mark is the violation of the rights of a mark’s owner to exclusively use the mark in connection with the goods and services associated with the mark.¹⁶ The mark’s owner, however, must have priority of use over the use of the alleged infringer due to the mark first being used in commerce to identify the senior user’s goods or services;¹⁷ where the junior user uses a designation or mark that is likely to cause confusion among consumers who might believe the junior user’s, or infringer’s, products are produced by, or associated with, the mark’s owner, the junior user is considered an infringer.¹⁸

Protection of a trademark by its owner is an essential act necessary to preserve the mark’s value and its ability to designate the owner as the solitary source of goods or services; that is to say that the owner of a mark must act to prevent a competitor from using a mark that is similar enough to it on similar goods to those it markets to cause a likelihood of confusion among consumers seeking to buy the product sold or manufactured by

8. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (AM. LAW INST. 1995).

9. *See Dere v. Inst. Sci. Info., Inc.*, 420 F.2d 1068, 1069 (C.C.P.A. 1970).

10. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 161 (1995).

11. *See Transp., Inc. v. Mayflower Servs., Inc.*, 769 F.2d 952, 955 (4th Cir. 1985) (citing 74 AM. JUR. 2D *Trademarks and Tradenames* § 41 (1974)).

12. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989) (citing 35 U.S.C. § 171(a) (2012)).

13. *See M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 421, 435 (4th Cir. 1986) (citing *Atari, Inc. v. N. Am. Philips Consumer Elecs. Corp.*, 672 F.2d 607, 617 (7th Cir. 1982)).

14. 15 U.S.C. § 1125(a)(3) (2012); *see also Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001).

15. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. b (AM. LAW INST. 1995). As well, infringement can result from use of a mark by a junior user that is likely to create confusion as to source of endorsement, or sponsorship. *Id.* at cmt. a.

16. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20.

17. *See Se. Clinical Nutrition Ctrs., Inc. v. Mayo Found. for Med. Educ. & Res.*, 135 F. Supp. 3d 1267, 1272 (N.D. Ga. 2013) (citing *Leigh v. Warner Bros., Inc.*, 212 F.3d 1210, 1217 (11th Cir. 2000)).

18. 15 U.S.C. §§ 1114(1), 1125(a) (2012); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20. Generally, a junior user of a mark is a person who has used the mark in commerce after the mark’s owner first used the mark in commerce. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:1 (5th ed. 2017).

the mark's owner.¹⁹ To allow a competitor to employ a mark in a way that causes confusion destroys the ability of the mark to serve as the sole source of identification for the producer of goods and will destroy the value of the mark.²⁰

A. Trademarks Can Be Enormously Valuable

There can be no question that trademarks can be of exceptional monetary value. In 2011, *Forbes Magazine* engaged a valuation expert to value some iconic American marks.²¹ Whether the values are exacting is really of no mind, for if some values are off the mark by as much as \$10 million dollars, or even the extraordinary sum of \$10 billion dollars, it is of no consequence for they are still of considerable value.²² For example, the mark GOOGLE was valued at \$44.3 billion, the mark MICROSOFT at \$42.8 billion, and the mark APPLE at \$29.5 billion.²³ In 2017, *Forbes Magazine* published its expert's values of Apple's mark at \$170 billion; the valuation was based, in part, on the goodwill associated with the sale of 78 million iPhones in the fourth quarter of 2016.²⁴ In 2017, the value of Google's mark had increased to \$101.8 billion and Microsoft's mark to \$87 billion.²⁵

While some may debate whether trademarks are, or are not, the most valuable intellectual property a company can own, it is clear that some marks are of enormous monetary value.²⁶ Thus, a mark's owner has a strong incentive to protect its marks against infringers, and to do this the marks that are sought to be protected must be enforceable under state, federal, and administrative laws against those who would act to infringe it.²⁷ If a mark is not enforceable, its owner cannot prevent a competitor from adopting a similar mark for use on similar goods and services and prevent the use of that mark to attract customers, some of whom might

19. See Landes & Posner, *supra* note 7, at 269.

20. See *id.*

21. Sean Stonefield, *The 10 Most Valuable Trademarks*, FORBES (June 15, 2011, 11:22 AM), <https://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks/#623ff54036b8>.

22. See *id.*

23. *Id.*

24. Kurt Badenhausen, *Apple Heads the World's Most Valuable Brands of 2017 at \$170 Billion*, FORBES (May 23, 2017, 9:53 AM), <https://www.forbes.com/sites/kurtbadenhausen/2017/05/23/apple-heads-the-worlds-most-valuable-brands-of-2017-at-170-billion/#1cae8516384b>.

25. *Id.*

26. See Stonefield, *supra* note 21. Founder of Brand Finance, David Haigh, believes, "The single largest source of intangible value in a company is its trademark . . ." *Id.*

27. See *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 544 (1987).

be searching for the goods or services produced by the owner of the non-enforceable, but senior mark.²⁸ Some of this value derives from attributes that other forms of intellectual property do not enjoy. For example, the longevity of the mark's life is not governed by any statutory expiration; as long as the mark remains in continuous use, does not become generic,²⁹ and the trademark owner enforces its rights against infringers, the mark will serve as a designation of source.³⁰ For example, the oldest registered trademark, BASS, was registered in Great Britain in 1876 with the Intellectual Property Office.³¹ Not surprisingly, the oldest trademark in continuous use is a source of beer, STELLA ARTOIS, and has been so serving since 1366 as an unregistered mark until its registration with the USPTO in 1981.³²

Author and valuation expert witness Michael Pellegrino asserts that a reason why trademarks have value is that their distinctiveness allows marketers to employ them to brand and create interest for products that are otherwise uninteresting or merely commodities.³³ Vodka, for example, is defined as a "neutral spirit[] so distilled, or so treated after distillation with charcoal or other materials, as to be without distinctive character, aroma, taste, or color."³⁴ Yet vodka brands and prices are up and down the price charts even though vodka is required to be without distinctive color or taste, so that as consumer products, the contents of the bottles would be very similar.³⁵ It would appear that what separates one vodka from another is the brand or trademark, including the bottles in which they are sold as a part of their trade dress.³⁶ Why, then, will consumers pay three times the price for one brand over another when the product itself, by regulation, is required to be similar to the competition, if not identical? The answer lies in consumer perception, attitudes, and

28. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 114 (2d Cir. 2009) (citing *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 456 (2d Cir. 2004)).

29. *See Bayer Co. v. United Drug Co.*, 272 F. 505, 514–15 (S.D.N.Y. 1921).

30. MICHAEL PELLEGRINO, *BVR'S GUIDE TO INTELLECTUAL PROPERTY VALUATION* 27 (Janice Prescott ed., Bus. Valuation Res. 2d ed. 2012).

31. BASS, Registration No. UK00000000001. It has been renewed often and its next renewal date is Jan. 1, 2022. *Id.*

32. STELLA ARTOIS, Registration No. 1156584; Thomas C. Frohlich & Alexander Kent, *These are the 10 Oldest Logos in the World*, TIME (June 20, 2014), <http://time.com/2904290/10-oldest-company-logos/>.

33. *See PELLEGRINO, supra* note 30, at 27.

34. 27 C.F.R. § 5.22(a)(1) (2018).

35. *See generally* Colleen Graham, *A Guide to Popular Vodka Brands by Price*, SPRUCE EATS (Mar. 21, 2018), <https://www.thespruceeats.com/guide-to-popular-vodka-brands-760722> (listing the various prices at which different brands of vodka are sold).

36. *See Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) ("Congress confirmed this statutory protection for trade dress by amending the Lanham Act to recognize the concept.").

value created by how consumers view the brand or how others may view them as consumers of the brand.³⁷

I. THE USE OF THE MARK IN COMMERCE TO OBTAIN RIGHTS

To obtain these valuable trademark rights, the mark must be used in commerce.³⁸ The mere intention to use a mark in commerce does not create rights in the mark.³⁹ “An intent to use a mark creates no rights a competitor is bound to respect.”⁴⁰ Sometimes, however, even the use of a mark in interstate commerce may not be sufficient to establish rights in the mark for the mark’s owner. For example, where the mark WIPE-OUT for an anti-acne skin pad containing medication was challenged, the USPTO’s Trademark Trial and Appeal Board (TTAB) refused to allow the registration of the mark when the applicant for registration could not establish that the mark had been “applied to the goods in a manner of a trademark” although the mark had been applied to goods that traveled in interstate commerce.⁴¹ The mark was required to appear on containers or packages for the goods to establish that it had been used as a trademark, an indicator of source, for the anti-acne preparation.⁴² Likewise, the applicant for registration of the designation ONCE A MARINE, ALWAYS A MARINE failed to establish to the satisfaction of the examining trademark attorney and the TTAB that the designation, although appearing boldly on clothing in commerce, was not used in a merely ornamental sense, as opposed to a designation of source.⁴³ The Lanham Act requires that a mark be used in commerce before registration of the mark can occur,⁴⁴ and the Lanham Act defines the term “use in commerce” as “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”⁴⁵

37. See Amanda Gabriele, *Looks Matter When It Comes to Buying Vodka*, SUPERCALL (June 15, 2016), <https://www.supercall.com/news/new-study-determines-the-best-looking-vodka-bottles>; see also *Consumer Trends: Design Important in Vodka Industry*, MANUFACTURING.NET (Sept. 9, 2013, 1:00 PM), <https://www.manufacturing.net/news/2013/09/consumer-trends-design-important-vodka-industry>; *How Marketing Influences Vodka Drinkers—Keep It Clever*, KEEPITCLEVER (Oct. 3, 2016), <http://keepitclever.com.au/how-marketing-influences-vodka-drinkers-keep-it-clever>.

38. 15 U.S.C. § 1051(a)(3)(C) (2012).

39. *Brookfield Commc’ns., Inc. v. West Coast Ent. Corp.*, 174 F.3d 1036, 1052 (9th Cir. 1999).

40. *ZAZU Designs v. L’Oreal A.A.*, 979 F.2d 499, 504 (7th Cir. 1992).

41. *Clairol, Inc. v. Holland Hall Prods., Inc.*, 165 U.S.P.Q. (BNA) 214, 216–17 (T.T.A.B. 1970).

42. *Id.* at 216.

43. *In re Eagle Crest, Inc.*, 96 U.S.P.Q.2d (BNA) 1227, 1230–31 (T.T.A.B. 2010).

44. 15 U.S.C. § 1051(a)(3)(C) (2012).

45. 15 U.S.C. § 1127 (2012). It also provides:

A. Lawful Use of the Mark in Commerce

The TTAB has adopted, and applied in numerous cases, a “lawful use in commerce” doctrine, providing that goods shipped in violation of a federal statute leaves a registration applicant’s trademark un-registrable or an already federally registered trademark unenforceable, should legal use in commerce be successfully challenged.⁴⁶ It is not clear whether the TTAB would hold in a similar fashion if the registration was opposed, or a competitor sought cancellation on the grounds that the unlawful use arose from an alleged violation of a state statute or regulation. Federal courts have also applied this doctrine. For example, the U.S. Court of Appeals for the Eleventh Circuit held that the requirement of lawful use in commerce is a “fundamental rule [that] predates the Lanham Act, and would apply to [the defendant’s] common law claims, as well.”⁴⁷ In a 1929 decision, the U.S. Court of Appeals for the Third Circuit held that by engaging in practices antagonistic to its declared purposes, the Knights of the Ku Klux Klan lost its rights to enforce its common law mark.⁴⁸ The court observed that the plaintiff did not have clean hands, “and the trial court found that in its own use of the name the hands of the plaintiff reaching out for this relief are unclean, and so unclean as to move the court to refuse the relief which otherwise it would freely give.”⁴⁹

Section 1125(a) of title 15, United States Code, which provides a cause of action and a remedy for the infringement of a common law mark, contains no stated requirement that a mark, not federally registered, be

[A] mark shall be deemed to be in use in commerce—(1) on goods when—(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

Id.

46. *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 189–90 (S.D.N.Y. 2007) (first citing *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 39–40 (D.P.R. 1991); and then citing *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BNA) 958, 963 (T.T.A.B. 1981)); *CreAgri, Inc. v. USANA Health Scis., Inc.*, 81 U.S.P.Q.2d (BNA) 1592, 1597–98 (T.T.A.B. 2007) (citing 15 U.S.C. § 1091(a) (2012)).

47. *Fla. Breckenridge, Inc. v. Solvay Pharm., Inc.*, 174 F.3d 1227, 1232 (11th Cir. 1999) (citing *Knights of the Ku Klux Klan v. Strayer*, 34 F.2d 432, 434 (3d Cir. 1929)).

48. *See Ku Klux Klan*, 34 F.2d at 434.

49. *Id.*

used in actual commerce by the person claiming trademark rights.⁵⁰ This omission in the language of the Lanham Act also appears to apply to marks not used in the United States, but used in foreign commerce.⁵¹

Despite this absence of express language from the Lanham Act regarding the need to use a mark in commerce to establish rights protectable under § 1125(a) in that mark, versus the expressed requirement of 15 U.S.C. § 1051(a)(3)(C) that use in commerce is necessary to register a mark,⁵² it is well established that actual use of the mark in commerce is a prerequisite to obtaining trademark rights.⁵³ In an early trademark decision, the U.S. Supreme Court held:

There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. . . . [T]he right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business.⁵⁴

This ruling involved a mark that acquired its rights under the common law.⁵⁵

Use in commerce under just any circumstance is not sufficient to create rights in a mark, at least not rights that will be enforced by a court or the TTAB, nor recognized by the latter for purposes of registration of that mark.⁵⁶ The mark must be used lawfully in commerce in order to garner rights in the mark.⁵⁷ Perhaps even before the USPTO recognized that a mark not used in accordance with a federal statute—for example, a food labeling requirement⁵⁸—was not lawfully used in commerce, courts had refused to enforce marks used by their owners in a fashion where that

50. See 15 U.S.C. § 1125(a) (2012).

51. *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697, 708–10 (4th Cir. 2016) (holding that 15 U.S.C. § 1125(a) does not require a mark's owner to have first used its mark in U.S. commerce in order to bring an unfair competition cause of action under section 43(a) of the Lanham Act).

