INTRODUCTION

Long before the Lanham Act was enacted in 1946 to govern federal trademark registration, state laws and judge-made common law held that trademark rights vested only when a mark was “used in trade.” The term “use,” of course, was laden with ambiguity, but it was widely agreed that use in trade meant actual sale of goods or services associated with the mark.

So, the moment of first actual sale was the single most important moment in the life of a mark. The user who made that first sale of goods with the mark attached could claim priority in the mark over any subsequent user. While this rule has generally served trademark law well, there has been friction around the edges. Who should claim priority in a mark, for example, when someone accepts a large number of orders for a new product, but before those orders have been filled someone else makes a complete sale of a product bearing the same mark? Yet, even after federal trademark law all but eviscerated common law trademarks, the substance of the common law actual use requirement remained. And a corollary rule
developed that advertising or promotional activities alone, however extensive, do not constitute a use in commerce. [8]

Two recent decisions, [9] however, have signaled a shift away from the traditional rule, adopting new standards that allow advertising and promotional activities to suffice as uses in commerce well before the goods or services are available on the market. This Note examines this trend and concludes that a blanket rule that allows advertising and similar pre-sales activity to satisfy much or all of the use requirement could undermine several important trademark law principles.

Part I of this Note provides an overview of the law regarding the definition of “use.” Part II examines two recent cases that have threatened a significant shift in the use-in-commerce requirement. Part III considers possible reasons for this shift, and the impact this shift could have on the future of trademark law. It concludes that the shift could undermine trademark law principles by obscuring the traditional “bright-line” use-in-commerce rule and by favoring wealthier users with more marketplace “muscle.”

I. “USE IN COMMERCE”

A. Common Law Trademark Rights

In order to obtain common law rights in a trademark, the prospective rights holder must establish that it actually used the mark; [10] unlike many civil law systems, US law does not grant trademark rights based on registration. [11] The theory is that
actual use provides conclusive evidence that a mark has made an impact on the relevant purchasing public.\textsuperscript{[12]} This reflects the broader, prevailing\textsuperscript{[13]} theory of trademark law that protecting trademarks is a way of protecting consumer expectations regarding the source of goods bearing a particular mark.\textsuperscript{[14]} Thus, exclusive trademark rights are granted largely because a proliferation of similar marks would lead to consumer confusion. Indeed, under federal trademark law today the vital criterion for infringement of a trademark is the likelihood that consumers will confuse two similar marks.\textsuperscript{[15]} Accordingly, a showing of first actual use gives a trademark holder priority in the mark over any subsequent user of that mark.\textsuperscript{[16]}

\textit{B. Use Requirement under Federal Law}

Federal registration under the Lanham Act does not obliterate the prior existing common law rights of an unregistered trademark user, nor does it supplant the common law actual use requirement.\textsuperscript{[17]} Actual use of a mark in commerce is a prerequisite to federal registration also.\textsuperscript{[18]} However, one may effectively reserve a mark prior to actual use by filing an intent-to-use (“ITU”) application in the US Patent and Trademark Office (“PTO”), provided that the applicant actually uses the mark within a specified period of time.\textsuperscript{[19]} It is worth pausing to note that the Lanham Act requires that the mark be use “in commerce” to be eligible for federal registration.\textsuperscript{[20]} The Commerce Clause of the Constitution\textsuperscript{[21]} is
the source of the term “commerce”; requiring that the use be in commerce enabled Congress enact the statute under its federal commerce power.\textsuperscript{[22]} Thus, the origins of the use-in-commerce requirement were traditionally quite distinct from the common-law use-in-trade” requirement for acquisition of trademark rights, and the cases and the Act now incorporate into the term “use in commerce” both the use-in-commerce requirement and the traditional use-in-trade requirement.\textsuperscript{[23]}

Because use is a prerequisite to owning trademark rights, the question of what constitutes use is paramount. For a period of time before the 1970s, courts allowed “token” use of a mark to fulfill the use requirement.\textsuperscript{[24]} That is, even nominal use, such as making a few sales of a product in one location in order to reserve the mark, or sending samples of the product to an affiliate in another state, would satisfy the use requirement.\textsuperscript{[25]} That trend, however, gave way to the now universally held view that there must be a “bona fide use” in commerce in order to establish the use requirement for acquiring rights.\textsuperscript{[26]}

The case law has given only the most general guidance regarding what currently constitutes use in commerce. Use in commerce must involve more than a nominal number of bona fide transactions with the relevant customer base.\textsuperscript{[27]} It is not clear how many transactions are required before the sales are considered not nominal, nor is it always clear who comprises the relevant customer base. Courts have held, however, that even a single bona fide sale to consumers is sufficient to satisfy the
Most likely, a single standard cannot apply to all situations, and these issues will always be determined case by case.

