



UNC
SCHOOL OF LAW

NORTH CAROLINA JOURNAL OF
INTERNATIONAL LAW AND
COMMERCIAL REGULATION

Volume 2 | Number 2

Article 9

1977

SCM Corp. v. Langis Foods, Ltd.: Registration of Foreign Patents in the United States

Frederic L. Borch III

Follow this and additional works at: <http://scholarship.law.unc.edu/ncilj>



Part of the [Commercial Law Commons](#), and the [International Law Commons](#)

Recommended Citation

Frederic L. Borch III, *SCM Corp. v. Langis Foods, Ltd.: Registration of Foreign Patents in the United States*, 2 N.C. J. INT'L L. & COM. REG. 179 (2016).

Available at: <http://scholarship.law.unc.edu/ncilj/vol2/iss2/9>

This Note is brought to you for free and open access by Carolina Law Scholarship Repository. It has been accepted for inclusion in North Carolina Journal of International Law and Commercial Regulation by an authorized editor of Carolina Law Scholarship Repository. For more information, please contact law_repository@unc.edu.

SCM Corp. v. Langis Foods, Ltd.:

Registration of Foreign Patents in the United States

No case in the last decade has provoked more violent argument among specialists in trademark law¹ than *SCM Corporation v. Langis Foods, Ltd. (Lemon Tree)*.² The recent opinion of the District of Columbia Court of Appeals supplements the confusing flurry of notes, comments and articles that have followed the case since its inception and allows its impact to be fully evaluated for the first time. It is now evident that when Circuit Judge McGowan refused to consider the holding of the Trademark Trial and Appeals Board as an issue before the judiciary, but instead ruled upon a much narrower legal question, a peculiar twist occurred: the administrative decision of the Board was allowed to stand, despite its unsoundness; simultaneously, a wise judicial decision of importance was handed down by the appellate court. *Lemon Tree* therefore assumes a Janus importance. The case is important for the issue it raised and administratively resolved as a case before the trademark tribunal and it is important for the different question of law judicially determined before the court of appeals. The government agency and district court did not consider the same legal question as did the court of appeals. This fact is central to an understanding of the instant case, and cannot be overemphasized.

Shakespeare hinted at the function of a trademark when he wrote in *Othello*, "He who steals my purse, steals trash, but he who steals my good name, steals all."³ A trademark not only identifies the source of a product,⁴ but it is also a symbol of the goodwill of the business in which it is used.⁵

¹ See, 1975 BRIGHAM YOUNG UNIV. L. REV. 308; Offner, *Can An Orange Tree™, a Lemon Tree™, and a Lemon Tree® Produce a TRT Tree?* 72 PAT. T.M. REV. 99 (1974).

² *SCM Corp. v. Langis Foods Ltd.*, 539 F.2d 196 (D.C. Cir. 1976). SCM is successor in interest to John Lecroy & Son, Inc., which was the actual plaintiff before the Trademark Trial and Appeals Board of the United States Patent Office, and subsequently appeared in the District Court. SCM is therefore also successor in interest to first user of the Lemon Tree trademark in the United States. See *John Lecroy & Son, Inc. v. Langis Foods Ltd.*, 177 U.S.P.Q. 717, 64 TRADE-MARK REP. 308 (T.T.A.B. 1973), *vacated*, 376 F. Supp. 962, 182 U.S.P.Q. 132, 65 TRADE-MARK REP. 301 (D.D.C. 1974), *rev'd on other grounds sub nom*, *SCM Corp. v. Langis Foods, Ltd.*, 539 F.2d 196 (D.C. Cir. 1976).

The case shall be referred to hereafter as *Lemon Tree*, after the requested trademark. 'Lemon Tree' was the proposed name of a fruit drink.

³ SHAKESPEARE, *OTHELLO* at Act III, scene iii, lines 157-61.

⁴ See, e.g., *Clairol Inc. v. Gillette Co.*, 270 F. Supp. 371, *aff'd* 389 F.2d 264 (D.C.N.Y. 1967).

⁵ See, e.g., *E. Leitz, Inc. v. Watson*, 152 F. Supp. 631, *aff'd* 254 F.2d 777, 103 U.S. App.D.C. 74 (1957).