52. Compare 15 U.S.C. § 1125(a), with 15 U.S.C. § 1051(a)(3)(C) (2012).

53. *E.g.*, *Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 363 (4th Cir. 2003) (first citing 15 U.S.C. § 1051; and then citing *Larsen v. Terk Techs. Corp.* 151 F.3d 140, 146 (4th Cir. 1998)).

54. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (citing *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 412–14 (1916)).

55. See *id.* at 103–04 (citing *Hanover Milling*, 240 U.S. at 419–20).

56. See cases cited *infra* note 136 and accompanying text; see also discussion *infra* Sections II.C–D.

57. See *GoClear LLC v. Target Corp.*, No. C 08-2134 MMC, 2009 U.S. Dist. LEXIS 6649, at *6 (N.D. Cal. Jan. 22, 2009) (citing *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007)).

58. See, *e.g.*, *CreAgri*, 474 F.3d at 628.

use was less than honest or straightforward, in other words, where the mark was used unlawfully.⁵⁹

More commonly, the courts, in their efforts to regulate honest trade among merchants, sought to create standards of commercial marketing among owners of marks, and in some cases, articulated reasons to enforce trademark rights for their refusal to comply with those standards.⁶⁰ One mid-twentieth century decision observed, “It is worth pointing out, at the start of our discussion, that we are in a field where the tendency of the law ‘has been in the directions of enforcing increasingly higher standards of fairness or commercial morality in trade.’”⁶¹ When the acts of commercial unfairness or immorality involved the use of a trademark, it became only natural for the courts to direct their efforts to penalize the bad actor by imposing restrictions related to the mark, which could be sufficiently severe to eliminate rights in the mark.⁶²

In *Q-Tips, Inc. v. Johnson & Johnson*, the court enforced the plaintiff’s rights in its mark, and focused on the defendant’s adoption of a mark that came “as close as it thought legally possible to ‘Q-Tips’ and bask in the reflected popularity of plaintiff’s name.”⁶³ Another court stated the principles involved in a trademark infringement case even more succinctly. “In all cases of unfair competition, it is principles of old fashioned honesty which are controlling.”⁶⁴ Although that court was referring to what would be the appropriate conduct of the defendant, accused of infringing a plaintiff’s mark, there is no basis to exclude from this standard of “old fashioned honesty” the conduct of a plaintiff that, itself, seeks to enforce its mark against a would-be infringer when its own conduct associated with the use of its mark sought to be protected was inappropriate, dishonest, illegal,⁶⁵ or even violated its own charter.⁶⁶

B. Violation of Federal Law

Where a federal statute is implicated in the use of a mark, one early commentator, Professor Charles Bunn, urged that the federal agency having jurisdiction over the enforcement of that statute, in that case the Fed-

59. See *Knights of the Ku Klux Klan v. Strayer*, 34 F.2d 432, 434 (3d Cir. 1929).

60. See *Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144, 145 (3d Cir. 1953).

61. *Id.* (quoting RESTATEMENT OF TORTS § 710 (AM. LAW. INST. 1938)).

62. See, e.g., *Purolator, Inc. v. EFRA Distribs.*, 524 F.Supp. 471, 478–79 (D.P.R. 1981).

63. *Johnson & Johnson*, 206 F.2d at 146–47.

64. *Radio Shack Corp. v. Radio Shack, Inc.*, 180 F.2d 200, 206 (7th Cir. 1950) (citing *J.I. Case Plow Works v. J.I. Case Threshing Mach. Co.*, 155 N.W. 128, 134 (Wis. 1916)).

65. *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1226 (10th Cir. 2000) (citing 15 U.S.C. § 1120 (2012)).

66. *Knights of the Ku Klux Klan v. Strayer*, 34 F.2d 432, 434 (3d Cir. 1929).

eral Trade Commission, should not have exclusive jurisdiction over remedial action.⁶⁷ However, where the public interest is involved, such as in the case of unfair competition in interstate commerce, a court should apply the law established by the Federal Trade Commission Act (the “FTC Act”).⁶⁸ Nevertheless, the courts, as Professor Bunn asserts, should take a dim view of unfair trade practices, whether common law palming off or a violation of federal law.⁶⁹

History shows that federal agencies have agreed with Professor Bunn. For example, a petitioner sought cancellation of a respondent’s mark on the grounds that its use in commerce violated the Federal Fair Packaging and Labeling Act (the “FPL Act”).⁷⁰ The TTAB looked to the decision in *Coahoma Chemical Co., v. Smith*,⁷¹ where the court held that “use of a mark in connection with unlawful shipments in interstate commerce is not use of a mark which the Patent Office may recognize.”⁷² The TTAB held that it is “incumbent upon any petitioner or opposer, as the party in the position of the plaintiff, to establish the grounds upon which its cause of action is predicated by clear and convincing evidence,” and is applicable where the subject area is outside the TTAB’s area of expertise.⁷³ The petitioner failed to establish a violation of the FPL Act, of interest, and the TTAB held that even a use that began as lawful might result in the abandonment of a mark by the registrant if the use later became unlawful.⁷⁴ Thus began a crossover of different agencies taking action within their authorities based on violations of federal statutes over which they lacked enforcement authority.⁷⁵ Such action by the USPTO and its TTAB is not unusual, and many decisions, cited in this Article, evidence the loss of trademark rights due to a violations of a law or regulation over

67. Charles Bunn, *The National Law of Unfair Competition*, 62 HARV. L. REV. 987, 992, 1000 (1949); see also *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228, 2233–35 (2014) (holding that the Food and Drug Administration (FDA) did not have exclusive jurisdiction over remedial action for suits concerning false or misleading product descriptions through the FD&C Act, and that such an action could be brought under the Lanham Act by a private party).

68. Bunn, *supra* note 67, at 992; see also 15 U.S.C. § 45(a)(1)–(2) (2012).

69. See Bunn, *supra* note 67, at 992–96.

70. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BNA) 958, 963 (T.T.A.B. 1981).

71. See *Satinine*, 209 U.S.P.Q. (BNA) at 963 (quoting 113 U.S.P.Q. (BNA) 413, 418 (Dec. Comm’r Pat. 1957)).

72. 113 U.S.P.Q. (BNA) at 418.

73. *Satinine*, 209 U.S.P.Q. (BNA) at 965.

74. *Id.* at 966.

75. See, e.g., *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1225–27 (10th Cir. 2000); *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 194 (S.D.N.Y. 2007); *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 852 (T.T.A.B. 1982); *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. (BNA) 48, 52 (T.T.A.B. 1968).

which the USPTO has no enforcement authority.⁷⁶ In essence, this would appear to be punishment for unclean hands.

The drug labeling requirements of the FD&C Act have drawn much attention from litigants. In numerous decisions, the TTAB has held that shipments in commerce are required to comply with the labeling requirements of the FD&C Act, and when they do not comply, they are considered unlawful shipments that can afford no basis for obtaining a trademark registration under the Lanham Act.⁷⁷ The Lanham Act requires use in commerce as a prerequisite for registration, and an unlawful use in commerce does not qualify as use in commerce.⁷⁸ Numerous federal statutes have been implicated by the TTAB in connection with claims that a mark has not been lawfully used in commerce, including: the FD&C Act;⁷⁹ the Federal Meat Inspection Act;⁸⁰ the Federal Insecticide, Fungicide, and Rodenticide Act;⁸¹ the Federal Clean Air Act;⁸² and the Amateur Sports Act of 1978.⁸³ Although the express language of the Lanham Act does not read or provide that the requisite “use in commerce” must be a lawful use to register the trademark,⁸⁴ the Code of Federal Regulations (CFR) authorizes the USPTO to “make appropriate inquiry as to an applicant’s compliance with [any federal statute] for the sole purpose of determining lawfulness of the use in commerce recited in the application.”⁸⁵ While no federal circuit court has declined to apply this doctrine of unlawful use in commerce to prevent enforcement of a federally registered mark where waiver was not shown nor where a proper nexus had been established between the mark and the unlawful activity that formed the basis to challenge enforceability, only a small handful of federal circuit courts have adopted this doctrine and have employed it to block enforcement of federal trademark rights.⁸⁶ When they have, the remedy has sometimes been to order cancellation of the federal trademark registration

76. See *Clorox*, 214 U.S.P.Q. (BNA) at 851; *In re Stellar Int’l*, 159 U.S.P.Q. (BNA) at 51–52.

77. *Dessert Beauty*, 617 F. Supp. 2d at 190 (citing *Satinine*, 209 U.S.P.Q. (BNA) at 963); *Clorox*, 214 U.S.P.Q. (BNA) at 851; *In re Stellar Int’l*, 159 U.S.P.Q. (BNA) at 51–52.

78. 15 U.S.C. § 1051(a)(3)(C) (2012); see also *Dessert Beauty*, 617 F. Supp. 2d at 190 (citing *Satinine*, 209 U.S.P.Q. (BNA) at 963); *Clorox*, 214 U.S.P.Q. (BNA) at 851; *In re Stellar Int’l*, 159 U.S.P.Q. (BNA) at 51–52.

79. 21 U.S.C. §§ 301–399i (2012).

80. 21 U.S.C. §§ 601–695 (2012).

81. 7 U.S.C. §§ 136–136y (2012).

82. 42 U.S.C. §§ 7401–7515 (2012).

83. 36 U.S.C. §§ 220501–220529 (2012).

84. 15 U.S.C. § 1051(a)(3)(C) (2012).

85. 37 C.F.R. § 2.69 (2018).

86. See, e.g., *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1226–27 (10th Cir. 2000).

of the mark in question.⁸⁷

This defense of unlawful use in commerce is a valuable tool for the trademark litigator faced with defending a claim where, for all intents and purposes, the defendant's mark is similar to the plaintiff's, as are the goods and services associated with both marks. This is also a teaching moment for the lawyer counseling clients on the use of marks, or labeling requirements; knowledge of this area is invaluable.

Of course, the mere fact that a mark's owner used its mark in commerce in an unlawful fashion is not a talismanic defense to infringement; every assertion of this defense is not successful, even if unlawful use can be established if the Federal Rules of Civil Procedure (FRCP) are not followed. For example, the U.S. Court of Appeals for the Second Circuit refused to apply the defense of unlawful use in commerce in a 1999 decision, but its reason was based on its affirmation of the decision of the district court,⁸⁸ which held that the appellant had waived its right to assert this defense due to its failure to plead it as an affirmative defense to charges of infringement brought against it.⁸⁹ Other courts and the TTAB, however, have not hesitated to deny trademark rights to an owner where it was established that a federal statute was violated by the owner in connection with its use of the mark.⁹⁰ Earlier court decisions, and not the TTAB, generally applied this doctrine when the mark was used in a deceptive manner, such as to engage in acts that were considered common law unfair competition, and have refused to enforce trademark rights.⁹¹

II. THE LAW OF TRADEMARKS

Federal law does not create trademarks, although the federal law of trademarks, the Lanham Act, can enhance their use, effectiveness, and value.⁹² Trademarks have ancient origins and were protected at common law and equity as early as the time the United States was founded.⁹³

87. *See id.*

88. *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 343, 349–50 (2d Cir. 1999).

89. *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 15 F. Supp. 2d 389, 394–400 (S.D.N.Y. 1998), *aff'd*, 192 F.3d 337 (2d Cir. 1999).

90. *See CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 633–34 (9th Cir. 2007); *GoClear LLC v. Target Corp.*, No. C 08-2134 MMC, 2009 U.S. Dist. LEXIS 6649, at *10–13 (N.D. Cal. Jan. 22, 2009); *In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BNA) 48, 52 (T.T.A.B. 1968); *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BNA) 413, 420 (Dec. Com'r Pat. 1957).

91. *See, e.g., Manhattan Med. Co. v. Wood*, 108 U.S. 218, 227 (1883).

92. *See* 15 U.S.C. § 1051 (2012); *see also B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1299–300 (2015) (citing Trade-Mark Cases, 100 U.S. 82, 92 (1879)).

93. *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017).

Trademarks have been protected under common law since the late eighteenth century.⁹⁴ For most of the nineteenth and twentieth centuries, the various states, whether by statute or common law, have acted to protect trademarks.⁹⁵ American trademark and unfair competition laws are derived from eighteenth and nineteenth century Anglo-American case law.⁹⁶ In 1870, Congress passed the first federal legislation protecting trademarks from unfair competition.⁹⁷

A trademark is a very valuable aide to commerce; it serves as an indicator of source and it designates the goods or services associated with the mark as coming from a particular seller or manufacturer.⁹⁸ A mark affixed to a product or associated with a service distinguishes that service or product from a competitor's similar offering.⁹⁹ A mark so affixed to goods or associated with services enables a consumer to instantly choose those goods or services she wishes to acquire.¹⁰⁰ A trademark owner can build valuable goodwill in its mark and has an economic incentive to prevent others from adopting marks that are likely to cause confusion with its mark.¹⁰¹ Much money and time have been consumed litigating trademark infringement cases.¹⁰² The common law, or state statutes, will generally protect a mark not federally registered from infringement in the market in which the mark is in use, and in the territory into which its use will reasonably expand,¹⁰³ although an action for infringement of an unregistered mark can be brought under the Lanham Act as can an action for a mark registered with the USPTO.¹⁰⁴ "[N]ational protection of trademarks is [highly] desirable . . . because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation."¹⁰⁵ While it is possible to achieve a degree of protection under common law, the federal Lanham Act provides to a trademark owner a method to obtain national protection for its mark and thereby

94. MCCARTHY, *supra* note 18, § 19:8.

95. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 778 n.5 (1992) (Stevens, J., concurring).

96. MCCARTHY, *supra* note 18, § 2:1.

97. Act of July 8, 1870, ch. 230, § 84, 16 Stat. 198, 212.

98. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (citing *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 412–14 (1916)).

99. *B & B Hardware, Inc v. Hargis Indus.*, 135 S. Ct. 1293, 1299 (2015).

100. 15 U.S.C. § 1052 (2012); *see also Two Pesos*, 505 U.S. at 768; MCCARTHY, *supra* note 18, §§ 3:2, 3:8.

101. 15 U.S.C. § 1125(a)(1)(A) (2012); *see also United Drug*, 248 U.S. at 97.

102. *See* MCCARTHY, *supra* note 18, at vii.