Certainly, however, literal adherence to the first-use-in-commerce rule opens the door to some difficult problems. Consider a situation in which a large company publicly announces a forthcoming product months before the product is actually available for sale. Assume further that the company has failed to file a federal ITU application. Another person could satisfy the use requirement by hearing the announcement and then quickly affixing the announced product name onto a product of his own and immediately placing that product into the stream of commerce. Note that the bona fide use requirement (which developed in case law until it was incorporated into the Lanham Act in 1989) refers to actual sales in commerce as opposed to token use, and not to whether the mark itself was acquired in bad faith.

C. The Doctrine of Use Analogous to Trademark Use

Courts have developed the doctrine of analogous use in cases where strict adherence to the first use rule would lead to a result that is unfair or contravenes fundamental trademark principles. The doctrine allows limited protection for pre-sales activity that falls short of actual use sufficient for federal registration but that has already created an association
in the public’s mind between the goods and the source. Thus, while courts have routinely held that advertising alone does not constitute a use in commerce, advertising may be sufficient to oppose subsequent users if the public associates the initial user with the mark.

II. STRETCHING “USE” TOO FAR?: LUCENT AND PAC-TEL

Two fairly recent federal court decisions, Lucent Information Management, Inc. v. Lucent Technologies, Inc. and Chance v. Pac-Tel, appear to expand the use requirement well beyond traditional notions. In essence, these cases have opened the door for advertising and promotion to become proxies for actual use in commerce.

A. The Third Circuit’s Decision in Lucent

During the summer of 1995, the plaintiff in Lucent formed a small corporation called Lucent Information Management ("LIM") to sell software and hardware used in document imaging and management. In September 1995, LIM sent a one-page letter to approximately fifty people announcing the creation of LIM and describing the services offered. In October 1995, LIM made its first sale, for which it earned $323.50, when it installed a modem for a customer, using the name Lucent Information Management on the invoice and listing the corporate address. During the rest of 1995 and the beginning of 1996, LIM attempted
to attract new customers by making twelve sales presentations in several states. On February 16th, 1996, LIM made a second sale by entering into a service agreement with a bank.[38]

Meanwhile, on November 30, 1995, AT&T spin-off Lucent Technologies, Inc. ("LTI") filed an ITU application with the PTO for the mark “Lucent” in connection with telecommunications and computer-related goods and services. LTI filed this application even in light of the fact that in November 1995 its trademark attorney had conducted searches that located companies using a mark identical or similar to “Lucent,” including LIM. On February 5, 1996, AT&T announced the creation of LTI in a national media campaign, and around that time mailed out more than 1 million announcements to potential customers. On April 29th, 1996, LIM applied to the PTO to register the name “Lucent” in connection with office and computer-related services.[39]

LIM sued LTI for infringement of its trademark, and the district court granted summary judgment in favor of LTI.[40] The Third Circuit held on appeal that LTI had not infringed because LIM never engaged in a use of the mark that was sufficient to establish common-law trademark rights. In reaching this decision, the court imported a four-factor “market penetration test” that it had previously developed in order to determine the territorial limits of trademark rights (the ownership of which had already been established). The four factors that the court considered were (1) the volume of sales of the trademark product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the
product in relation to the potential number of customers; and (4) the amount of product advertising in the area.\textsuperscript{[41]}

The court held that LIM’s trademark activity prior to LTI’s application for registration with the PTO failed to satisfy any of the four factors. LIM failed the first factor because the sale of a single modem was de minimus and not “‘sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark.’”\textsuperscript{[42]} After determining that LIM had not satisfied the first factor, it declined to consider the second factor because it could not analyze growth trends based on a single sale. Regarding the third factor, the court held that the one sale is minute when compared with the potential customers on either a local or national scale. The court noted with regard to the fourth factor that LIM had existed on the market for only a few months prior to LTI’s registration, had made only one sale, and had not advertised extensively in the regional or national markets. In effect, the court said, “LIM wants to protect its intention to create goodwill and a successful business, and not the goodwill and business itself.”\textsuperscript{[43]}

Lucent has been criticized for raising the bar of the use requirement because it held that a single use is not sufficient.\textsuperscript{[44]} A district court could also interpret Lucent, however, in a way that lowers the use requirement because the court gives no indication about how the test’s four factors should be weighed. Thus, if a mark user had zero sales in the first factor but a large amount of advertising activity and
expenditure in factor four, a district court could find that there was still sufficient market penetration to constitute use under the test.