Every nation realizes the great value of such marks and the need to protect them and other industrial property. However, their recognition under the law varies considerably. The Anglo-Saxon common law concept of protection of trademarks is predicated upon the use of the mark in trade: "the date of the first sale of the goods bearing the trademark becomes the date of the first use of the mark."⁶ The European civil code approach however, allows a right of protection to arise out of mere registration prior to any use of the mark.⁷

As long as trade remained local or regional this dichotomy of jurisprudence was of little consequence, but growth in world trade meant trademarks and patents needed protection in international markets. This need was first expressed in the International Convention for the Protection of Industrial Property [Paris Union Treaty or P.U.T.].⁸ The P.U.T. required each participating nation to provide effective protection of trade names. Recognizing that a dichotomy of law existed, the Convention also tried to lessen the friction between the *use* requirement of the common law and the *mere registration* requirement of the civil law by adopting the basic premise that each country had to give foreign signatories the same rights and advantages bestowed upon its own citizens. These rights were to be extended without prejudice to the rights specially provided in the treaty itself.⁹

Both the common law system of trademark rights and the provisions of the Paris Union Treaty were implemented in this country by the Trademark Act (Lanham Act) of 1946.¹⁰ Section 1 provides that after common law rights in a trademark have been created by use in trade, a person can register the mark. To obtain a valid registration under the Lanham Act, two different uses must be established: the "use" which ties the mark to the product, thus creating common law rights, and "the use 'in interstate commerce,' which makes the trademark eligible for federal registration."¹¹

Foreign nationals have always been able to register marks in the United States by complying with these requirements. The foreign merchant can follow an alternative course for filing an application in

⁶ 1975 B.Y.U.L. REV. 308, 309.

⁷ Browne, *International Trademark Protection*, 15 IDEA: PAT. T.M. COPYRIGHT J. RESEARCH EDUC. 1 at 90 (1971).

⁸ [1969] 13 U.S.T. 1, T.I.A.S. No. 4931. More than seventy nations, including the United States, participated in the agreement. The Paris Union Treaty has seen two revisions since the last world war: Lisbon (1958), Stockholm (1967).

⁹ *Id.* at 226. Article 2 of the Paris Union Treaty reads:

(1) Nationals of each of the countries of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant... without prejudice to the rights specially provided by the present Convention.

¹⁰ Lanham Trademark Act, §§ 1, 2(d), 44(b), 44(d); 15 U.S.C. 1051, 1052(d), 1126(b), 1126(d) (1970).

¹¹ 1975 B.Y.U.L. REV. 308, 310.

this country. Article 4¹² of the Paris Treaty states that a signatory is entitled to a *right of priority* – a filing date equal to his filing in his home country – if he files an application in any other country participating in the Treaty within six months from the date on which the application was first filed in his home country. Consequently, intervening acts – in particular, a filing or use of the trademark by another party – cannot invalidate the international registration.¹³

Section 44(d) of the Lanham Act is a statutory restatement of Article 4. It grants a right of priority to the foreigner who has already filed an application for registration of the same trademark in one of the participating countries to the P.U.T., provided the application is filed within six months of the date on which the application was filed in the foreign country and the United States application meets the requirements of the Trademark Act, although “use in commerce need not be alleged.”¹⁴

The Commissioner of Patents (United States Patent Office) has therefore been faced with implementing policy through an Act which demands adherence to the common law requirement of use (§ 1) and simultaneously exempts foreigners from that same requirement (§

¹² [1969] 13 U.S.T. 1, T.I.A.S. No. 4931 at 227-29. The relevant sections of Article 4 read as follows:

- A. (1) A person who has duly filed an application . . . for the registration of a . . . trademark, in one of the countries of the Union, or his successors in title, shall enjoy, for the purpose of filing in the other countries, a right of priority during the periods hereinafter stated.
- (2) Every filing that is equivalent to a regular national filing under the domestic law of any country of the Union . . . shall be recognized as giving rise to the right of priority.
- B. Consequently, the subsequent filing in any other of the countries of the Union before the expiration of those periods shall not be invalidated through an act accomplished in the interval, as, for instance, by another filing . . . or by use of the mark These acts cannot give rise to any rights of third parties.
- C. (1) The . . . period of priority shall be . . . six months for trademarks.
- D. (1) Any person desiring to take advantage of the priority of a previous filing shall be required to make a declaration indicating the date of such filing and the country in which it was made.