103. *United Drug*, 248 U.S. at 98.

104. 15 U.S.C. §§ 1114(1), 1125(a) (2012).

105. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985) (citing S. REP. NO. 1333, at 4 (1946)).

secure the goodwill of its business against encroachment by imitators.¹⁰⁶ Federal registration of marks with the USPTO provides for a system of national priority and will generally allow expansion of protected use into territories in which the mark was not even in use at the time of registration.¹⁰⁷

A. Federal Registration

“The principle underlying trademark protection is that distinctive marks—words, names, symbols, [colors, sounds,] and the like—can help distinguish a particular artisan’s goods from those of others.”¹⁰⁸ As well as distinguishing the source of goods and services, a trademark protects the good will of the producer of the goods or services associated with the trademark and prevents another producer of goods and services from passing off its goods and services as those of the trademark owner.¹⁰⁹

A system that enables a mark’s owner to obtain “national protection of [its mark] is desirable . . . because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation.”¹¹⁰ The current federal trademark law, the Lanham Act, “provides national protection of trademarks in order to secure to the owner of the mark the good will of his business and to protect the ability of consumers to distinguish among competing producers.”¹¹¹

In addition to national protection of marks, federal trademark registration, in compliance with the Lanham Act, “confers important legal rights and benefits [to] trademark owners who register their marks” under the Lanham Act.¹¹² Among these important legal rights are (1) constructive notice of the registrant’s ownership claim to the mark,¹¹³ (2) prima facie evidence of the validity of the registered mark and its registration, (3) nationwide protection from the date of the application, (4) confirmation of ownership and validity of the mark, and (5) the exclusive right to use the mark in commerce in connection with the goods or services set

106. *Id.*

107. *See* 15 U.S.C. § 1051 (2012).

108. *B & B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1299 (2015) (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, cmt. b (AM. LAW INST. 1995)).

109. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) (citing *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 412–14 (1916)).

110. *Park ‘N Fly*, 469 U.S. at 198 (citing S. REP. NO. 1333, at 4).

111. *Id.* (citing S. REP. NO. 1333, at 3, 5).

112. *Matal v. Tam*, 137 S. Ct. 1744, 1753 (2017) (quoting *B & B Hardware*, 135 S. Ct. at 1300).

113. 15 U.S.C. § 1072 (2012).

forth in the certificate of registration.¹¹⁴ As well as those rights, a registrant (a) can stop the importation of articles into the United States bearing an infringing mark,¹¹⁵ (b) is permitted use of the ® symbol in connection with its mark,¹¹⁶ (c) has enhanced protection against counterfeiting including an ability to claim statutory damages,¹¹⁷ (d) can preempt state regulation of uses of the mark,¹¹⁸ and (e) can use the registration to serve as the basis for a foreign national's registration of that mark.¹¹⁹

A mark under any circumstances has great value simply due to the fact that while consumers may have no idea who the manufacturer of a product is, they have come to identify their favorite products by their marks alone.¹²⁰ Trademarks serve a critical economic function of encouraging a mark's owner to manufacture quality products; of equal importance, trademarks serve as a short-hand method of allowing potential consumers to reasonably determine who made the product, its reputation and select goods based on the mark without the need to engage in time consuming and costly research or shopping.¹²¹ While the Lanham Act provides valuable and important incentives for a mark's owner to register its mark, not every mark is eligible for federal trademark registration, and the Lanham Act contains provisions that serve to bar the federal registration of a mark.¹²² For example, marks that are merely descriptive of the goods or services associated with that mark are not registerable on the principal register, nor are marks that are deceptively misdescriptive of the goods or services with which that mark is associated.¹²³ Also, a mark so similar to a mark already registered that its use will likely cause confusion, mistake, or deception is barred from registration.¹²⁴ And, until June 2017, a mark was barred from registration if that mark might disparage

114. 15 U.S.C. §§ 1057(b), 1115(b) (2012); *see also B & B Hardware*, 135 S. Ct. at 1300. Prior use of a mark is also considered by the courts to determine the owner of a mark based upon the notice requirement of the Lanham Act of (implied) lawful use in commerce. *See Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 39 (D.P.R. 1991) (citing *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980)).

115. 15 U.S.C. § 1124 (2012).

116. 15 U.S.C. § 1111 (2012).

117. 15 U.S.C. § 1117(b) (2012).

118. *E.g.*, Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 916 (“[T]he Supreme Court ruled that federal patent law preempts state unfair competition law as applied to industrial designs.”).

119. 15 U.S.C. § 1126(d)–(e) (2012).

120. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.01 (3d ed. 1992)).

121. *Id.* at 164.

122. 15 U.S.C. § 1052 (2012).

123. *Id.* § 1052(e).

124. *Id.* § 1052(d).

persons living or dead, institutions, beliefs, national symbols, or bring them into contempt.¹²⁵ Despite the late 2017 decision of the U.S. Court of Appeals for the Federal Circuit in *In re Brunetti*, holding that vulgar, immoral, or scandalous marks are generally protected under the First Amendment,¹²⁶ the USPTO has not yet acted to allow the registration of such marks that it would have refused registration prior to *In re Brunetti*.¹²⁷

In addition to imposing certain bars to registration of a mark under the Lanham Act, the Act imposes requirements that must be met by an applicant who desires to register its mark.¹²⁸ In particular, under 15 U.S.C. § 1051(a), *Application for Use of a Trademark*, the owner of a trademark seeking federal registration must verify with its application, or in a certificate of use in commerce where the mark was filed with an intention to use, that “the mark is in use in commerce.”¹²⁹ Even a mark once registered and enforceable against would-be infringers can lose its protectability (1) if it is abandoned without intent to resume use in a reasonable time, (2) if the mark is licensed without quality control assurances, or (3) if the mark is separated from the goodwill of the business.¹³⁰ As well, a mark can lose its protection under the Act if it becomes generic.¹³¹ And trade dress, even though registered, can lose its protection as a source of goods or services if it is challenged and successfully shown to be functional.¹³² There are other requirements for registration, or the ability to protect the mark once it is registered, such as the requirement that the mark is not functional.¹³³

B. Unlawful Use in Commerce as a Bar to Registration and Enforcement

Although the language of the Lanham Act only requires that the mark sought to be registered be used in commerce, the CFR requires that

125. *Id.* § 1052(a). This provision was found unconstitutional because it violated the Free Speech Clause of the First Amendment. *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017).

126. 877 F.3d 1330, 1357 (Fed. Cir. 2017).

127. 1 ANNE GILSON LALONDE, *GILSON ON TRADEMARKS* § 3.04 (2018).

128. 15 U.S.C. § 1051(a)(1)–(4) (2012) (requiring trademark owners to, among other things, pay a fee, file an application and verified statement with the USPTO, and comply with the rules and regulations prescribed by the Director).

129. *Id.* § 1051(a).

130. Jake Linford, *Valuing Residual Goodwill After Trademark Forfeiture*, 93 NOTRE DAME L. REV. 811, 821 (2017).

131. 15 U.S.C. § 1064(3) (2012); *see also* *Bayer Co. v. United Drug Co.*, 272 F. 505, 513 (S.D.N.Y. 1921) (citing *Centaur Co. v. Heinsfurter*, 84 F. 955, 958 (8th Cir. 1898)).

132. *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001) (citing *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)).

133. 15 U.S.C. § 1115(b)(8) (2012).

the use must be lawful for it to meet the “use in commerce” standard.¹³⁴ As well, courts that have been faced with deciding whether a mark used unlawfully in commerce is enforceable against infringers, have generally held it is not; they have imposed on the mark’s use the additional condition that the mark’s use in commerce must be lawful before they enforce the mark against a claim of infringement.¹³⁵

C. *The Trademark Trial and Appeal Board*

The TTAB has been very clear; its stated policy is that in order for the use of a mark in commerce to create trademark rights, the use must be lawful.¹³⁶ In addition, this use must have been lawful at the time the mark was first used in commerce, or at least lawful by the time the mark’s owner first sought registration.¹³⁷ Otherwise, it follows that the averment made on the application to register the mark, or when filed, was false or not accurate, and that unlawful use could not serve to create rights in the mark as the mark was not used in commerce.¹³⁸ In *In re Stellar International, Inc.*, registration of the mark JETFRESH was refused by the examining attorney on the grounds that “there [was] no evidence of record that the mark was in lawful use . . . as required [under] Section I of the [Lanham Act] at the time the application was filed.”¹³⁹ It was the examining attorney’s position that the applicant of the JETFRESH mark had failed to comply with the labeling requirements of the FD&C Act prior to filing.¹⁴⁰ The applicant’s failure to comply with labeling requirements resulted because the labels affixed to the goods did not indicate the quantity of contents as required by section 602 of the FD&C Act.¹⁴¹ Affirming the examining attorney, the TTAB held:

As a condition precedent to registration, it is necessary that goods bearing the mark sought to be registered, be sold or transported in commerce which may lawfully be regulated by Congress. If the goods in question cannot enter the stream of commerce unless and until certain conditions

134. 37 C.F.R. § 2.69 (2018).

135. *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007).

136. *In re Midwest Tennis & Track, Co.*, 29 U.S.P.Q.2d (BNA) 1386, 1386 (T.T.A.B. 1993); *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982) (citing *In re Silenus Wines, Inc.*, 189 U.S.P.Q. (BNA) 533, 535 (T.T.A.B. 1975)); *In re Pepcom Indus., Inc.*, 192 U.S.P.Q. (BNA) 400, 401 (T.T.A.B. 1976); *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. (BNA) 48, 50–51 (T.T.A.B. 1968).

137. *In re Stellar Int’l*, 159 U.S.P.Q. (BNA) at 51.

138. *Republic Techs. (NA), LLC v. BBK Tobacco & Foods, LLC*, 262 F. Supp. 3d 605, 607 (N.D. Ill. 2017) (citing *CreAgri*, 474 F.3d at 633–34).

139. 159 U.S.P.Q. (BNA) at 49.

140. *Id.*

141. *Id.*; see also 21 U.S.C. § 362 (2012).

including labeling requirements prescribed by a statute specifically regulating the sale of such goods in commerce are met, it follows that any shipments in commerce not in compliance therewith constitute “unlawful shipments” in commerce from which no trademark rights can accrue to properly form a basis for “use of a mark in commerce” which the Patent Office can properly recognize.¹⁴²

The determination by an examining trademark attorney at the USPTO that the mark OLYMPIAN GOLDE should be refused registration was reversed by the TTAB.¹⁴³ The examining attorney had improperly concluded that use of the mark OLYMPIAN in commerce was prohibited by section 110 of the Amateur Sports Act of 1978, which prohibited a simulation in another’s mark of the word OLYMPIC.¹⁴⁴ In reversing the examining attorney’s refusal to register the mark, the TTAB concluded as a factual matter that OLYMPIAN GOLDE was not a close approximation of the name or identity of the U.S. Olympics Committee and that its use in commerce was not unlawful.¹⁴⁵ Had the TTAB found that the use of the mark violated the Amateur Sports Act of 1978 and was, therefore, not lawfully used in commerce, it would have affirmed the examining attorney’s refusal to register the mark.¹⁴⁶

In an earlier decision, the TTAB held:

It has been the consistent position of this Board and the policy of the Patent and Trademark Office that a “use in commerce” means a “lawful use in commerce”, [sic] and the shipment of goods in violation of federal statute, including the Food, Drug and Cosmetic Act, may not be recognized as the basis for establishing trademark rights.¹⁴⁷

The TTAB continued:

Just as we held in the P.A.B. case that the party plaintiff alleging non-compliance with labeling requirements of the Food, Drug and Cosmetic Act (and, hence, unlawful use) must bear the burden of proof on that issue, so do we hold in this case that the party defendant alleging opposer’s unlawful use must bear the burden of proof on its affirmative defense.¹⁴⁸

The basis for Clorox’s opposition to the registration of Armour-

142. *In re Stellar Int’l*, 159 U.S.P.Q. (BNA) at 51.

143. *In re Midwest Tennis & Track, Co.*, 29 U.S.P.Q.2d (BNA) 1386, 1386 (T.T.A.B. 1993).

144. *Id.*; see also 36 U.S.C. § 220506(a)(4) (2012).

145. *In re Midwest Tennis*, 29 U.S.P.Q.2d at 1389.

146. *See id.*

147. *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982) (citing *In re Silenus Wines, Inc.*, 189 U.S.P.Q. (BNA) 533, 535 (T.T.A.B. 1975)); see, e.g., *Clairrol, Inc. v. Holland Hall Prods., Inc.*, 165 U.S.P.Q. (BNA) 214, 218 (T.T.A.B. 1970).

148. *Clorox*, 214 U.S.P.Q. (BNA) at 851.

Dial's ALIVE mark for "toilet soap"¹⁴⁹ was likelihood of confusion under 15 U.S.C. § 1117 and § 1125(a).¹⁵⁰ Armour-Dial asserted as an affirmative defense to Clorox's claim that confusion was likely to result, and that Clorox had violated section 301 of the FD&C Act by failing to label its ingredients in compliance with the requirements of the Act.¹⁵¹ Armour-Dial, however, failed to meet its burden to establish that Clorox violated the labeling requirements of the FD&C Act because "soap" is excluded from the requirement that its label list ingredients.¹⁵²

Addressing the burden of proof, and the evidence needed to be presented to meet that burden, the TTAB admonished a petitioner who sought cancellation of a competitor's mark on the grounds the mark's owner failed to comply with one or more of a myriad of federal statutes in connection with the use of its mark, thus asserting unlawful use in commerce.¹⁵³

But however that may be, it is incumbent upon any petitioner or opposer, as the party in the position of plaintiff, to establish the grounds upon which its cause of action is predicated by clear and convincing evidence, and nowhere is this more true than in a case where a plaintiff urges us to cancel, or to refuse to issue, a registration based upon the defendant's alleged failure to comply with the requirements of a statute which is outside of our area of expertise. Manifestly, the proofs submitted by the party charging noncompliance must leave no room for doubt, speculation, surmise, or interpretation.¹⁵⁴

The TTAB offered practical and insightful advice to any party relying on such a statute to urge cancellation or oppose the registration of another's mark: "Additionally, said party should submit an up-to-date copy of the statute in question, together with any pertinent rules, regulations, and decisions issued thereunder."¹⁵⁵ In other words, the TTAB was telling practitioners they should not expect the TTAB to do their work for them.¹⁵⁶

Addressing the plaintiff's burden to establish non-compliance with

149. "[A] mild soap that is often perfumed and colored and stabilized with preservatives." *Toilet Soap*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/dictionary/toilet%20soap> (last visited Jan. 14, 2019).