B. The Ninth Circuit’s Decision in Chance

In Chance, the Ninth Circuit held that a mark user could acquire rights in the mark prior to any actual sales if the “totality of the circumstances” establish that the mark belongs to the user. In mid-1989, defendant Chance developed a lost-and-found service, which he called TeleTrak, that used identifier tags containing unique serial numbers. A tag would be affixed to an item, and if that item was lost the tag would instruct the finder to call a toll-free number and report the serial number on the tag.

By late summer 1989, Chance had obtained a toll-free number and a mail drop, and had developed a business plan. In October 1989, Chance paid to have a postcard advertising his TeleTrak service included in a bulk mailing sent to thirty-five thousand locksmiths nationwide. This mailing produced 128 inquiries from locksmiths about the service, but no sales resulted.

A year earlier, in October 1988, plaintiff Pac-Tel began field testing a service that used radio signals to track lost or stolen vehicles; in June 1989, it chose the name Teletrac. In July 1989, Pac-Tel began a major public relations campaign designed to promote Teletrac, though it did not yet offer the service. This campaign involved distributing press releases and
giving interviews in major publications, as well as making presentations to prospective customers. Pac-Tel made its first sale of the service in April 1990, although that customer did not pay for the service until December of that year.\[48\]

Chance heard about Pac-Tel’s service in January 1991. In February 1990, Chance claimed, he sold a TeleTrak tag to a long-time friend. Chance produced at trial a typewritten registration form, dated February 23, 1990, that he had prepared for his friend in connection with the sale. But neither Chance nor his friend could provide any specifics about how the friend paid for the tag, how much he paid for the tag, or when he paid for the tag. In December 1990, Chance filed applications with the PTO claiming exclusive service mark rights in the name “Teletrak.”\[49\]

In 1992, Pac-Tel challenged Chance’s registration, claiming priority in the mark because Pac-Tel had used the mark in ways analogous to trademark use before Chance’s first claimed use (the October 1989 mailer).\[50\] The Trademark Trial and Appeal Board (“TTAB”) granted summary judgment in Pac-Tel’s favor because evidence of Pac-Tel’s pre-October 1989 promotional activities established that Pac-Tel’s use of the Teletrac mark was analogous to trademark use, giving Pac-Tel senior rights in the mark.\[51\] On appeal, the Federal Circuit overturned the TTAB’s entry of summary judgment,\[52\] finding that the facts did not support TTAB’s conclusion of analogous use because Pac-Tel had failed to show that its pre-October 1989 promotional activities sufficiently impacted the relevant public.\[53\] After
the Federal Circuit remanded the proceedings, Chance moved to suspend the proceedings and instituted an infringement action in the Central District of California.\textsuperscript{[54]}

The district court granted summary judgment in favor of Pac-Tel. The court concluded that Chance’s sale in February 1990 was not a bona fide use in commerce, and that Pac-Tel’s first use occurred with its first sale in April 1990.\textsuperscript{[55]} Interestingly, the district court did not decide the case based on analogous use, which was the primary issue in the Federal Circuit appeal. Instead, the court decided that Pac-Tel had made first actual use of the mark.\textsuperscript{[56]}

On appeal, the Ninth Circuit also expressly decided the case based on first use rather than analogous use.\textsuperscript{[57]} Using a “totality of the circumstances test,”\textsuperscript{[58]} the Ninth Circuit went a step further than the district court and held that Pac-Tel’s pre-sales promotional activities, taken cumulatively, constituted actual first use of the mark.\textsuperscript{[59]} The court stated that a significant number of cases\textsuperscript{[60]} stand for the proposition that a use that creates in the public eye a significant association between a mark and the source of the goods is sufficient to satisfy the Lanham Act’s use-in-commerce requirement.\textsuperscript{[61]} Indeed, the court supplanted with the totality of the circumstances test all other standards for determining first use:

\textit{[W]e hold that the totality of the circumstances must be employed to determine whether a service mark has been adequately used in commerce so as to gain the protection of the Lanham Act. In applying this approach, the district}
courts should be guided in their consideration of non-sales activities by factors we have discussed, such as the genuineness and commercial character of the activity, the determination of whether the mark was sufficiently public to identify or distinguish the marked service in an appropriate segment of the public mind as those of the holder of the mark, the scope of the non-sales activity relative to what would be a commercially reasonable attempt to market the service, the degree of ongoing activity of the holder to conduct the business using the mark, the amount of business transacted, and other similar factors which might distinguish whether a service has actually been “rendered in commerce”.\(^6\)

III. **LUCENT, CHANCE, AND THE FUTURE OF USE IN COMMERCE**

Lucent and Chance portend a problematic departure from the traditional rule that ownership rights in a mark vest only when the mark is used in connection with the actual sale of goods or rendering of services. Although the Lucent and Chancetests\(^6\) are not substantially the same,\(^4\) they both open the door to a set of problems that potentially undermine some fundamental tenets of trademark law. First, the tests defeat the bright-line use rule in favor of murkier standards that, ironically, give judges less discretion than the traditional rule. Second, by making the threshold of use coterminous with a mark’s market impact (regardless of first actual sale), these tests ensure that the wealthier user with greater resources will usually beat out the smaller user.
A. Obscuring the Bright Line

There are compelling reasons why the actual first sale of goods or services in connection with a mark should establish ownership—or “senior user”—rights in that mark. Perhaps most important of these is that the traditional first sale doctrine establishes a common denominator—a bright-line event that courts and prospective users can look to to determine when, and in whom, ownership rights have vested.

The question of whether the Lucent and Chance decisions are positive or negative developments in trademark law really comes down to whether society is best served by a use requirement determined by application of a rule or a standard. Rules, like the traditional bright-line first-use-in-commerce rule, are generally lower in administrative and decision costs. That is, once the first sale date has been established, parties know which rights they have (or do not have) and can easily establish those rights conclusively. The fact finder in a dispute (which in the case of federally registered trademarks would be the PTO or a federal court) could in most cases determine easily when and in whom rights vested. Standards, on the other hand, rely greatly on the context of a given circumstance, often resulting in less ex ante predictability and higher decision costs.

A frequently mentioned downside to rules is that they are over- and underinclusive and are therefore more inflexible than standards. Inflexibility sometimes leads to inequities, so
rules require exceptions to avoid inequitable results. A rule that works most of the time, coupled with a back-door exception for rare cases in which inequities could result, sometimes allows for more judicial discretion than a standard.\[^{68}\]

In the trademark context, a fairly workable exception to the bright-line use-in-commerce rule already exists: the doctrine of analogous use. If the court believes on a given set of facts that the actual first sale is a legitimate determinant of priority, it will apply the general rule. But the judge can consider pre-sale activities in the very rare case in which a user rushes a product onto the market to usurp a competitor’s pre-sale promotional activities,\[^{69}\] or where two users almost simultaneously enter the market using the same or similar mark.\[^{70}\]

After Chance, however, the analogous use doctrine is all but buried in the Ninth Circuit. The Chance court relied heavily on New West Corp. v. NYM Co. of California in forging its rule that promotional activities alone can constitute a first use, stating that “In New West Corp. . . . we determined that, although mere advertising by itself may not establish priority of use, advertising combined with other non-sales activity is sufficient to establish use in commerce.”\[^{71}\] While the Chance court seems to consider its newly enunciated totality of the circumstances test a logical extension of the New West rule, the test actually is a significant departure from precedent. The New West rule is discretionary; it stands merely for the proposition that on a particularly difficult set of
facts a court need not be bound by a rigid first-sale rule.[72] Thus, *New West* represents the epitome of analogous use.[73]

The *Chance* totality of the circumstances test, on the other hand, mandates that market impact factors (namely pre-sale advertising) always be considered when determining use in commerce.[74] Judges are bereft of discretion and could easily be compelled in close cases[75] to find that comprehensive pre-sales advertising campaigns trump users of a mark who have made substantial sales of goods or services in connection with the mark.

The Lucent market penetration test particularly suffers from the lack of a bright-line rule. Because the Third Circuit gave no guidance as to how the factors should be weighted or applied, courts could derive myriad results from the same set of facts. Moreover, because the market penetration test includes pre-sales activity as one of its factors,[76] it essentially preempts analogous use in the Third Circuit, as well.