¹³ *Id.* at 227.

¹⁴ Lanham Act § 44(d), 15 U.S.C. § 1126(d) (1970). This section provides in part: (d) An application for registration of a mark under sections 1051, 1052, 1053, 1054, or 1091 of this title, filed by a person described in subsection (b) of this section who has previously filed an application for registration of the same mark in one of the countries described in subsection (b) of this section shall be accorded the same force and effect as would be accorded to the same application if filed in the United States on the same day the application was first filed in such foreign country: Provided that—

- (1) the application in the United States is filed within six months from the date on which the application was first filed in the foreign country;
- (2) the application conforms as nearly as practicable to the requirements of this chapter, but use in commerce need not be alleged;
- (3) the rights acquired by third parties before the date of the filing of the first application in the foreign country shall in no way be affected by a registration obtained on an application filed under this subsection.

44(d)). The result has been thirty years of conflicting administrative decisions vacillating between requiring foreign applicants to allege use somewhere (most commonly in the country of origin), or use nowhere.¹⁵ Policy since 1963 had been to require use somewhere, but at the Trademark Trial and Appeals Board on May 7, 1973, the Commissioner, in deciding *Lemon Tree*, declared that a foreigner need not allege any use whatsoever under § 44 of the Trademark Act.

Langis filed applications in Canada on March 28, 1969 to register three trademarks which had never been used anywhere — Apple Tree, Orange Tree, and Lemon Tree. The corporation then filed three similar trademark applications with the United States Patent Office. Langis asked for registration of the marks based upon the six months right of priority (under § 44(d)) and alleged its date of first use in Canada as May 15, 1969. The Patent Office then issued Langis a valid registration for the Lemon Tree mark. An American company, SCM Corporation, petitioned to have the Lemon Tree registration cancelled, and the Orange Tree and Apple Tree applications denied. Evidently, SCM had been using the trademarks in the United States *after* Langis had filed its Canadian application, but *before* Langis had filed its application in the United States.

On May 7, 1973, the Trademark Trial and Appeals Board denied SCM's petitions on the ground that, "pursuant to § 44(d) of the Trademark Act of 1946, [Langis] is entitled herein as a matter of right to rely upon the filing dates of its Canadian applications, *i.e.*, March 28, 1969, and hence . . . it possesses superior rights in its marks as against [SCM]." ¹⁶

Although Langis had alleged use of the trademark in its application, the Patent Office transcript records that the agency erroneously believed that the Canadian corporation "made no use of the marks Apple Tree, Orange Tree, or Lemon Tree prior to the filing of its applications to register the same."¹⁷ This substantial mistake led the Board to believe that the issue which confronted it was whether a foreign applicant could be required to allege use when applying for a registration under § 44(d). After thoroughly evaluating the Lanham Act, the Patent Office concluded that:

¹⁵ Attempts to reconcile the use and no-use doctrines first found expression in *British Callender's Cables Ltd.*, 83 U.S.P.Q. 319, 39 TRADE-MARK REP. 1057 (Comm'r 1949). The Commissioner held in this 1949 case that use must be alleged somewhere. Seven years later, this was expressly overruled in *Societe Fromageries Bel* (so-called *Merry Cow* case), when it was held that provisions of the P.U.T. coupled with §44(d) required the U.S. to eliminate the use requirement for foreign applicants, 105 U.S.P.Q. 392, 45 TRADE-MARK REP. 846 (Comm'r 1955). *Merry Cow* was subsequently reversed in *In re Certain Incomplete Trademark Applications*, 137 U.S.P.Q. 69, 53 TRADE-MARK REP. 577 (Comm'r 1963), which again embraced the "use-somewhere" doctrine. The pendulum swung again in 1973 with the *Lemon Tree* decision.

¹⁶ 177 U.S.P.Q. at 718, 64 TRADE-MARK REP. at 309 (T.T.A.B. 1973).

