“Lawful Use in Commerce” Revisited
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CreAgri, Inc. v. USANA Health Sciences, Inc., 474 F.3d 626, 630 (9th Cir. 2007), cites In re Stellar Int’l, Inc., 159 U.S.P.Q. 48 (TTAB1968), for the idea that the government should not be “in the anomalous position of extending the benefits of trademark protection to a seller based upon actions the seller took in violation of that government’s own laws.” Yet, unlike the § 2(a) requirement that marks not be scandalous, sometime supported by similar logic, the lawful use requirement lacks an unambiguous legislative basis. As I argued shortly after *Stellar* was written, that opinion is at odds with conventional approaches to statutory construction, and its view lacks historical support; *The Fourth Dimension in Labeling: Trademark Consequences of an Improper Label,* 25 F.D.Cos. L.J. 347 and 372 (1970).

Stellar nevertheless holds, 159 U.S.P.Q. at 51, “lawful use in commerce is a condition precedent to registration.” It is one thing to adopt that approach in ex parte proceedings but quite another in an inter partes context. That seems to have been recognized in General Mills, Inc. v. Health Valley Foods, 24 U.S.P.Q.2d 1270 (1992). There, the Board chose to ignore a short-lived infraction and, crediting long-term legal use, allowed a registration to stand.

General Mills, thus, honors an objective often stressed by Judge Rich, for example, in Morehouse Mfg. Corp. v. J. Strickland and Co., 407 F.2d 881, 888 (C.C.P.A. 1968): “It is in the public interest to maintain registrations of technically good trademarks…. [T]rademark rights, unlike patent rights, continue notwithstanding cancellation of those additional rights which the Patent Office is empowered by statute to grant.” Judge Rich’s remarks concern principal registration, but they are equally applicable to supplemental registrations under § 23.

CreAgri involved both types of registration. Plaintiff and senior user CreAgri, having been denied superior benefits, held only supplemental registration. Defendant, USANA, held principal registration, but it was the junior user. During most of the time in question, however, plaintiff’s labeling seems to have been willfully inaccurate and apparently violated a federal statute. Because its mislabeling continued until after USANA’s intent-to-use application had ripened, the district court refused to halt use by that junior party. For the same reason, the court also ordered that *CreAgri ‘s* registration be canceled.

The Ninth Circuit, crediting *Stellar* and distinguishing *General Mills*, affirmed in both respects. The opinion pays little attention to that aspect of the case, but cancellation of CreAgri’s supplemental registration has literal appeal because § 23 is one of the two sections referring to “lawful use in commerce”— the other being in § 2(d) (concurrent use).

Still, it should make no difference in this case; § 26 provides that neither § 22 (constructive notice) nor § 32 (prima facie evidence of validity) apply to supplemental registrations. Thus, CreAgri's registration contributed nothing to its case, and canceling it had no effect on common law rights presumably enforceable under § 43(a)(1)(A).

The more interesting issue concerns the effect of CreAgri's unlawful activity on those common law rights. The article cited above explains why two appearances of the "lawful use" condition were not intended to deal with illegal behavior. But, even if that explanation is rejected, imposing the "lawful use" condition where it is not literally supported cannot be justified. *See, e.g.,* Burlington N. & Santa Fe Ry. Co. v. White, 126 S.Ct. 2405, 2407 (2006) (when congressional language differs from one place to another, differences are assumed to be intentional).

Reframing Judge Rich's observation, whether a *registration* can be cancelled under § 24 or § 37 is less important than whether parties can continue *using* their *marks. CreAgri* holds that USANA can continue to use its mark, but § 33(b)(4) permits CreAgri to continue using one that is confusingly similar. Indeed, the court "assume[d], for discussion purposes, that CreAgri's mark is eligible for trademark protection," 474 F.3d at 630 n.9 — presumably against everyone except USANA.

Despite a focus on "lawful use in commerce," *CreAgri* is, with one exception, difficult to distinguish from typical cases in which the clean hands defense might apply. When a plaintiff is denied relief as in, e.g., Belcher v. Tarbox, 486 F.2d 1087 (9th Cir. 1973), it is difficult to see any benefit. The most that can be expected is that withholding relief will provide an incentive for a plaintiff to cease its misconduct.

CreAgri is exceptional, however, because plaintiff's misconduct had already ceased; 474 F.3d at 628 n.4 ("USANA does not dispute the [current] accuracy of [CreAgri's] label."). In that circumstance, plaintiff lacks capacity to purge by ceasing its misbehavior and, short of ceasing to use its mark, has limited ability to spare consumers the need to distinguish goods bearing confusingly similar marks.

It is hard to quarrel with the reluctance of the PTO and courts to extend trademark benefits (via registration or otherwise) to those who violate the law. Yet, §§ 19 and 32(a) aside, each calling for application of equitable principles, textual support within the Lanham Act is weak to nonexistent. Moreover, until unlawful uses in commerce are seen to forfeit rights to *use* as well as rights ancillary to *registration* of marks, the objective of having easily distinguished source indicators is not advanced.

Penalizing CreAgri for use of misleading (even illegal) labels may be seen as laudable, but to what end? Before the litigation is ultimately resolved, perhaps the district court will, if the parties do not make that unnecessary, have an opportunity to minimize likely confusion inherent in two parties being able to use similar marks on similar goods.

[I much appreciate comments on an earlier draft made by my colleague, William A. Grimes.]