Employing a bright-line rule for trademark use also advances the policy traditionally considered the most important reason for trademark protection—that protecting marks protects consumer expectations about the source and quality of a product. In order to more efficiently identify a product and the source of its quality and thereby avoid confusion, the public usually is best served by identifying a mark with a product or service that exists and is available in the
marketplace (as against a competitor’s mark whose product is not yet available).\[77\]

A final, ancillary consideration regarding the complicated question of whether a rule or standard is most appropriate for the use-in-commerce requirement is one of institutional enforcement. As Professor Kaplow notes, how well rules and standards work in a given context can depend on what institution is promulgating and enforcing them.\[78\] While only decisions by the Federal Circuit are technically binding on the PTO,\[79\] the PTO must consider trademark decisions by other federal circuits as those decisions impact rights appurtenant to federally registered marks.\[80\] The Federal Circuit has held that a bona fide single sale or shipment of a product, followed by activities that indicate an intent to continue use in commerce, is enough to satisfy the federal registration requirement.\[81\]

A concern, however, is that the Third and Ninth Circuit tests might influence the TTAB or a trademark examiner when looking for guidance as to what constitutes proper use. If so, will PTO officials have the information and resources available to engage in the kinds of balancing tests adopted by the Third and Ninth Circuits? It seems that in the context of PTO review, the traditional bright line first use rule of priority is preferable for the PTO and for applicants because it provides a more predictability and efficiency in decision making in the vast majority of cases. In the few TTAB cases where inequities would result from applying the rule, the doctrine of analogous use is available to yield an equitable result.\[82\]
B. The Early Bird vs. the Eight-Hundred Pound Gorilla

A second problem with the market penetration and totality of the circumstances tests is that they favor users with the resources and funds to make a big market impact in a short time through costly advertising and promotion. The Third and Ninth Circuits undoubtedly embraced the theory that the public is best served, and confusion about the mark’s source is least likely to result, if the user who has made the greatest public impact is awarded ownership. This kind of consumer confusion is a concern, but is adequately addressed by the doctrine of analogous use. Establishing a blanket rule that market impact determines ownership rights actually encourages consumer confusion by enabling junior users with more marketing muscle to usurp the small but real market gains of start-up senior users.

Lucent provides an example of this phenomenon. While the court seemed unimpressed that LIM used the mark “Lucent” for at least three months before LTI filed for registration of the mark,[83] LIM made significant strides during that time to promote its services. LIM sent fifty letters to business contacts promoting its services, made several presentations in different states, and made a bona fide sale, all during those three months.[84] The numbers are not earth shattering, but they probably are within the range of what a four-employee start-up can reasonably be expected to do in its first few months.
Furthermore, the court seemed unfazed that LTI adopted the “Lucent” mark after it had learned that LIM was using the mark in connection with similar services.\footnote{85} It is true that trademark rights are awarded largely to prevent consumer confusion, and not to protect the creation of the mark’s inventor. But the court refused to consider that LTI’s having uncovered LIM in one of its trademark searches\footnote{86} might be evidence that LIM had already appeared on the relevant market “radar.” LIM also offered other evidence that the start-up had established a presence, albeit small, in the marketplace and that LTI’s subsequent use of the mark created confusion.\footnote{87}

Chance is an admittedly less-compelling example of this problem on its facts. The defendant’s case was exceedingly flimsy at best (one sale to a friend, for which payment could not be found), and dishonest and in bad faith at worst (the sale could have been fabricated after the fact to improve the defendant’s case). One certainly can imagine, however, a defendant with a stronger case still loosing under the totality of the circumstances test. For example, applying the totality of the circumstances test to the facts of Lucent, a court could be rather compelled to find that LIM’s earlier single sale and twelve presentations paled in comparison to the AT&T spin-off’s later, larger advertising campaign. Ultimately, both of these tests potentially undermine trademark law principles by encouraging powerful junior users to move in on small but established marks, leaving consumer confusion in their wake.
C. Lucent, Chance and the Changing Face of Trademark Law

Over the last decade, views about the inherent value of trademarks have changed. While the Lucent and Chance decisions appear to be creating new rules to adhere to an old principle (protecting the consumer from confusion), perhaps they really indicate that the old principle has lost some luster. As Professor Litman argues, trademarks now must be seen to have an intrinsic value that transcends their function as a symbol of the source of goods. Thus, whether a mark is offered in connection with goods or services probably is increasingly irrelevant; a famous mark has value that is worth protecting on its own merits. Quite possibly, the Lucent and Chance courts have gradually been acclimated to this shift in attitude, hence their preoccupation with market impact evidence, which really suggests whose personal stake in the mark is more valuable.