150. *Clorox*, 214 U.S.P.Q. (BNA) at 851.

151. *Id.*; see also 21 U.S.C. § 331 (2012).

152. *Clorox*, 214 U.S.P.Q. (BNA) at 851; see also 21 U.S.C. § 321(i) (2012).

153. *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BNA) 958, 959-60 (T.T.A.B. 1981).

154. *Id.* at 965.

155. *Id.*

156. See *id.*

a statute as a basis for cancellation of a mark, Judge Saul Lefkowitz, concurring, wrote, “This burden on plaintiff is the same as that imposed upon it in a civil action and the Board is in no less a position than a civil court to determine the merit or deficiencies of a plaintiff’s case.”¹⁵⁷ As stated by the TTAB, the standard of proof that the moving party must meet is clear and convincing evidence.¹⁵⁸

And, should the applicant’s efforts to register—or an existing registration—be challenged on the basis that the mark was not lawfully used in commerce, the position of the TTAB is that the applicant is required to establish lawful use of the mark prior to the date of filing its application, if the basis for the application was actual use in commerce versus a future intent to use the mark in lawful commerce.¹⁵⁹

In a 1957 decision of the USPTO, dealing with the dueling marks BLACK PANTHER and RED PANTHER, used on insecticides, the Commissioner of Patents was faced with determining whether a maker of insecticides and fungicides can acquire any property rights in a mark, whether under federal or common law, as a result of its “unlawful acts” being a failure to comply with state and federal labeling requirements.¹⁶⁰ Finding no decisions on point to assist it, the Assistant Commissioner wrote:

[B]ut in other fields of the law which might reasonably be analogous, i.e. real property and personal property, where claimed ownership was based on acquisition by unlawful means, the principle is so well-established that citation of an authority is unnecessary. Expressed in its most concise form, the conclusion reached herein is that use of a mark in connection with unlawful shipments in interstate commerce is not use of a mark in commerce which the Patent Office may recognize.¹⁶¹

At issue was whether the company who had registered the product under federal and state poison acts was the same company that was selling the product.¹⁶² Not only did the TTAB find it was not, it also concluded that the two statements made by the respondent on its application to register the mark were untrue and material, each involved the identity of the seller and the poisonous acts.¹⁶³ The TTAB did not reach the question of common law rights, but had the action been brought in a state court to

157. *Id.* at 967.

158. *Satinine*, 209 U.S.P.Q. (BNA) at 965.

159. *See In re Pepcom Indus., Inc.*, 192 U.S.P.Q. (BNA) 400, 401 (T.T.A.B. 1976) (citing *Clairol Inc. v. Holland Prods., Inc.*, 165 U.S.P.Q. (BNA) 214, 218 (T.T.A.B. 1970)).

160. *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BNA) 413, 417–18 (Dec. Comm’r Pat. 1957); *see also* 7 U.S.C. § 136(p)–(q) (2012); Miss. CODE ANN. § 69-23-5 (1972).

161. *Coahoma Chem.*, 113 U.S.P.Q. (BNA) at 418.

162. *Id.* at 418–19.

163. *Id.* at 418–20.

determine common law rights, the same conclusion should have resulted.¹⁶⁴

Whenever the TTAB refused to allow or enforce trademark rights, the mark was either registered or sought registration, and the alleged violation of law was a federal statute.¹⁶⁵ The benefits of federal registration are generally not benefits the courts are willing to extend to the owners of marks whose use of the marks in commerce was unlawful.¹⁶⁶

D. The Courts

As discussed in this Article, there are a handful of decisions from federal courts affirming the requirement that a mark must be lawfully used in commerce to obtain trademark rights.¹⁶⁷ For example, in *GoClear LLC v. Target Corp.*, Target asserted that the mark CLEARX, which applied to skin care products, infringed its mark CLEAR X.¹⁶⁸ Target, facing an action for cancellation of its mark by the owner of GoClear, attempted to convince the district court that its predecessor's failure to comply with the FD&C Act would only be applicable as a defense to an infringement action and not to the plaintiff's efforts to obtain from the court an order that the USPTO should cancel Target's mark for unlawful use.¹⁶⁹ Affirming the principle that only lawful use in commerce can create trademark rights, the court held that unlawful use can result in cancellation of the mark.¹⁷⁰ The basis, it held, was to prevent the inequitable and untenable result whereby the government extends the substantial benefit of registration to a party that violated federal law.¹⁷¹ As well, the court reasoned, not allowing cancellation would reward a mark's owner whose haste in getting its product into the stream of commerce resulted in its

164. *See id.* at 418.

165. *See* *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982) (seeking the registration of ALIVE for "toilet soap" pursuant to section 301 of the FD&C Act); *see also In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BNA) 48, 49 (T.T.A.B. 1968) (seeking the registration of JETFRESH for an aerosol mouth freshener pursuant to the FD&C Act); *Coahoma Chem.*, 113 U.S.P.Q. (BNA) at 416–17 (discussing the registration of a pesticide pursuant to the Federal Insecticide, Fungicide, and Rodenticide Act, which the TTAB referred to as the "Federal Economic Poisons Act").

166. *See Clorox*, 214 U.S.P.Q. (BNA) at 851; *In re Stellar Int'l*, 159 U.S.P.Q. at 50; *Coahoma Chem.*, 113 U.S.P.Q. (BNA) at 418.

167. *See supra* Section II.D.

168. *See* *GoClear LLC v. Target Corp.*, No. C 08-2134 MMC, 2009 U.S. Dist. LEXIS 6649, at *2–3 (N.D. Cal. Jan. 22, 2009) (alleging via counterclaim that GoClear's trademark of CLEAR X was subject to cancellation).

169. *Id.* at *7.

170. *Id.* at *9 (citing 15 U.S.C. § 1052(d) (2012)).

171. *Id.* at *8–9 (quoting *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007)).

failure to “carefully comply with the relevant regulations.”¹⁷²

E. Necessary Nexus Between Use of Mark and Unlawful Activity

In *Boston Dental Group, LLC v. Affordable Care, LLC*, the U.S. District Court for the District of Nevada dealt with allegations made by a would-be infringer that the plaintiff’s use of its mark was unlawful under state law.¹⁷³ The court stated the requirement for lawful use succinctly: “The assertion of trademark priority may be stopped if the asserting registrant engages in unlawful use of a trademark.”¹⁷⁴ “The inquiry for trademark priority ‘does not stop with use in commerce’—for one registrant to have trademark priority over the other, the trademark use must be lawful.”¹⁷⁵ This case differed from almost all others in which unlawful use was raised as a bar to enforcement of a plaintiff’s mark because, here, the unlawful use implicated state, not federal law.¹⁷⁶

Despite this general holding, the plaintiff’s conduct challenged in *Boston Dental* was found to lack a sufficient nexus between conduct alleged unlawful and use of the mark.¹⁷⁷ The conduct that the defendant raised in an effort to bar enforcement of the mark was the license of the mark to a Nevada dental practice and the provision of overall dental practice management services by the licensor, in exchange for compensation based on a percentage of the licensee’s revenues or profits, in violation of Nevada law.¹⁷⁸ There, the licensor had not collected any fees.¹⁷⁹

Recognizing that unlawful use of a mark in commerce could render a mark unenforceable, the court nevertheless held: “[O]nly material unlawful use may cause the loss of trademark protection. For unlawful use to be considered material, it must be ‘of such gravity and significance that the usage [of the mark] . . . as a matter of law, [can] create no trademark rights.’”¹⁸⁰ And, payment based on percentages had not occurred.¹⁸¹

In essence, what the court and others have held is that they will not enforce trademark protections where the owner’s unlawful conduct is

172. *Id.* at *9 (quoting *CreAgri*, 474 F.3d at 630).

173. No. 2:16-cv-01636-RFB-CWH, 2018 U.S. Dist. LEXIS 53477, at *30 (D. Nev. Mar. 29, 2018).

174. *Id.* at *18.

175. *Id.* (quoting *CreAgri*, 474 F.3d at 630).

176. *See id.* at *30.

177. *Id.* at *21.

178. *Boston Dental*, 2018 U.S. Dist. LEXIS 53477, at *19–21; *see also* NEV. REV. STAT. § 631.215(2)(h) (2015).

179. *Boston Dental*, 2018 U.S. Dist. LEXIS 53477, at *21.

180. *Id.* at *18 (second and third alterations in original) (quoting *S. Cal. Darts Ass’n v. Zaffina*, 762 F.3d 921, 931 (9th Cir. 2014)); *see also CreAgri*, 474 F.3d at 631.

181. *Boston Dental*, 2018 U.S. Dist. LEXIS 53477, at *21.

merely collateral to use of the mark; that is, where an insufficient nexus exists between the unlawful behavior and the use of the mark in commerce.¹⁸²

For example, in *Boston Dental*, the court concluded that there was no evidence that the mark's owner had been paid any share of its clients' and licensee's profits.¹⁸³ Yet even if there had been such evidence, so as to allow a finding that the mark had been unlawfully used in commerce, the use would have been considered to be immaterial and collateral, without a sufficient nexus to connect the allegedly unlawful use of the mark and the complained-of conduct.¹⁸⁴ The court drew an analogy to *Southern California Darts Ass'n v. Zaffina*,¹⁸⁵ in which a defendant accused of infringement defended on the grounds that failure of a mark's owner to pay corporate taxes—an act asserted as unlawful conduct—was sufficient to eliminate the owner's rights in a mark.¹⁸⁶ Rightfully so, the court held the so-called misconduct to be “unrelated to the purpose of the federal trademark laws, and, therefore collateral and immaterial.”¹⁸⁷

III. AFFIRMATIVE DEFENSE

Assertion that a mark has not been lawfully used in commerce by its owner is an affirmative defense to trademark infringement.¹⁸⁸ Affirmative defenses include assertions that do not directly challenge the plaintiff's infringement claim, but provide grounds for a judgment for the defendant even where the plaintiff's allegations prove true.¹⁸⁹ Although a defendant is admonished by the FRCP to include in its answer every affirmative defense it wishes to raise,¹⁹⁰ and may be held to waive an affirmative defense that it fails to plead it in its answer,¹⁹¹ some courts have allowed a defendant to raise an affirmative defense outside the answer if doing so does not result in undue prejudice to the plaintiff and the delay is not intrusive.¹⁹² And of course, subject to limitations imposed by the

182. *Id.* at *19 (quoting *S. Cal. Darts Ass'n*, 762 F.3d at 931); see also *CreAgri*, 474 F.3d at 631.

183. *Boston Dental*, 2018 U.S. Dist. LEXIS 53477, at *21.

184. *See id.*

185. *See id.* at *21–22 (quoting *S. Cal. Darts Ass'n*, 762 F.3d at 931–32).

186. *S. Cal. Darts Ass'n*, 762 F.3d at 931.

187. *Id.* at 931–32.

188. *Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 192 F.3d 337, 349 (2d Cir. 1999).

189. *See Winforge, Inc. v. Coachmen Indus.*, 691 F.3d 856, 872 (7th Cir. 2012).

190. FED. R. CIV. P. 8(c)(1).

191. *Kapche v. Holder*, 677 F.3d 454, 465 (D.C. Cir. 2012).

192. *Estate of Hamilton v. City of New York*, 627 F.3d 50, 58 (2d Cir. 2010) (quoting *Saks v. Franklin Covey Co.*, 316 F.3d 337, 350 (2d Cir. 2003)).

court's scheduling order, the answer may be amended to add an affirmative defense not earlier known and pled.¹⁹³ Depositions, document production, and investigation may result in the discovery of facts that establish the existence of an affirmative defense that was unknown when the answer to the plaintiff's complaint was filed and before discovery and investigation occurs.¹⁹⁴ Thus, it may be difficult to plead sufficient facts to establish the plausibility standards of unlawful use in commerce in a defendant's initial answer.¹⁹⁵

The purpose for the requirement that the defense of unlawful use, versus merely a general denial, be raised as an affirmative defense is prevention of unfair surprise.¹⁹⁶ While the affirmative defense set forth in the answer may not always be pled with sufficient facts to establish the defense, pleading the affirmative defense of unlawful use in commerce at the least places the plaintiff on notice of the existence of the defendant's claim.¹⁹⁷ "A defendant should not be permitted to 'lie behind a log' and ambush a plaintiff with an unexpected defense."¹⁹⁸ Once on notice of the claim that the defense exists, the plaintiff can seek the basis of the defendant's claim in discovery.¹⁹⁹

It is not always a straight forward task to determine if a defense is affirmative under Rule 8(c) of the FRCP and is required to be pled with the answer.²⁰⁰ For example, in *Ingraham v. United States*, the court found both salient and helpful the comments of Judge Charles E. Clark, former Dean of the Yale Law School, and later the Chief Judge of the U.S. Court of Appeals for the Second Circuit.²⁰¹ In the *Handbook for the Law of Code Pleadings*, Judge Clark wrote:

Just as certain disfavored allegations made by the plaintiff . . . must be set forth with the greatest particularity, so like disfavored defenses must be particularly alleged by the defendant. These may include such matters as fraud, statute of frauds . . . , statute of limitations, truth in slander and libel . . . and so on. In other cases the mere question of convenience may seem prominent, as in the case of payment, where the defendant can more easily show the affirmative payment at a certain time than the

193. FED. R. CIV. P. 15(c)(1)(B).

194. See *Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 192 F.3d 337, 349 (2d Cir. 1999).

195. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).

196. *Ingraham v. United States*, 808 F.2d 1075, 1079 (5th Cir. 1987).

197. See *id.*

198. *Id.* (quoting *Bettes v. Stonewall Ins. Co.*, 480 F.2d 92, 94 (5th Cir. 1973)).