¹⁷ *Id.* at 717.

... there is nothing in the Trademark Act authorizing the Patent Office to require a foreign applicant under § 44(d) use of his mark prior to filing his application in his home country; requirement of such use would do violence to the intent of Industrial Convention for the Protection of Industrial Property. (P.U.T.).¹⁸

The Board thus reversed the administrative policy followed for the previous ten years, and reinstated the use nowhere requirement.

When SCM appealed to the district court, commentators everywhere were hopeful that the judiciary would "confront this administrative confusion squarely and settle the matter."¹⁹ The court, however, confused the issue even more. In overturning the Board's ruling, the district court rejected both the "use nowhere" and the "use somewhere" alternatives and asserted that the Trademark Act actually required much more than use somewhere; it required use in the United States.²⁰ The district court reversed the administrative decision and awarded registration to SCM because that company alone had alleged use in the United States.

The case was in total disarray when it reached the court of appeals. That court however, interpreted the facts correctly. Being the first tribunal to understand that Langis had alleged use somewhere, Judge McGowan realized that the use-no use question was not before the court at all. Since the Canadian firm had alleged use somewhere, it had met the maximum administrative requirement ever imposed.²¹ Indeed, the only legal issue before the court was the precise question upon which the Patent Office should have ruled: Is § 2(d) of the Lanham Act, which "prohibits registration of a trademark previously used in the United States by another [*i.e.*, SCM],"²² overridden by § 44(d), which gave Langis a six month right of priority following the filing of its application in Canada and also provided that an intervening use by another party during this period could not invalidate the right to registration?

The court held that § 2(d) was so overridden. After reading sections 44(b) and 44(d) as capable of reconciliation with § 2(d), the court concluded that since § 44(d) was a legislative restatement of Article 4 of the Paris Union Treaty, "a foreign applicant's mark must be protected . . . even as against intervening *first* use by another in the United States."²³

¹⁸ *Id.* at 718.

¹⁹ 1975 B.Y.U.L. REV. 308.

²⁰ 376 F. Supp. at 968, 182 U.S.P.Q. at 138, 65 TRADE-MARK REP. at 307 (D.C. 1974). The District Court granted summary judgment after a strict reading of §1. "Prior right in a trademark in the United States," said the court, "depends upon priority of use in the United States, and is not affected by priority of use in a foreign country."

²¹ *In re Certain Incomplete Trademark Applications*, 137 U.S.P.Q. 69, 53 TRADE-MARK REP. 577 (Comm'r 1963).

²² 539 F.2d at 202; 15 U.S.C. § 1052(d) (1970).

²³ *Id.* at 201.

Section 2(d) was therefore not read in isolation. The court of appeals recognized that the legislative history and intent of Congress was to allow registration based on something other than "use in commerce," namely, a foreign registration. Section 2(d) was interpreted to apply only in those situations where a domestic used the trademark before the foreign merchant filed application in its home country and hence was inapplicable to the situation in *Lemon Tree*.²⁴

It is also of substantial importance that the court declared that the use-no use requirement was not an issue before the judiciary; the opinion of the district court was therefore vacated. In effect, the court of appeals allowed the decision of the trademark tribunal to stand independently of its own ruling.

Lemon Tree now stands for the proposition that there is nothing in the 1946 Trademark Act to require foreign applicants under § 44(d) to use their mark anywhere prior to the filing of their application in their home country.²⁵ This complete reversal of United States trademark policy towards foreign nationals means that

- (1) United States trademark registration and trademark rights can now be acquired by foreigners without trade or use;
- (2) A foreigner's right to trademark in the United States now exists *independently* of the business and goodwill in connection with the mark used, because use is no longer required.²⁶

In essence, foreigners have been exempted from the common law of trademarks. Henceforth, the old concept that a mark which has not been used is not a trademark and cannot therefore under any circumstances qualify for registration applies only to domestic individuals and corporations.