If the Lucent and Chance tests were a reflection of the kind of increasing economic value in trademarks that Professor Litman talks about, the courts were almost certainly doing it unconsciously. For it could be just as easily argued that the Chance and Lucent tests reassert the traditional function of marks—protecting against consumer confusion—by trying to award ownership to the user with whom the public most closely associates the mark. Furthermore these tests do address the difficult problem in trademark law of what to do when a junior
user with mass market potential encounters a senior user with a real but very limited market.\footnote{92} Even so, the Chance and Lucent courts and their resulting tests seem too willing to discount as de minimis the market activities of “little guys” who have made a market impact relative to their size.

Acquiring priority via first use still seems appropriate and relevant regardless what theory of trademark law prevails. It protects consumers by ensuring the mark indicates the same source of the goods as it did when they first appeared on the market. It protects mark holders in the vast majority of cases by awarding rights in goods that the mark holder was the first to bring to market. And the analogous use exception gives judges the discretion to undo inequities in the rare case where the first use rule fails.

CONCLUSION

We should give pause before stretching the use-in-commerce requirement too thinly when the equities of a particular case seem to justify it. It was designed to limit the rights we grant to mark holders; broadening that requirement may be selling out important protections built into the system. Professor Lemley discussed this in the context of trademarks and domain-name cybersquatting cases, but his comments are equally pertinent to priority of use:
[T]here is something troubling about the erosion of the commercial use and use in commerce requirements. We may find that extending trademark protection to cover noncommercial uses of a mark, however compelling the instant case, sets a dangerous precedent for the law. Indeed, we need not look too far. The cybersquatter precedents are already being used by trademark owners to take domain names away from arguably legitimate users, such as people who want to register their last names as Internet domains and those who build a “gripe site” to complain about a specific product or company.\[93\]

By placing a premium on advertising and market impact, we could be selling out the bedrock trademark principles that the public should be protected from confusion of marks, and the entrepreneur should feel secure that a mark, once affixed to goods sold, belongs to her alone.

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[3] See Id. (considering whether use existed where a mark was attached to a product that was sold in small quantities and then not sold for twenty years; the court held it did not).


[12] Id.
ARThUR R. MILLER & MICHAEL H. DAVIS, INTELLIGENT PROPIETY: PATENTS, TRADEMARKS, AND COPYRIGHT 155-56 (3d Ed. 2000). Miller and Davis note that while trademarks have traditionally been an indication of source, there are also important competing rationales for trademark protection in US law, including their value to the owner as a marketing and advertising device. Id. See id.

MccARTHY, supra note 5, § 16:4.

MILLER & DAVIS, supra note 13, at 231-32.


The “use” associated with an ITU application is referred to as “constructive use.” MILLER & DAVIS, supra note 13, at 225.


U.S. Const. art. I, § 8, cl. 3.

MILLER & DAVIS, supra note 13, at 231-32.

See id. at 230.

See id.

See Blue Bell, Inc. v. Farah Mfg. Co., 508 F.2d 1260 (5th Cir. 1975); McCarTHY, supra note 5, § 16:7.


See, e.g., Johnny Blastoff, Inc. v. Los Angeles Rams Football Co., 188 F.3d 427 (7th Cir. 1999).

Id. In Los Angeles Rams, the Los Angeles Rams football team announced publicly in January 1995 that it planned to move to St. Louis. The team did not make use of or file a federal application for the mark “St. Louis Rams” until April. In the meantime, an entrepreneur in Wisconsin filed an ITU application for the mark. The Seventh Circuit held that the team had priority because although it had not filed or used the mark first, after the January announcement the public associated the source of the mark as being the team rather than the Wisconsin entrepreneur. Id.


Buti v. Impressa Perosa, S.A., 139 F.3d 98 (2d Cir. 1998).


186 F.3d 311 (3d Cir. 1999).

242 F.3d 1151 (9th Cir. 2001).

Lucent is generally seen (and criticized) as “raising the bar” as to the type and level of use required for acquiring common law trademark rights. See MCCARTHY, supra note 5, § 16:6. Chance, on the other hand, can be seen as opening the door to the converse problem (with which this Note is primarily concerned): lowering the standard of acceptable use to include mere advertising and promotional activities without connection to any actual sale of goods. By adopting a “market penetration” test that considers a mark’s impact on the relevant market in order to determine whether a trademark has been used in commerce, however, the Third Circuit has at once lowered and raised the “use” bar. See infra Section III.B.


Id.