199. See *Bettes*, 480 F.2d at 94; see also *Ingraham*, 808 F.2d at 1079.

200. See FED. R. CIV. P. 8(c); see also *Ingraham*, 808 F.2d at 1078.

201. See 808 F.2d at 1078 (quoting CHARLES E. CLARK ET AL., *HANDBOOK ON THE LAW OF CODE PLEADINGS* § 96, at 609–10 (West Pub. Co. 2d ed. 1947)).

plaintiff can the negative of nonpayment over a period of time. Again it may be an issue which may be generally used for dilatory tactics, such as the question of the plaintiff's right to sue . . . a vital question, but one usually raised by the defendant on technical grounds. These have been thought of as issues 'likely to take the opposite party by surprise,' which perhaps conveys the general idea of fairness or the lack thereof, though there is little real surprise where the case is well prepared in advance.²⁰²

The inquiry as to whether the defense is affirmative requires determining whether the defense sought to be raised, for example the unlawful use of its mark in commerce by a plaintiff as a defense to trademark infringement, constitutes "a necessary or extrinsic element in the plaintiff's cause of action"; which party has better access to relevant information and shared the matter is a question to be indulged or disfavored.²⁰³

In its most basic sense, the unlawful use defense to trademark infringement alone does not dispute the defendant's use as alleged of the plaintiff's mark;²⁰⁴ rather, the defendant's affirmative defense to trademark infringement asserts that the trademark plaintiff, who claims the defendant has infringed its mark, has not acquired trademark rights due to its unlawful use in commerce of its mark, and as a result of its unlawful use, has no rights to enforce its mark against a junior user, or a would-be infringer.²⁰⁵ In other words, the defense asserts that regardless of the likelihood of confusion that may exist due to the defendant's use of a similar mark on similar goods or services, there is no infringement because the plaintiff does not have a protectable mark, and in essence, the defendant is the senior user of the mark and has superior rights, at least as between the two parties to the litigation.

Unlike functionality, or genericism, unlawful use is not one of the enumerated defenses to trademark infringement set forth in 15 U.S.C. § 1115(b).²⁰⁶ Unlawful use arose as a public policy defense created by courts, that when applied in an action for trademark infringement, served to prevent the enforcement of trademark rights even in the face of evidence of actual consumer confusion between the plaintiff's goods and

202. CLARK ET AL., *supra* note 201.

203. *Ingraham*, 808 F.2d at 1079 (citing FED. R. CIV. P. 27).

204. Of course, the defendant is likely to deny in its answer that it has engaged in trademark infringement. *See Scarves by Vera, Inc. v. Todo Imps., Ltd.*, 544 F.2d 1167, 1171 (2d Cir. 1976). The defendant denied that it engaged in trademark infringement where it was accused of infringing the mark VERA by stating that "the notation 'Vera,' except in the case of cologne for men . . . was used to indicate the manufacturer and not the product." *Id.*

205. *See Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 190 (S.D.N.Y. 2007) (citing *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 39 n.1 (D.P.R. 1991)).

206. 15 U.S.C. § 1115(b) (2012); *see also Northwestern Corp. v. Gabriel Mfg. Co.*, No. 95 C 2004, 1996 U.S. Dist. LEXIS 19275, at *47 (N.D. Ill. Dec. 10, 1996).

those of the defendant.²⁰⁷ Under circumstances where a defendant accused of infringement prevails on this affirmative defense, the defendant would have the basis to prevent the plaintiff from employing its own mark in commerce, for without acquired rights in its mark, the plaintiff has become a user junior to the defendant.²⁰⁸ If that occurs, a plaintiff's use of its own mark will result in a likelihood of confusion under the common law, state statute, or the Lanham Act, for it has already pled in its suit against the defendant, now the senior user.²⁰⁹ The stakes can be high, especially when the enormous value of some marks is considered.

Raising the affirmative defense of unlawful use in commerce is not without the need to meet procedural requirements, and, the unlawful use defense is not always available to a defendant, even where unlawful use can be shown. For example, the affirmed decision of a district court that appellant had waived its right to assert the unlawful use defense because it had failed to assert it timely, strongly admonishes litigants that care must be exercised to assert the defense if this defense is available.²¹⁰

In *Lane Capital Management, Inc. v. Lane Capital Management, Inc.*, the defendant waited until after judgment was entered to attempt to amend its answer to include an unlawful use defense.²¹¹ While in *Lane* the defendant's assertion of the defense came too late for it to serve as a defense to infringement, not every court has held a defendant waives an existing affirmative defense by failing to include it in its answer.²¹² *Lane*, however, provided direction and was not as draconian as might appear at first blush. First and foremost, *Lane* recognized that the plaintiff's unlawful use was an affirmative defense.²¹³ It instructed that to avail itself of the defense, a defendant must exercise some diligence and assert it in its answer, or failing that, should make an effort to amend its answer to include the defense.²¹⁴ *Lane* emphasizes that a defendant must be diligent in exploring whether the facts support an affirmative defense, and raise the defense as soon as these facts are discovered.²¹⁵ Failure to do so can

207. *Northwestern*, 1996 U.S. Dist. LEXIS 19275, at *47.

208. See 15 U.S.C. § 1064 (2012); *ITC, Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 146–47 (2d Cir. 2007).

209. *Lambda Elecs. Corp. v. Lambda Tech., Inc.*, 515 F. Supp. 915, 928 (S.D.N.Y. 1981) (quoting *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928)).

210. See *Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 15 F. Supp. 2d 389, 397 (S.D.N.Y. 1998), *aff'd*, 192 F.3d 337 (2d Cir. 1999).

211. *Id.*

212. See, e.g., *Material Supply Int'l, Inc. v. Sunmatch Indus. Co.*, 146 F.3d 983, 991 (D.C. 1998).

213. See 15 F. Supp. 2d at 397.

214. See *id.*

215. See *id.*

result in waiver of the defense, as occurred in *Lane*.²¹⁶

Nine years following *Lane*, in 2007, the U.S. District Court for the Southern District of New York held that a defendant would be allowed to raise the affirmative defense of unclean hands, even if it failed to do so in an answer, as the defendant raised the defense as soon as it discovered the alleged violations, in that case, the plaintiff's violations of the FD&C Act.²¹⁷ A court's failure to allow the defendant to assert the affirmative defense of unlawful use in commerce where the defendant acted diligently and asserted the defense as soon as it was known, may be considered an abuse of discretion.²¹⁸ Nevertheless, whether the defendant did act diligently, and whether delay prejudices the plaintiff, is a question of fact left to the discretion of the trial judge, or the oversight of an appellate court in the unfortunate event that facts are discovered to support the defense, but a trial court failed to find that a defendant acted diligently.

Because "unlawful use" is an affirmative defense, a party asserting it should generally do so in its pleadings, or, if it neglects to do so, should make an effort to amend its answer to include the defense. Failure to assert the defense in the pleadings will generally result in waiver of the defense.²¹⁹

A party asserting an affirmative defense has the burden of doing so with its answer,²²⁰ but courts have not always held defendants to this requirement;²²¹ although under the FRCP, the answer can be amended—at least to a point in time—often pursuant to the requirements imposed by the court's scheduling order.²²² In an unreported decision, the U.S. Court of Appeals for the Fourth Circuit affirmed the decision of the district court and held that a defendant had placed a plaintiff on notice of the possibility of the affirmative defense of release where the defendant pled in its answer the affirmative defense of accord and satisfaction, and that the plaintiff's common law tort claims, including unfair competition, were barred by contract.²²³ Pleading an affirmative defense that may, in its broader terms, encapsulate unlawful use in commerce is not without substantial risk. A lawyer should exercise great care and plead the defense

216. *See id.*

217. *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 191 (S.D.N.Y. 2007).

218. *See E.W. Bliss Co. v. United States*, 77 F.3d 445, 449–50 (Fed. Cir. 1996).

219. *Dessert Beauty*, 617 F. Supp. 2d at 190 (citing *Lane*, 15 F. Supp. 2d at 397).

220. FED. R. CIV. P. 8(c).

221. *See Dessert Beauty*, 617 F. Supp. 2d at 191 (quoting *Saks v. Franklin Covey Co.*, 316 F.3d 337, 350–51 (2d Cir. 2003)).

222. FED. R. CIV. P. 15.

223. *Grunley Walsh U.S., LLC v. Raap*, 386 Fed. App'x. 455, 459 (4th Cir. 2010) (citing *Brinkley v. Harbour Recreation Club*, 180 F.3d 598, 612–13 (4th Cir. 1999)).

of unlawful use as soon as the facts would suggest doing so.²²⁴ Of course, some lawyers include in their initial answer any and every possible affirmative defense, but in doing so, they risk a motion to strike and may need to establish to the court's satisfaction facts in support of each pled defense.²²⁵ And, a defendant might face sanctions for a frivolous pleading if it asserts this defense without any known basis for doing so.²²⁶

In *GoClear*, the court traced back to the common law doctrine of unclean hands—the requirement that a mark's owner make lawful use of its mark.²²⁷ The defendant, GoClear, raised the doctrine of unclean hands as a defense to infringement, but did not mention unlawful use of the mark in commerce.²²⁸ The court cited *McCarthy on Trademarks and Unfair Competition*, noting that Professor J. Thomas McCarthy “characterize[ed] [t]he ‘lawful use’ requirement as [a] new category of [the] unclean hands defense.”²²⁹ The court held that “[a] party may raise an affirmative defense for the first time in a motion for summary judgment where the opposing party is not prejudiced[,]”²³⁰ indicating that like unlawful use in commerce, unclean hands is also an affirmative defense that should be pled with the answer, and that in this instance the unlawful use in commerce was the unclean hands to which the defendant referred, thus encapsulating unlawful use in commerce within the more generic assertion of unclean hands.²³¹ As the plaintiff, Target, failed to assert or show any prejudice caused by the first filing of the unlawful use in commerce defense in GoClear's motion for summary judgment, the court permitted GoClear to assert Target's unclean hands in the form of unlawful use as a defense to Target's counterclaims of infringement.²³² Summary judgment was granted in favor of the trademark defendant on the grounds that

224. *See Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 192 F.3d 337, 349–50 (2d Cir. 1999).

225. *See generally GoClear LLC v. Target Corp.*, No. C 08-2134 MMC, 2009 U.S. Dist. LEXIS 6649, at *1 (N.D. Cal. Jan. 22, 2009) (holding that GoClear's motion for summary judgment was denied in part and granted in part on the numerous claims put forth). *See Erickson Beamon, Ltd. v. CMG Worldwide, Inc.*, 12 Civ. 5105 (NRB), 2014 U.S. Dist. LEXIS 112437, at *11–17 (S.D.N.Y. Aug. 13, 2014).

226. FED. R. CIV. P. 11(b)–(c).

227. 2009 U.S. Dist. LEXIS 6649, at *9–10 (quoting *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 39 n.1 (D.P.R. 1991)).

228. *Id.* at *5; *see also* 15 U.S.C. § 1119 (2012).

229. *GoClear*, 2009 U.S. Dist. LEXIS 6649, at *10 (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS § 31:48 (4th ed. 1996)).

230. *Id.* (citing *Magna v. Northern Marina Islands*, 107 F.3d 1436, 1446 (9th Cir. 1997)).

231. *See id.*

232. *Id.* Likely the unstated reason for the court's ruling was that the defense of unclean hands placed Target on notice of the existence of the defense and could have inquired as to the basis for this defense. *See id.*

Target failed to obtain approval of its product, a drug, before it was introduced or delivered into interstate commerce, and thus, its use in commerce was unlawful.²³³ Another court may not have viewed the general assertion of unclean hands with the answer sufficient to raise the affirmative defense of unclean hands at a later time to summary judgment, particularly if discovery had closed.

In *Grunley Walsh U.S., LLC v. Raap*, the Court held that the failure of the defendant to affirmatively plead release was not a bar to that affirmative defense.²³⁴ “[I]t is well established that an affirmative defense is not waived absent unfair surprise or prejudice.”²³⁵ The court concluded there was sufficient authority to establish that an affirmative defense is not waived absent unfair surprise or prejudice to the plaintiff even where the affirmative defense is first raised in a dispositive motion, made pre-trial.²³⁶ This ruling would appear to be in accord with the holding of the U.S. Supreme Court that the purpose of Rule 8(c) of the FRCP is to provide notice of the affirmative defense and an opportunity to rebut the defense.²³⁷ Because federal courts generally deem an affirmative defense waived if the party fails to assert it in its pleadings, it is best to diligently pursue discovery on the issue of unlawful use and raise it at the earliest possible time, should there be any possibility that the defense can be supported by facts.²³⁸ Although receipt of notice of an affirmative defense other than through pleadings may allow the assertion of the affirmative defense, and not be considered a waiver if prejudice to the plaintiff does not result, it is best to plead the affirmative defense as soon as the facts that would support it are known.²³⁹ Doing otherwise is akin to gambling that the defense will be held as having been waived.²⁴⁰

233. *Id.* at *13.

234. 386 Fed. App’x. 455, 459 (4th Cir. 2010).

235. *Patten Grading & Paving, Inc. v. Skanska U.S. Bldg., Inc.*, 380 F.3d 200, 205 n.3 (4th Cir. 2004) (citing *S. Wallace Edwards & Sons, Inc. v. Cincinnati Ins. Co.*, 353 F.3d 367, 373–74 (4th Cir. 2003)).

236. *Grunley Walsh*, 386 Fed. App’x. at 459 (citing *Brinkley v. Harbour Recreation Club*, 180 F.3d 598, 612–13 (4th Cir. 1999)).

237. *Moore, Owen, Thomas & Co. v. Coffey*, 992 F.2d 1439, 1445 (6th Cir. 1993) (citing *Blonder-Tongue Labs., Inc. v. U. Ill. Found.*, 402 U.S. 313, 350 (1971)).

238. *See e.g.*, *Zhou v. State Univ. of N.Y. Inst. of Tech.*, 2013 U.S. Dist. LEXIS 71407, *11–12 (N.D.N.Y. 2013) (quoting *Travellers Int’l A.G. v. Trans World Airlines, Inc.*, 41 F.3d 1570, 1580 (2d Cir. 1994)) (citing *MBIA Ins. Corp. v. Patriarch Partners VIII, LLC*, 842 F. Supp. 2d 682, 709 (S.D.N.Y. 2012)).