The administrative decision which held in favor of Langis Foods, Ltd. means that the use requirement cannot be imposed upon foreign trademark filings in the United States. This is illogical, as no other signatory's tribunals have interpreted the P.U.T. as barring the use requirement. The Board's assertion that it would do "violence to the intent"²⁷ of the treaty to "require use prior to the filing of an application"²⁸ is erroneous. The fact is that the issue of use or non-use is crucial in determining whether foreign applications receive valid registrations in at least fifteen common law signatories to the P.U.T.²⁹ In addition, some civil law countries — Austria, Brazil, Germany, Switzerland — have a trademark law based upon the principle of use

²⁴ 539 F.2d at 201 n. 12.

²⁵ *Offner, supra* note 1.

²⁶ *Id.* at 106.

²⁷ 177 U.S.P.Q. at 718.

²⁸ *Id.*

²⁹ Australia, Bahamas, Canada, Ceylon, Ireland, Kenya, Malawi, New Zealand, Nigeria, Rhodesia, South Africa, Tanzania, Uganda and the United Kingdom.

and require foreign (and domestic) applicants to allege use or intention to use at the time of filing. In none of these signatory countries has it ever been held that such a use requirement does "violence to the intent" of the P.U.T.³⁰

The administrative decision is contrary to public policy in giving foreign applicants a great advantage over domestic applications, since the former are exempted from alleging use whereas the latter are still bound by it. In today's economy, there "is hardly any sizable business in the country that can really honestly get a trademark into commercial use in the time before it seeks a registration,"³¹ and the *Lemon Tree* ruling will make the burden upon domestics of alleging use even more onerous. Commentators have suggested that domestic corporations will be encouraged to file for trademark registration through their foreign subsidiaries. The decision will also create new problems in the Patent Office; because marks can now be derived by the act of registration as well as from the act of use, the United States will have a dual system of trademark rights unknown elsewhere in the world.³²

Though of lesser magnitude, the judicial decision of *Lemon Tree* is also important. Hereafter, a trademark application filed by a foreigner within the six month right of priority time limit will have the same effect as if it had been filed in the United States on the same day. A foreign applicant who has used the trademark in its country of origin after the foreign filing, but before the actual United States filing will obtain a constructive use date as of the date of the foreign filing. Prior intervening use by a third party neither gives rights to that party nor invalidates the foreign corporation's right of priority.

Hence congressional intent has been furthered by the judicial opinion. The United States recognized thirty years ago that legal protection of industrial property rights was very limited under international law,³³ and it sought to redress this inadequacy through the Lanham Act. Congress itself asserted that the bill was to:

carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled.³⁴

The Janus nature of *SCM Corporation v. Langis Foods, Ltd.* exemplifies both sound and unsound legal reasoning. The judicial

³⁰ Only recently, the Swiss Federal Supreme Court, In re *Farbenfabriken Bayer AG* rejected the precise *Lemon Tree* argument which was accepted by the Trademark Trial and Appeals Board when it approved of the *Fromagerie Bel* case. That Swiss court held that the P.U.T. does not prevent a signatory requiring use of trademark prior to filing of application. *Offner, supra* note 1, at 116.

³¹ DeSimone, *International Trademark Protection*, 15 IDEA: PAT. T.M. COPYRIGHT J. RESEARCH EDUC. 1 at 102 (1971).

³² *Offner, supra* note 1, at 119.

³³ S. LADAS, THE INTERNATIONAL PROTECTION OF INDUSTRIAL PROPERTY 346 (1930).

³⁴ S. REP. NO. 1333, 79th Cong., 2d Sess. 4-5 (1946).

decision was logical and appropriate — an act of “international good faith”³⁵ which encourages other participating members of the Paris Union Convention to similarly reciprocate.³⁶ The holding of the administrative agency was the worst possible — illogically conceived and contrary to public policy. American industry has much to lose from a short-sighted decision which requires domestics to produce and market the item to be trademarked, and yet relieves foreigners from this substantial requirement. In the interests of the American economy, the Patent Office should revert to its previous policy.

FREDERIC L. BORCH, III

³⁵ 1975 B.Y.U.L. REV. at 320.

³⁶ A good example is Standard Oil of New Jersey. When it chose to alter its corporate trademark from Esso to Exxon in 1972, it depended upon the participating members of the Paris Union Convention to uphold this registration change. See *NEW YORKER*, March 10, 1973, at 106.