The Federal Circuit enunciated a two-part test for determining whether evidence supports a finding of use analogous to trademark use. According to the Federal Circuit, the promotional activities (1) must reach more than a negligible share of potential customers; and (2) must have been sufficient to have a substantial impact on the purchasing public. 

Chance, 242 F.3d at 1155-56.

The difference between the two tests can be summed up as follows: whereas the market penetration test sets a threshold level of impact on a market that a user must have made before a first “use in commerce” has occurred, the totality of the circumstances test considers a number of sales and pre-sales activities, including impact on the market, to determine that the overall circumstances indicate a first use has occurred.

For a general discussion of rules versus standards, see Roundtable Discussion: Corporate Governance, 77 CHI.-KENT L. REV. 235, 258-60 (2001) (discussing rules versus standards generally as well as in the corporate law context).

See id. But see Louis Kaplow, Rules Versus Standards: An Economic Analysis, 42 Duke L.J. 557, 565 (1992) (arguing that the suggestion that rules are over- and underinclusive can be misleading because both rules and standards “can in fact be quite simple or highly detailed in their operation”).
See, e.g., New West Corp. v. NYM Co. of Cal., 595 F.2d 1194 (9th Cir. 1979). In New West, two competing magazine publishers each intended to market a new magazine titled “New West.” The defendant announced its intention to publish the magazine in a press release, sent sample issues to potential advertisers, and sent approximately 430,000 fliers using the mark to potential subscribers. It also took 14,000 subscription orders. Shortly thereafter, in an attempt to establish priority rights in the mark, the plaintiff rushed 500 “preview” issues (which were originally sample issues) bearing the mark “New West” to store shelves. Four days later, the defendant sold 10,000 copies of its “New West” magazine. Id. at 1196–97. The court held that the plaintiff’s preview edition was not a real issue, and that the defendant’s promotional efforts established first use. Id. at 1200.

See Geo. Washington Mint, Inc. v. Washington Mint, Inc., 349 F. Supp. 255 (S.D.N.Y. 1972), in which the two parties unwittingly adopted similar marks for similar goods, and entered the marketplace almost simultaneously. The defendant made a shipment of goods to a customer twenty-eight days before, but the plaintiff was first to solicit orders, receive binding orders, and advertise its products. The court held that the plaintiff had established priority in the mark by soliciting and accepting orders first. Id. at 262–64.

Note that the reasoning in Geo. Washington Mint is significantly different from that in Chance. The Geo. Washington Mint court found most persuasive the fact that the plaintiff had actually solicited and received binding orders for the product associated with its mark. Id. at 260 (“[T]he taking of orders made contracts of sale and the use of ‘The Geo. Washington Mint’ was an integral part of the process of sale.”). Thus, while the court acknowledged that it applied an exception to the general rule, the exception it carved was intentionally slight because the activity it held to be use was integrally related to sales transactions. In Chance, by contrast, the court was persuaded almost exclusively by the amount of advertising Pac-Tel had put into the Teltrac mark before Chance had his first alleged use in commerce. Chance, 242 F.3d at 1160 (listing the factors for finding Pac-Tel satisfied the use-in-commerce standard as “a public relations campaign using the mark to introduce its new service, . . . [sending] out brochures to potential customers, . . . conduct[ing] interviews with major newspapers, . . . [and] market[ing] to potential customers who managed large vehicle fleets through a slide presentation using the mark”).

Chance v. Pac-Tel Teletrac, Inc., 242 F.3d 1151, 1158 (9th Cir. 2001). After Chance, it seems the Ninth Circuit has, at least implicitly, abandoned the portion of the New West rule that advertising alone cannot constitute use in commerce.


And although the New West court did not use the term “analogous use,” the case falls directly in line with cases that expressly deal with analogous use. See, for example, T.A.B. Systems v. Pac-Tel Teletrac, 77 F.3d 1372 (Fed. Cir. 1996), in which the Federal Circuit adopted as its analogous use test the two-part test used in New West ((1) adoption of the mark; and (2) use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind).

New West cited New England Duplicating Co. Inc. v. Mendes, 190 F.2d 415, 417 (1st Cir. 1951), for the proposition that courts have long allowed use to be found where there was no actual sale. While the court in Mendes did indeed hold that there need not have been an actual sale in order to find use, it was interpreting the Lanham Act’s language that a “use in commerce” requires that the goods be sold or transported in commerce. Mendes, 190 F.2d at 417 (citing 15 U.S.C. § 1051). That case
involved goods that were transported across state lines but not sold. *Id.* The court held that the transportation satisfied the statute’s use in commerce requirement. *Id.* The *Mendes* holding was rooted in the express language of the statute, and did not suggest that pre-sales advertising or market penetration could constitute actual use.