239. *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 190 (S.D.N.Y. 2007) (citing *Lane Cap. Mgmt., Inc. v. Lane Cap. Mgmt., Inc.*, 15 F. Supp. 2d 389, 397 (S.D.N.Y. 1998)).

240. *See id.*

IV. BARS TO REGISTRATION AND ENFORCEMENT

The TTAB has long recognized that an applicant cannot register a mark that was used by it in commerce in an unlawful manner.²⁴¹ This principal is, in essence, embodied in the CFR that authorizes the trademark examining attorney to determine whether lawful use of the mark in commerce exists.²⁴² In *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, the TTAB held that the registrant cannot ever enforce its previously obtained trademark rights against an infringer if those trademark rights were obtained on the basis of an unlawful, versus a lawful, use of the mark in commerce.²⁴³ The same holding should also apply to a cancellation proceeding before the TTAB where the moving party is able to establish the registrant obtained its registration on the basis of a use in commerce that was unlawful.²⁴⁴ And, likewise, a U.S. district court is able to order the USPTO to cancel a registered mark on the basis of its finding that registration was obtained on the basis of unlawful use, or some other violation of the Lanham Act.²⁴⁵

The U.S. district and circuit courts of appeals have been slower to adopt this form of defense to infringement of a registered mark where it is established by a defendant that the plaintiff used its mark unlawfully in commerce, or the defense is not raised.²⁴⁶ In a case of first impression, the U.S. Court of Appeals for the Tenth Circuit in *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, addressed the unlawful use in commerce defense, citing *Medtronic, Inc. v. Pacesetter Systems, Inc.* in support of its decision.²⁴⁷ There, the TTAB held that shipping goods in violation of federal law cannot qualify as the use in commerce necessary to establish trademark rights.²⁴⁸

The Tenth Circuit qualified the term “use in commerce” of a mark

241. *In re JJ206, LLC*, 120 U.S.P.Q.2d (BNA) 1568, 1569 (T.T.A.B. 2016) (quoting *In re Brown*, 119 U.S.P.Q.2d (BNA) 1350, 1351 (T.T.A.B. 2016)).

242. 37 C.F.R. § 2.61(a) (2018).

243. 209 U.S.P.Q. (BNA) 958, 963 (T.T.A.B. 1981) (quoting *Coahoma Chem. Co. v. Smith*, 113 U.S.P.Q. (BNA) 413, 418 (Dec. Comm’r Pat. 1957)) (citing *Clairol, Inc. v. Holland Hall Prods., Inc.*, 165 U.S.P.Q. (BNA) 214, 218 (T.T.A.B. 1970)).

244. *See Satinine*, 209 U.S.P.Q. (BNA) at 963 (citing *Coahoma Chem.*, 113 U.S.P.Q. (BNA) at 418).

245. *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007); *see also United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1224 (10th Cir. 2000); *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 852 (T.T.A.B. 1982).

246. *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 190 (S.D.N.Y. 2007).

247. *United Phosphorus*, 205 F.3d at 1225 (citing 222 U.S.P.Q. (BNA) 80, 82 (T.T.A.B. 1984)).

248. *Medtronic*, 222 U.S.P.Q. (BNA) at 82.

to mean a “lawful use in commerce.”²⁴⁹ Midland Fumigant, the defendant, advanced a defense to its infringement of United Phosphorus’s mark that was wholly devoid of any factual basis or support, claiming that United Phosphorus had failed to properly register its fumigant product with the Environmental Protection Agency, as was required.²⁵⁰ As a result, Midland Fumigant claimed that United Phosphorus failed to establish the requisite lawful use in commerce for it to establish trademark rights in its mark.²⁵¹ Although the Tenth Circuit found that the defendant had failed to establish that the plaintiff had, in fact, engaged in unlawful use in commerce, it clearly indicated that if the defendant had been successful, the defendant would have asserted a viable defense to its otherwise infringing activities.²⁵² The court held: “Midland failed to present one piece of evidence at trial tending to show United’s product was sold or distributed illegally. Had United sold Quick-Phos without registering with the Environmental Protection Agency, Midland would have a strong case that United did not have a right in the trademark”²⁵³

The U.S. Court of Appeals for the Ninth Circuit has also ruled in a case where the plaintiff’s use of a mark in commerce was asserted by the defendant to be unlawful, and the basis for the loss of trademark rights.²⁵⁴ This case involved the sale by the plaintiff of OLIVENOL, a dietary supplement and antioxidant in violation of the labeling requirements under federal and California law.²⁵⁵ CreAgri had beaten USANA to market and had been first to use the mark in commerce.²⁵⁶ Mere use in commerce, however, was not sufficient, standing alone, to create the necessary trademark rights sufficient to allow enforcement of a mark by a supposedly senior user against a junior, and potentially infringing, user.²⁵⁷ The court held, invoking the unlawful use doctrine followed by the TTAB: “[T]he inquiry does not stop with use in commerce. It has long been the policy of the PTO’s Trademark Trial and Appeal Board that use in commerce only creates trademark rights when the use is *lawful*.”²⁵⁸

249. *United Phosphorus*, 205 F.3d at 1225 (quoting *Clorox*, 214 U.S.P.Q. (BNA) at 851).

250. *Id.*

251. *Id.* at 1225–26.

252. *Id.* at 1226.

253. *Id.* at 1125–26.

254. *See CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 628 (9th Cir. 2007).

255. *Id.*; *see also* 15 U.S.C. § 1051(a)(3)(C) (2012); CAL. BUS. & PROF. CODE §§ 14207, 14209 (Deering 2018).

256. *CreAgri*, 474 F.3d at 629.

257. *Id.* at 630 (first citing 15 U.S.C. §§ 1051(a)(1), 1127 (2012); and then citing BUS. & PROF. §§ 14207, 14209).

258. *Id.* (citing *In re Midwest Tennis & Track, Co.*, 29 U.S.P.Q.2d 1386, 1386 n.2 (T.T.A.B. 1993)); *see, e.g.*, *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982) (citing *In re Silenus Wines, Inc.*, 189 U.S.P.Q. 533, 535 (T.T.A.B. 1975));

Calling *CreAgri, Inc. v. USANA Health Sciences, Inc.*, a case of first impression in the Ninth Circuit, the court, after reviewing and following the numerous holdings of the TTAB, held, “[W]e also agree with the PTO’s policy and hold that only *lawful* use in commerce can give rise to trademark priority.”²⁵⁹

The U.S. District Court for the Southern District of New York also decided a case in which unlawful use in commerce was raised as a defense to infringement of a trademark.²⁶⁰ In *Dessert Beauty, Inc. v. Fox*, Judge Denny Chin’s decision discussed the unlawful use defense and its origins in the common law doctrine of unclean hands.²⁶¹ The plaintiff, Dessert Beauty, asserted that the defendant’s failure to include the net quantity of contents with its ingredients list was in violation of the Food and Drug Administration (FDA) labeling requirements, a violation of federal law.²⁶² Although no action had been taken by the FDA, Dessert Beauty argued that this failure to comply rendered the defendant’s trademark unenforceable.²⁶³ The court, however, declined to cancel the defendant’s registration in the mark LOVE POTION because the defendant’s failure to comply with labeling regulations could be considered immaterial by a reasonable jury as it had substantially complied with all other regulations.²⁶⁴

In *Erva Pharmaceuticals, Inc. v. American Cyanamid Co.*, a court decided a case involving competing uses of the mark SUPRA; Erva Pharmaceuticals claimed its product was “A New Concept in Treatment of Erectile Impotence,” and that SUPRA may “have activity as an aphrodisiac.”²⁶⁵ The defendant asserted that the plaintiff’s claims violated certain provisions of the FD&C Act and “the regulations issued pursuant thereto.”²⁶⁶ Holding that if the plaintiff’s product was marketed in violation of the FD&C Act, the plaintiff’s use of its mark was not lawful, and that plaintiff could not have obtained the rights necessary for it to enforce its rights in the mark because it had engaged in mislabeling its product

In re Pepcom Indus., Inc., 192 U.S.P.Q. (BNA) 400, 401 (T.T.A.B. 1976); *In re Stellar Int’l, Inc.*, 159 U.S.P.Q. (BNA) 48, 51 (T.T.A.B. 1968).

259. 474 F.3d at 630.

260. *See* *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 189 (S.D.N.Y. 2007).

261. *Id.* at 190 (citing *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 39 n.1 (D.P.R. 1991)).

262. *Id.* at 192; *see also* 21 C.F.R. § 701.13(a) (2018).

263. *Dessert Beauty*, 617 F. Supp. 2d at 188, 190.

264. *Id.* at 193–94.

265. 755 F. Supp. at 38.

266. *Id.* at 40 (first citing 21 U.S.C. §§ 321–399i (2012); and then citing 21 C.F.R. §§ 201.10–210.328 (2018)); *see also* 21 U.S.C. §§ 352(e), (o), 360(c), (j) (2012); 21 C.F.R. § 201.10 (2018) (listing and describing the ingredient requirements required by section 502(e) of the FD&C Act).

and failed to register its product with the FDA as a drug.²⁶⁷ Although in the body of its opinion the court did not mention the doctrine of unclean hands, it provided a footnote to its discussion of the “lawful use in commerce” doctrine and cited a 1981 law review article indicating its belief that the unlawful use defense has its origins in the unclean hands doctrine.²⁶⁸

A. Federal Food, Drug, and Cosmetic Act Cases

There are many decisions that invoke the labeling or registration and compliance or lack thereof with the FD&C Act. For example, a plaintiff seeking to enforce its trademark rights was found in violation of the FD&C Act because it failed to label its arthritis and rheumatism drug with adequate directions for use, and failed to include the conditions for which the drug should be taken as required by the Act.²⁶⁹ The manufacturer failed in its effort to convince the court it should be entitled to tack the claims, or instructions, contained in its newspaper advertisements for the product, which mentioned use, to its product labels, which did not.²⁷⁰

An off-label use of a drug is a use that has not been approved by the FDA.²⁷¹ Too often, a manufacturer or its agent recommends an off-label use of its product in violation of the FD&C Act; when it does so, it runs the risk its mark will not be enforced against an infringer, as well as the risk of penalties and even criminal prosecution.²⁷² But not all off-label recommendations are illegal.²⁷³ A licensed physician is permitted to use discretion to prescribe a drug for off-label indications, other than those

267. *Erva Pharms.*, 755 F. Supp. at 40.

268. *Id.* at 39 n.1. See generally Iver P. Cooper, “Unclean Hands” and “Unlawful Use in Commerce”: Trademarks Adrift on the Regulatory Tide, 71 TMR 38 (1981) (discussing the history of the evolution of the lawful use in commerce doctrine from the common law doctrine of unclean hands).

269. *Alberty Food Prods. Co. v. United States*, 185 F.2d 321, 322, 325–26 (9th Cir. 1950).

270. *Id.* at 325.

271. The term “off-label” originates with the requirements of the FD&C Act of 1938, which requires drug manufacturers to label their products with directions and warnings. Federal Food, Drug and Cosmetic Act, ch. 675, § 502(f)(1)–(2), 52 Stat. 1040, 1051 (1938) (codified as amended at 21 U.S.C. § 352(f)(1)–(2) (2012)). The goal of regulations interpreting this early act were to assure safety, accuracy, and education of consumers and prescribers. Steven R. Salbu, *Off-Label Use, Prescription, and Marketing of FDA-Approved Drugs: An Assessment of Legislative and Regulatory Policy*, 51 FLA. L. REV. 181, 186–87 (1999). All other uses of a drug beyond those approved by the FDA are considered “off-label.” William L. Christopher, *Off-Label Drug Prescription: Filling the Regulatory Vacuum*, 48 FOOD & DRUG L.J. 247, 248 (1993).

272. See, e.g., *United States v. Caronia*, 576 F. Supp. 2d 385, 388 (E.D.N.Y. 2008), *vacated*, 703 F.3d 149, 152 (2d Cir. 2012); *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 40 (D.P.R. 1991).

273. *Caronia*, 576 F. Supp. 2d at 393 (citing *Wash. Legal Found. v. Henney*, 202 F.3d 331, 332–33 (D.C. Cir. 2000)).

indications for which the FDA approved the drug.²⁷⁴ The manufacturer, or its agent, however, is not permitted to market, advertise, or promote that product for the off-label use, but this raises the question of whether an agent of the manufacturer, who is also a licensed physician, can recommend off-label uses of its employer's drugs without violating the FD&C Act.²⁷⁵ Generally, marketing off-label uses is a violation of the FD&C Act regardless of what instructions the agents provide for its off-label use.²⁷⁶ One manufacturer's conduct in promoting its product for off-label indications has even resulted in a claim against it for violations of the Racketeer Influenced and Corrupt Organizations Act.²⁷⁷ The FD&C Act prohibits introducing any drug that is misbranded into interstate commerce.²⁷⁸

In *United States v. Caronia*, an agent of a drug manufacturer asserted as a defense to criminal charges brought against him that regardless of whether the drug was recommended by him for off-label indications, it was to be administered in exactly the same manner and in the exact dosages as if for the permitted purpose of the drug.²⁷⁹ The court held this defense to be "utterly without merit," ruling that the promotion of a drug for off-label usage by a manufacturer or its agent is prohibited regardless of the instructions provided for the off-label use.²⁸⁰

B. Promotional Activities of Drugs as Constitutionally Protected Speech

Alfred Caronia invoked, as one prong of his defense against the criminal charges brought against him arising from his off-label promotion of his employer's drug, that his efforts to promote the drug for off-label use, even though he was not a physician, was commercial speech and entitled to constitutional protection.²⁸¹ Arguably, this defense to a criminal charge for violation of the FD&C Act, if successful, might form the basis of a defense to allegations that the mark's owner engaged in unlawful activities using its mark and should not be permitted to enforce its

274. *Id.*

275. *See id.*

276. *Id.* at 392 (citing Decision in *Washington Legal Foundation v. Henney*, 65 Fed. Reg. 14286, 14286 (Mar. 16, 2000)).

277. *See In re Actimmune Mktg. Litig.*, 614 F. Supp. 2d 1037, 1046 (N.D. Cal. 2009) (citing 18 U.S.C. § 1962(c), (d) (2012)); *see also* 15 U.S.C. § 1051 (2012).

