

Trademark Law Insight - Online Infringer Can't Run from Trademark Infringement

January 16, 2020

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Marketing or promoting infringing goods on a website creates liability for trademark infringement in the U.S., even if those goods are not sold or transported in U.S. commerce.

The Facts

USA New Bunren International Co. Limited LLC ("New Bunren") is a Delaware limited liability company that was formed for the purpose of distributing and selling footwear and other products in the U.S. made by a Chinese company that was held liable by a Chinese court for infringing New Balance's trademarks in China. New Bunren obtained U.S. trademark registrations for a stylized "N" containing a flying bird design. It used a website, designed and managed by the Chinese company, to display footwear bearing its "N" marks. However, the flying bird design was not always apparent on New Bunren's footwear.



New Bunren's website prominently described New Bunren as an "American Classic," and had captioned one photograph on its site with the words "New Balance (China) Sports Goods Co., Ltd." However, no pricing information or purchasing instructions appeared on the website, and the site did not provide a "contact us" form. New Bunren claimed that none of its products were shipped or sold in any physical stores in the U.S., leaving open the possibility that its products could have been sold through the internet directly to U.S. consumers.

The Lawsuit

New Balance Athletics, Inc. sued New Bunren, in the U.S. District Court of the District of Delaware, for trademark infringement, trademark dilution, and unfair competition, among other things. Both parties cross-moved for summary judgment.

New Bunren's Defense

New Bunren argued that it did not infringe New Balance's trademark rights because it did not use its "N" marks "in commerce." In support of its argument, New Bunren relied on Section 1127 of the U.S. Trademark Act, which provides that goods are used "in commerce" when the goods are "sold or

transported in commerce.” Although New Bunren admitted that its goods were marketed via the New Bunren website, it claimed that it did not sell or transport the goods in U.S. commerce.

Decision

The Court rejected New Bunren’s defense, holding that the definition of “use in commerce” in Section 1127 sets the standard for a mark to qualify for registration with the United States Patent and Trademark Office, not the standard for proving infringement. Noting that the Third Circuit Court of Appeals had not yet addressed this issue, the Court followed the decisions of several other courts, and particularly the Second Circuit Court of Appeal’s decision in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009). The Third Circuit reasoned that the definition of “use in commerce” under Section 1127 cannot be reconciled with those sections of the Trademark Act that create liability for trademark infringement and dilution. Sections 1114 and 1125 of the Trademark Act create liabilities for “offer[s] for sale” or “advertising,” which are activities where goods are not necessarily sold or transported in commerce. As such, the Court stated that it was immaterial that New Bunren did not actually sell any infringing products because liability under the Trademark Act can arise based on advertising and promotion alone.

Although New Bunren argued that its website never displayed any pricing information or purchasing instructions, the Court concluded that “there is no requirement that advertising or promotions contain pricing information and purchasing instructions, as demonstrated by billboards, print ads in fashion magazines, product placements in movies, and the sponsored wearing of items by celebrities and influencers.” Accordingly, the Court found that New Bunren’s activities amounted to use in commerce for purposes of liability for trademark infringement.

The Court then proceeded to weigh the relevant likelihood of confusion factors, found confusion to be likely based on, among other things, a “high degree” of similarity between the respective marks, the strength of New Balance’s “N” marks, and the overlapping forms of advertising and channels of trade. It granted New Balance’s summary judgment motion for trademark infringement and denied New Bunren’s cross-motion. The Court also granted summary judgment in favor of New Balance on federal trademark dilution; denied New Balance’s motion for summary judgment on its state law claims because New Balance failed to separately address those claims; found that New Bunren’s “N” marks were counterfeits and that New Balance was entitled to statutory damages; and denied without prejudice New Balance’s request for an award of attorneys’ fees.

Takeaways

A brand owner can successfully sue an online infringer in the U.S., even if there is no evidence that the infringer is selling or transporting the infringing products in U.S. commerce, and even if the infringer’s website does not display contact information, pricing information, or purchasing instructions. Marketing and promoting infringing goods on a website can be sufficient to create liability for trademark infringement and dilution.

New Balance Athletics, Inc. v. USA New Bunren International Co. Limited LLC, C.A. No. 17-1700, 2019 U.S. Dist. LEXIS 208759 (D. Del. 2019).

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