74 Chance, 242 F.3d at 1159 (“[W]e hold that the totality of the circumstances must be employed to determine whether a service mark has been adequately used in commerce so as to gain the protection of the Lanham Act.” (emphasis added)).

75 Chance was not a close case, at least on the question of whether Chance acquired priority through first sale. All the evidence pointed to the conclusion that Chance’s single sale in February 1990 was a token use of the mark. See *id.* at 1155. This highlights an ironic and unfortunate aspect of the Chance holding: Chance was a prime example of a case where the first use rule would have provided a clean and equitable result. The court could have reasoned that because Chance’s only “sale” was a token use, he never made the first sale and consequently never acquired rights in the mark. Pac-tel’s rights would have vested in its first sale in April 1990. By applying the totality of the circumstances test to this situation, however, the court strengthened Chance’s argument for first use because the court was required to consider the 35,000 mailings that promoted Chance’s Tele-Trak. And the court considerably weakened Pac-Tel’s cause by having to sew together a string of pre-sale Pac-Tel promotional activities, even feeling compelled to refer to an arcane use of the term Teletrac by Pac-Tel Teletrac’s predecessor in interest. *Chance*, 242 F.3d at 1160.

76 Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc., 186 F.3d 311 (3d Cir. 1999).


78 Kaplow, supra note 67, at 608-11.

79 See WILLIAM BURNHAM, INTRODUCTION TO THE LEGAL SYSTEM OF THE UNITED STATES 172 (1999).

80 For example, Section 37 of the Lanham Act gives federal district courts the power to cancel registrations, restore cancelled registrations, and otherwise “rectify the register.” 15 U.S.C. § 1119 (2001). Thus, a court can examine questions of use and priority in connection with registrations, and rectify them according to the rules in its circuit. If that decision goes up for appeal, the PTO must abide by the circuit court’s holding.


82 The Federal Circuit has expressly approved the doctrine of analogous use. See Nat’l Cable Television Ass’n, Inc. v. Am. Cinema Editors, Inc. 937 F.2d 1572 (Fed. Cir. 1991).

83 Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc., 186 F.3d 311, 317 (3d Cir. 1999) (“[T]he fact remains that LIM existed for only about three months before LTI filed its ITU. . . .”).

84 *Id.* at 317.

85 After mentioning this fact in the background section, the court did not consider it until section III.B of its analysis, where it had to specifically address LIM’s claim that LTI adopted the mark in bad faith. The court declined (in a bout of rather circuitous logic) to decide the question of whether LTI adopted the mark in bad faith because the court had already determined that LIM had never “used” the name before LTI filed for registration. *Id.* at 318.

86 The court stated “In November 1995, AT&T obtained a trademark name search and two trademark search reports, all of which located companies using
the mark LUCENT or variants of it. One of the three search results included a reference to LIM.” *Id.* at 313.

[87] *Id.* at 317–18. The court noted that “LIM offers evidence of confusion generated by LTI's launch, such as phone calls intended for LTI coming to its office or people wondering whether it stole the mark from LTI.” *Id.* at 317. The court summarily dismissed this evidence, however, stating that “LTI is correct when it stresses that LIM wants to protect its intention to create goodwill and a successful business, and not the goodwill and business itself.” *Id.* at 317–18.

[88] See Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 Yale L.J. 1717 (1999) (“[T]he descriptive proposition that trade symbols have no intrinsic value has come to seem demonstrably inaccurate. The use of trademarks on promotional products has evolved from an advertising device for the underlying product line to an independent justification for bringing a so-called underlying product to market.”).

[89] *Id.*

[90] *Id.* at 1726–27.

[91] *Id.*

[92] Consider, for example, a situation where a small town microbrewery has been brewing Yellow Dog Beer for years and selling it to a very small but devoted group of neighborhood customers. If a major national brewery decides to market beer under the Yellow Dog mark, it will have junior rights in the mark, at least in the other user’s geographic area. Of course, the national brewery could be awarded concurrent rights in the mark everywhere in the US except for the small town where Yellow Dog is already a well-known mark for beer. See MILLER & DAVIS, *supra* note 13, at 208. Such geographic carve-out arrangements, however, are increasingly unrealistic in our national economy.