278. 21 U.S.C. §§ 331, 352 (2012); *see also* *Kordel v. United States*, 335 U.S. 345, 347 (1948).

279. 576 F. Supp. 2d at 391–92.

280. *Id.* at 392 (citing Decision in *Washington Legal Foundation v. Henney*, 65 Fed. Reg. at 14268).

281. *Caronia*, 576 F. Supp. 2d at 395–96; *see also* Christopher, *supra* note 271; Salbu, *supra* note 271.

trademark rights.²⁸² If Mr. Caronia had been a licensed physician, he might have asserted, as a defense, that this promotion of the drug for off-label use constituted scientific and academic speech and implicated his core First Amendment rights, deserving of the highest constitutional protections and strict scrutiny.²⁸³ He was not a physician, and the defense failed.²⁸⁴

Commercial speech is protected to a lesser degree than academic speech; to be accorded any level of protections the speech must first be classified as commercial.²⁸⁵ The courts have developed a three-part test to apply to speech to determine whether it is protected from government regulation.²⁸⁶ They inquire (1) whether the speech sought to be protected is an advertisement, (2) whether that speech refers to a specific product, and (3) whether the speaker's motivation is monetary.²⁸⁷ Where the speech proposes a commercial transaction, it is commercial speech, which includes speech from a drug representative to a doctor that is intended to drive sales of the drug as well as written promotions of products.²⁸⁸

If the speech is classified as commercial speech, a court will next analyze whether, and to what extent, the speech is protected, applying a four-part test articulated in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*.²⁸⁹ If the speech is misleading or concerns unlawful activity, the speech is not protected, and the analysis ends.²⁹⁰ If the speech is neither misleading nor concerns unlawful activity, the query is (1) whether the asserted government interest is substantial, (2) whether the restrictions directly advance the government interest asserted, and (3) whether the restriction on speech is no more extensive than necessary to serve that interest.²⁹¹ It is the government's burden to establish that each of the last three requirements are met, although if this defense was raised by a would-be infringer, it would appear to be the

282. See *Erva Pharms.*, 755 F. Supp. at 40.

283. See *Keyishian v. Bd. of Regents*, 385 U.S. 589, 603–04 (1967) (citing *NAACP v. Button*, 371 U.S. 415, 438 (1963)).

284. *Caronia*, 576 F. Supp. 2d at 402.

285. See *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 64–65 (1983) (citing *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of N.Y.*, 447 U.S. 557, 562–63 (1980)).

286. *Id.* at 66–68.

287. *Id.* at 66–67 (first citing *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 265–66 (1964); then citing *Associated Students for Univ. of Cal. at Riverside v. Attorney General*, 368 F. Supp. 11, 24 (C.D. Cal. 1973); and then citing *Bigelow v. Virginia*, 421 U.S. 809, 818 (1975)).

288. See *Wash. Legal Found. v. Friedman*, 13 F. Supp. 2d 51, 64 (D.D.C. 1998) (citing *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976)).

289. 447 U.S. 557, 566 (1980).

290. See *id.*

291. *Id.*

defendant's burden to establish that the restriction does not advance the government's interests and that even if it does, it is more restrictive than necessary to advance that interest.²⁹²

The court analyzed defendant Caronia's conduct against the standard imposed in *Central Hudson*, and held as a threshold matter that the promotion of the drug for off-label purposes was neither misleading nor involving unlawful activity.²⁹³ This holding may appear counterintuitive; however "[t]he proper inquiry is not whether the speech violates a law or a regulation, but whether the conduct that the speech promotes violates the law."²⁹⁴ For speech to be misleading, it must be "inherently misleading," that is to say, that the speech is "more likely to deceive the public than to inform it."²⁹⁵

Mr. Caronia's communication, not being found to involve unlawful or deceptive activity, was held to be protectable, and the court's analysis of whether his speech was in fact protected under the First Amendment advanced to the analysis of the final three factors articulated in *Central Hudson*.²⁹⁶ The government, it was held, had a substantial interest in promoting the health and safety of its citizens, and to further that interest had a substantial interest in requiring drug manufacturers, through regulation, to obtain permission, or approval, for all uses of a drug it intended to promote.²⁹⁷

Restricting the manufacturers' promotions of off-label uses for drugs not approved for such purposes directly served the substantial government interest in requiring drug manufacturers to submit supplemental applications to the FDA for approval of new uses.²⁹⁸

It is clear that manufacturers have incentives to circumvent subsequent approval requirements, but one wonders what incentives they have to obtain them? For a brand-new drug, the incentive is simple: the pharmaceutical company cannot manufacture or introduce the drug into interstate commerce without FDA approval. However, the drugs subject to off-label prescriptions are *already* in interstate commerce, so the obvious restriction on conduct is unavailable. Therefore, one of the few mechanisms available to FDA to compel manufacturer behavior is to constrain their marketing options; i.e. control the labeling, advertising

292. *Edenfield v. Fane*, 507 U.S. 761, 770–71 (1993) (quoting *Bolger*, 463 U.S. at 71 n.20) (citing *Zauderer v. Off. Disciplinary Counsel Sup. Ct. of Ohio*, 471 U.S. 626, 648–49 (1985)).

293. *United States v. Caronia*, 576 F. Supp. 2d 385, 397–98 (E.D.N.Y. 2008), *vacated*, 703 F.3d 149, 152 (2d Cir. 2012).

294. *Wash. Legal Found. v. Friedman*, 13 F. Supp. 2d 51, 66 (D.D.C. 1998).

295. *Cent. Hudson*, 447 U.S. at 563.

296. *Caronia*, 567 F. Supp. 2d at 397–98.

297. *Id.* at 398 (citing *Friedman*, 13 F. Supp. 2d at 69–71).

298. *Id.*

and marketing.²⁹⁹

The restrictions imposed under the FD&C Act, which the government alleged were violated when Mr. Caronia promoted off-label uses of his employer's drug, were held to be an activity that directly advanced the government's interest in promoting health and safety by subjecting off-label drugs to the FDA's process of evaluation.³⁰⁰ Nor were these FDA restrictions more extensive than was necessary to advance the government's interest.³⁰¹ The court found compelling the decision in *United States v. Caputo*,³⁰² which held that the First Amendment challenge to off-label restrictions "strikes at the heart of the FDA's ability to proscribe manufacturer promotion of off-label use."³⁰³ The court held the restrictions were enforceable and that Caronia's speech could be restricted by the misbranding provisions of the FD&C Act.³⁰⁴ The purpose of the FD&C Act, the court ruled in *United States v. Diapulse Manufacturing Corp.*, is to protect the consumer.³⁰⁵

V. UNCLEAN HANDS AND UNLAWFUL USES

Before the doctrine of "unlawful use in commerce" was employed as an affirmative defense to infringement, or a bar to registration, the courts and litigants wrestled with the doctrine of unclean hands in terms of how and whether it would be applied as a defense to allegations of trademark infringement.³⁰⁶ In *Dessert Beauty*, the court was direct and painted in broad strokes regarding the unclean hands and trademark use of a mark by a plaintiff claiming its mark had been infringed.³⁰⁷ Citing *Erva Pharmaceuticals*, the court held that the unlawful use defense to trademark infringement has its origin in the unclean hands defense.³⁰⁸ However, the *Dessert Beauty* court declined to order cancellation of the defendant's mark, holding that "there remain[ed] issues of fact as to whether actual violations occurred, and because the violations that are

299. *Friedman*, 13 F. Supp. 2d at 72 (citing 21 U.S.C. § 355(a) (2012)).

300. *Caronia*, 567 F. Supp. 2d at 398.

301. *See id.* at 398–401.

302. *See id.* at 401 (quoting *United States v. Caputo*, 288 F. Supp. 2d 912, 922 (N.D. Ill. 2003)).

303. *Caputo*, 288 F. Supp. 2d at 922.

304. *Caronia*, 567 F. Supp. 2d at 401.

305. 269 F. Supp. 162, 165 (D. Conn. 1967).

306. *See, e.g., Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 190 (S.D.N.Y. 2007); *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 40 (D.P.R. 1991); *Manhattan Med. Co. v. Wood*, 108 U.S. 218, 227 (1883).

307. 617 F. Supp. at 190 (first citing *Erva Pharms.*, 755 F. Supp. at 40; and then citing *General Mills Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d (BNA) 1270, 1274 (T.T.A.B. 1992)).

308. *Id.* (citing 755 F. Supp. at 39 n.1).

presently discernible may not be material.”³⁰⁹ Because the alleged violation was of a technical nature which may later be corrected, the court believed that cancellation of the mark would be “too harsh a punishment for the violation in question.”³¹⁰

Writing on unclean hands, Professor Ivan P. Cooper wrote in 1981 that, traditionally, courts of chancery or equity protected the rights of trademark owners.³¹¹ To obtain equity, the trademark plaintiff was required to have clean hands—or at least it should not appear before the court with unclean hands.³¹² Misrepresentations of product attributes by using its trademark to do so would subject the mark’s owner to a claim of unclean hands.³¹³

In three early decisions involving trademarks, their enforcement, and their legitimacy, the U.S. Supreme Court addressed the unclean hands doctrine.³¹⁴ In two of these decisions, the Court refused to enforce trademark rights when it concluded, or affirmed the decisions of lower courts, that the mark’s owners acted in an unlawful or deceitful fashion.³¹⁵

In *Manhattan Medicine Co. v. Wood*, the Supreme Court held that untruthful promotional statements concerning the identity of a drug’s manufacturer and place of its manufacture were material misrepresentations to the public, and that the owner’s rights to enforce its trademark against a would-be infringer were barred as a result.³¹⁶ Holding that the continued use of the original inventor’s name and original place of locale were held to be of commercial importance in promotion of the product, the Court ruled “the right to use the words mentioned as a trade-mark was forfeited absolutely by the assignor’s misrepresentations as to the manufacture of the article.”³¹⁷ These statements, the Court ruled, could no longer be used by the assignee manufacturer with any honest purpose when both claims ceased to be true.³¹⁸

In the second decision of the Supreme Court dealing with trademark enforcement and untruthful claims made by a manufacturer about the

309. *Id.* at 194.

310. *Id.* at 193–94.

311. Cooper, *supra* note 268.

312. *Id.*

313. *Id.*

314. See *Coca-Cola Co. v. Koke Co. of Am.*, 254 U.S. 143, 145 (1920); *Worden v. Cal. Fig Syrup Co.*, 187 U.S. 516, 535 (1903); *Manhattan Med. Co. v. Wood*, 108 U.S. 218, 224–25 (1883).

315. *Worden*, 187 U.S. at 539–40; *Manhattan Med.*, 9 U.S. at 227.

316. 108 U.S. at 222, 227.

317. *Id.* at 222.

318. *Id.*

contents of its medicine, the Court held that these untruthful claims deprived the manufacturer of its rights to enforce its trademark.³¹⁹ In *Worden v. California Fig Syrup Co.*, the product at issue, an over-the-counter medicine or elixir, was labeled as a “Syrup of Figs,” and its carton depicted a picture of a fig branch and leaves, reinforcing to consumers and would-be consumers created by the product’s name.³²⁰ However, there were no figs in the product, and the court considered the manufacturer’s claim false.³²¹ This conclusion would have likely been the result if the claim had been challenged one hundred years later under 15 U.S.C. § 1125(a), or under applicable provisions of the FTC Act.³²²

In the Supreme Court decision *Coca-Cola Co. v. Koke Co.*, Coca-Cola fared better when it sought to enforce its trademark rights against Koke.³²³ The defendant in that action asserted that because of Coca-Cola’s unclean hands, Coca-Cola should be barred from enforcing its trademark rights.³²⁴ The Court declined to agree with Koke that the Coca-Cola mark and a coca leaf design on the label falsely represented to the public that Coca-Cola contained cocaine primarily because Coca-Cola had engaged in a corrective advertising campaign to alert consumers that although its product once contained cocaine, it no longer did.³²⁵

VI. EQUITY BARS ENFORCEMENT OF COMMON LAW MARKS

Trademark rights can be established under both or neither of the common law and the Federal Lanham Act.³²⁶ There is no need to register marks with the USPTO to establish rights under the common law; use of the mark in commerce will establish these rights.³²⁷ Just as the use of the mark in commerce is necessary to establish common law right, use of the mark in interstate commerce is a prerequisite to the registration of the mark with the USPTO and obtaining the enhanced benefits of registration.³²⁸

In each case brought in the TTAB to challenge trademark rights due

319. *Worden*, 187 U.S. at 540.

320. *Id.* at 533–34.

321. *Id.* at 533.

322. *See* 15 U.S.C. §§ 41–58, 1125(a) (2012); *Worden*, 187 U.S. at 539.

323. 254 U.S. 143, 144 (1920).

324. *Id.* at 145.

325. *Id.* at 146–47.

326. *Fla. Breckenridge, Inc. v. Solvay Pharms., Inc.*, 174 F.3d 1227, 1232 (11th Cir. 1999) (quoting *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982)) (citing *Knights of the Ku Klux Klan v. Strayer*, 34 F.2d 432, 434 (3d Cir. 1929)).

327. *Trade-Mark Cases*, 100 U.S. 82, 94 (1879).

328. *Christian Faith Fellowship Church v. Adidas AG*, 841 F.3d 986, 989 (Fed. Cir. 2016) (citing 15 U.S.C. § 1051(a)(3)(C) (2012)).

to claims that the marks had been unlawfully used in commerce, the marks at issue were registered with the USPTO under the Lanham Act, or registration was sought.³²⁹ Although courts have adopted the USPTO's doctrine of unlawful use in commerce as a bar to enforcement,³³⁰ and the USPTO's TTAB always dealt with marks registered, or seeking registration, with the USPTO, there should be no good basis for a court to reject the petition, or a counter claim to a suit for infringement, for which the enforcement of a common law mark is at issue due to its unlawful use in commerce.³³¹

In nearly every modern case in which a trademark infringement defendant raised the defense of unlawful use in commerce, the marks at issue had been registered with the USPTO under the Lanham Act.³³² This defense, however, should not solely apply to unlawful use in commerce of marks that are registered. The grounds for a court's refusal to enforce common law marks against would-be infringers arises from the doctrine of unclean hands and reaches back at least as far back as nineteenth century jurisprudence.³³³ For example, in *Manhattan Medicine*, the Supreme Court was confronted with a suit in equity to restrain the defendant from using the plaintiff's mark on the defendant's patented medicine.³³⁴ The suit alleged that the plaintiff's medicine "was first invented and put up for sale about twenty-five years ago by one Dr. Moses Atwood, formerly of Georgetown, Massachusetts"³³⁵

The plaintiff had misrepresented not only where, but by whom the product had been created:

It is sufficient for the disposition of the case, that the misrepresentation has been continued by the complainant. A court of equity will extend no aid to sustain a claim to a trade-mark of an article which is put forth with a misrepresentation to the public as to the manufacturer of the ar-

329. See, e.g., *In re Midwest Tennis & Track, Co.*, 29 U.S.P.Q.2d (BNA) 1386, 1386 (T.T.A.B. 1993) (citing 15 U.S.C. §§ 1051, 1127 (2012)); *Clorox Co. v. Armour-Dial, Inc.*, 214 U.S.P.Q. (BNA) 850, 851 (T.T.A.B. 1982); *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BNA) 958, 958-60 (T.T.A.B. 1981); *In re Pepcom Indus., Inc.*, 192 U.S.P.Q. (BNA) 400, 400 (T.T.A.B. 1976); *In re Stellar Int'l, Inc.*, 159 U.S.P.Q. (BNA) 48, 48 (T.T.A.B. 1968).

330. E.g., *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th Cir. 2007).

331. See, e.g., *Boston Dental Grp., LLC v. Affordable Care, LLC*, No. 2:16-cv-01636-RFB-CWH, 2018 U.S. Dist. LEXIS 53477, at *18 (D. Nev. Mar. 29, 2018).

332. *Id.* at *4-5.

333. See *Manhattan Med. Co. v. Wood*, 108 U.S. 218, 227 (1883) (holding that the misrepresentation to the public as to the source of the product barre relief for trademark infringement).

334. *Id.* at 222.

335. *Id.* at 218.

ticle, and as to the place where it is manufactured, both of which particulars were originally circumstances to guide the purchaser of the medicine.³³⁶

Refusing to enforce the plaintiff's trademark rights, the Court evoked the equitable maxim: "Those who come into a court of equity, seeking equity, must come with pure hands and a pure conscience. If they claim relief against the frauds of others, they must themselves be free of the imputation."³³⁷

In *Worden*, the Supreme Court declined a plaintiff's request that it prevented a competitor from employing the plaintiff's mark on a competing product.³³⁸ The basis for the Court's refusal to enjoin the defendant from the use of its mark was the use of printed labels that misled consumers into believing the petitioner's product contained fig syrup, which it did not.³³⁹ Referring and relying on principals of equity, the court held:

When the owner of the trade mark applies for an injunction to restrain the defendant from injuring his property by making false representations to the public, it is essential that the plaintiff should not in his trade mark, or in his advertisements and business, be himself guilty of any false or misleading representation³⁴⁰

Early decisions of circuit courts of appeal have decided trademark infringement cases in a fashion similar to the Supreme Court in *Worden* and *Manhattan Medicine*, where the plaintiffs' conduct has been raised as a defense to the wrongs alleged.³⁴¹ For example, the U.S. Circuit Court for the Sixth Circuit has held that the maker of a proprietary medicine made by access to a secret formula cannot prevent others from using its mark on similar products where it knowingly makes false and misleading statements about the ingredients of its product through its advertisements and labeling.³⁴² The basis for the court's refusal to enjoin the defendant's use of the plaintiff's mark was that the plaintiff "did not come into that court with clean hands, and therefore was not entitled to the relief it sought and that was granted to it."³⁴³

336. *Id.* at 222.

337. *Id.* at 227.

338. *Worden v. Cal. Fig Syrup Co.*, 187 U.S. 516, 539 (1903).

339. *Id.* at 530–31.

340. *Id.* at 528.

341. *See, e.g., Memphis Keeley Inst. v. Leslie E. Keeley Co.*, 155 F. 964, 965 (6th Cir. 1907).

342. *Id.* at 972, 974–75.

343. *Id.* at 965.

VII. LIMITATIONS ON THE DOCTRINE OF UNCLEAN HANDS

A trademark plaintiff suing to prevent infringement of its mark should expect that a defendant will assert the defense of unclean hands as an affirmative defense to the charge of infringement should the facts support the assertion. However, the doctrine of unclean hands pertains only to misdeeds that have an “immediate and necessary relation to the equity that [a plaintiff] seeks in respect of the matter in litigation.”³⁴⁴ In addition to generally asserting unclean hands as a defense to its actions, a trademark defendant should carefully evaluate whether the actions of the plaintiff regarding the use of its mark in some way violates or implicates a federal statute such as the FTC Act, the FD&C Act, the Lanham Act, or the various state statutes intended to protect consumers against the deceptive acts of advertisers and promoters of products, or a potential common law claim that the plaintiff is using its mark to engage in a deceptive practice.³⁴⁵

The doctrine of unclean hands, applied as a defense to trademark infringement, is not talismanic; that is to say that simply evoking any misrepresentation on behalf of the plaintiff, at any time, without more, will not prevail.³⁴⁶ In *Coca-Cola*, Justice Oliver Wendell Holmes, Jr., writing for the Court, held that even after Coca-Cola had removed cocaine from its list of recycled ingredients, calling its product Coke, or Coca-Cola, was not a sufficient enough misrepresentation so as to lose its rights to protect its mark against infringement.³⁴⁷ Coca-Cola had long advertised to the public the removal of the cocaine intoxicant, and the Court found it was unlikely any number of customers would be misled by the product’s name.³⁴⁸ The Court held that the plaintiff’s position must be judged based on the facts that existed when the suit was brought, not based upon facts that existed fifteen years earlier.³⁴⁹ The Court also distinguished Coca-Cola as a popular drink from a medicine.³⁵⁰

However, the TTAB’s position will differ with the clean hands interpretation of the Supreme Court in *Coca-Cola*. The lawful use in commerce defense, or doctrine, is more stringent than the unclean hands doctrine in that a trademark registrant who corrects its false labeling or misleading claims before filing suit would still lose its rights under the Lanham Act if its use at the time it sought registration failed to comply

344. *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933).

345. *See* discussion *supra* Section II.B.

346. *See Coca-Cola Co. v. Koke Co. of Am.*, 254 U.S. 143, 146–47 (1920).

347. *Id.*

348. *Id.*

349. *Id.* at 147.

350. *Id.* at 146.

with requirements imposed by federal law or regulation.³⁵¹ This is because at the time it sought registration, it could not meet the lawful use in commerce requirement.³⁵² It would not necessarily follow that subsequent lawful use would not have accorded the mark's owner common law rights in the mark.³⁵³ As in the *Coca-Cola* decision, a court would need to determine whether the acts complained of had sufficiently corrected, how much time had elapsed between the last unlawful act and the effort to enforce the mark, and other matters that would impact equity and clean hands.³⁵⁴ However, loss of the presumption of registration would be meaningful regarding certain evidentiary issues.³⁵⁵

The trademark plaintiff's fault, or violation of law, must be relevant to the remedy sought by the defendant.³⁵⁶ Indeed, unclean hands applies only when there is a nexus between the bad acts of a party seeking relief and the activities that party seeks to be enjoined by the court.³⁵⁷

District courts have wide discretion in determining whether they will provide relief to a party who the other accused of unclean hands.³⁵⁸ It is critical that a party establish to the court's satisfaction that the conduct of the party alleged to have unclean hands arose in connection with, or was involved in, the subject matter of the other party's claims.³⁵⁹ Taking this requirement a bit farther, the court in *Highmark, Inc. v. UPMC Health Plan, Inc.*, held that "[t]he equitable doctrine of unclean hands applies when a party seeking relief has committed an unconscionable act immediately related to the equity the party seeks in respect to the litigation."³⁶⁰ The nexus requirement between the subject of misconduct and the other party's conduct must be close.³⁶¹ "[C]ourts do not apply the unclean

351. See Cooper, *supra* note 268.

352. See *id.*

353. See *id.*

354. See *Coca-Cola*, 254 U.S. at 145–46.

355. 15 U.S.C. § 1072 (2012) (providing that registration of a mark "shall be constructive notice of the registrant's ownership").

356. Shondel v. McDermott, 775 F.2d 859, 868 (7th Cir. 1985) (quoting Zechariah Chafee, Jr., *Coming into Equity With Clean Hands*, 47 Mich. L. Rev. 1065, 1092 (1949)); see also *Youngs Rubber Corp. v. C. I. Lee & Co.*, 45 F.2d 103, 110 (2d Cir. 1930).

357. *Dyson, Inc. v. Sharkninja Operating, LLC*, 259 F. Supp. 3d 816, 836 (N.D. Ill. 2017) (quoting *Intertek U.S., Inc. v. AmSpec, LLC*, No. 14 CV 6160, 2014 U.S. Dist. LEXIS 127120, at *21 (N.D. Ill. Sept. 11, 2014)).

358. *Merisant Co. v. McNeil Nutritionals, LLC*, 515 F. Supp. 2d 509, 530 (E.D. Pa. 2007) (citing *Haft v. Dart Grp. Corp.*, 841 F. Supp. 549, 577 (D. Del. 1993)).

359. *Merisant*, 515 F. Supp. 2d at 530–31 (quoting *Ciba-Geigy Corp. v. Bolar Pharm. Co.*, 747 F.2d 844, 855 (3d Cir. 1984)).

360. 276 F.3d 160, 174 (3d Cir. 2001) (citing *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933)).

361. *Diamond Triumph Auto Glass, Inc. v. Safelite Glass Corp.*, 441 F. Supp. 2d 695, 709 n.10 (M.D. Pa. 2006) (quoting *Highmark*, 276 F.3d at 174).

hands doctrine just because plaintiffs have engaged in *some* inequitable conduct; rather, the inequitable conduct identified by the defendant must evince a very close nexus to the defendant's own misconduct that initially gave rise to the suit.³⁶²

Unlawful use in commerce has been found where there has been a per se violation of a statute regulating the sale of a party's goods.³⁶³ The party asserting unlawful use in commerce must prove the non-compliance by clear and convincing evidence.³⁶⁴ The party asserting unlawful use also "must prove that the noncompliance was material, i.e., that it was of such gravity and significance that the usage must be considered unlawful."³⁶⁵

In *Boston Dental*, the district court held: "[o]nly material unlawful use may cause the loss of trademark protection. For unlawful use to be considered material, it must be 'of such gravity and significance that the usage [of the mark] . . . as a matter of law, [can] create no trademark rights.'"³⁶⁶ In addition to materiality, trademark protection might not be withheld because the plaintiff seeking to enforce its rights engaged in unlawful conduct that is merely collateral, that is to say, where there is an insufficient nexus between the alleged unlawful behavior and the use of the mark in commerce.³⁶⁷

CONCLUSION

Many trademarks are extremely valuable; to retain their value they must be protected against infringement through enforcement activities that could range from sending a cease and desist use letter to filing suit for infringement under federal or state law.³⁶⁸ Yet, in some instances the rights asserted by the owners of some trademarks may not be protectable despite the assertions of their owners, and even despite the existence of federal registrations. Both registered and common law marks that would appear commercially and conceptually strong and enforceable sometimes

362. *Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P.*, 292 F. Supp. 2d 594, 610 (D.N.J. 2003) (citing *Highmark*, 276 F.3d at 174).

363. *Erva Pharms., Inc. v. Am. Cyanamid Co.*, 755 F. Supp. 36, 40 (D.P.R. 1991) (quoting *Satinine Societa in Nome Collettivo di S.A. e M. Usellini v. P.A.B. Produits et Appareils de Beaute*, 209 U.S.P.Q. (BNA) 958, 964 (T.T.A.B. 1981)).

364. *General Mills, Inc. v. Health Valley Foods*, 24 U.S.P.Q.2d (BNA) 1270, 1274 (T.T.A.B. 1992).

365. *Dessert Beauty, Inc. v. Fox*, 617 F. Supp. 2d 185, 190 (S.D.N.Y. 2007) (emphasis omitted) (citing *General Mills*, 24 U.S.P.Q.2d (BNA) at 1274).

366. *Boston Dental Grp., LLC v. Affordable Care, LLC*, No. 2:16-cv-01636-RFB-CWH, 2018 U.S. Dist. LEXIS 53477, at *18 (D. Nev. Mar. 29, 2018) (second and third alterations in original) (quoting *S. Cal. Darts Ass'n v. Zaffina*, 762 F.3d 921, 931 (9th Cir. 2014)).

367. *Id.*

368. See discussion *supra* Section A.

are determined to be not enforceable on the grounds that the mark was used unlawfully in commerce and never did acquire trademark rights, or that the mark owner failed to use its mark with clean hands.³⁶⁹

Marks associated with their owners' unlawful use in commerce, whether in violation of a federal statute, or in violation of the common law, may be left unprotected against infringement by competitors. This can occur when a competitor properly asserts, as an affirmative defense to their acts of infringement, that because of the unlawful use of the mark, or the conduct of the owner associated with the mark, the mark has never developed trademark rights, or having developed rights, the mark has become unenforceable.³⁷⁰

Threats of enforcement can result in an action brought by a would-be defendant for a declaratory judgment that the designation has not developed trademark rights and the rights that would otherwise be associated with it are unenforceable.³⁷¹ Likewise, a person threatened with an infringement action by the owner of a work registered with the USPTO could bring an action for cancellation if the registration was based on use in commerce that was illegal or unlawful. Such a finding by the TTAB would be binding on any trial court.³⁷²

A mark's owner must be vigilant to assure that its conduct, whether labeling under the FD&C Act, or its advertised claims of superiority over a competitor's products, are not unlawful. If an owner's conduct is unlawful and a nexus exists between the conduct and the mark, the result can be an affirmative defense to the action as well as a counterclaim, or an action in the TTAB, seeking cancellation of a mark's registration and a ruling that there are no enforceable rights associated with the use of the mark.³⁷³

369. See discussion *supra* Section II.A.

370. See discussion *supra* Part IV; see also discussion *supra* Section II.A.

371. See discussion *supra* Part IV.

372. See discussion *supra* Part III.

373. See discussion *supra* Part IV.