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Ninth Circuit Holds Foreign Trademark Defendants Can Be Served through USPTO

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Suing an overseas defendant often forces plaintiffs to go through the expensive and time-consuming process of serving the defendant through the Hague Convention. This requires translating the complaint and related documents, delivering them to the foreign country's designated "Central Authority," and then waiting for that Central Authority to actually deliver the documents and confirm delivery to the plaintiff. These costs and delays often dissuade plaintiffs from ever bringing well-based claims.

In *San Antonio Winery, Inc. v. Jiaxing Micarose Trade Co.*, a case of first impression in the circuit courts of appeals, the Ninth Circuit held that if a lawsuit will affect a trademark, then a foreign-based defendant may be served either through its designated agent or the Director of the United States Patent and Trademark Office. The decision will thus allow companies to short-circuit the Hague Convention requirements and better assert their right against overseas trademark trolls.

Background

San Antonio is a Los Angeles-based winery that is best known for its Stella Rosa line of wines. It owns, among others, trademarks for RIBOLI and RIBOLI FAMILY and, since at least 1998, has used those marks on its wines and other products.

Jiaxing is a Chinese company that has sold products using the Riboli name. Specifically, it sold clothing articles and shoes beginning sometime in 2018 and owned a corresponding trademark registration. In 2020, Jiaxing sought federal registration for a trademark covering, among other things, wine pourers and bottle stands.

In or around 2020, San Antonio learned that Jiaxing was selling products under the Riboli name, including some that overlapped with the types of products it sold under its RIBOLI and RIBOLI FAMILY marks. San Antonio then instituted a lawsuit seeking "[a]mong other forms of relief, … an injunction prohibiting Jiaxing from using the mark RIBOLI in connection with its products, an order cancelling Jiaxing's 2018 registration of the RIBOLI mark, and an order either directing Jiaxing to abandon its 2020 application to register RIBOLI for additional uses or prohibiting the PTO from granting the application."

Seeking a faster and more cost-effective route than service through the Hague Convention, San Antonio served the lawsuit through the process contemplated by section 15 U.S.C. § 1051(e). It provides, in relevant part:

> If the applicant is not domiciled in the United States the [Trademark] applicant may designate … the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. … If the person so designated cannot be found at the address given in the last designation, or if the registrant does not designate … a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notices or process may be served on the Director[of the Patent and Trademark Office].

San Antonio first contacted a U.S.-based attorney for Jiaxing to see if the attorney would accept service of process. When the attorney failed to respond, San Antonio served the Summons, Complaint, and related documents on the USPTO Director. Upon receipt of these documents, the USPTO then sent a letter to Jiaxing confirming that service "was effectuated."

Ultimately, Jiaxing did not appear in the district court proceeding, and San Antonio sought entry of default. Noting the lack of circuit-level authority, the district court denied entry of default judgment, finding that Section 1051(e) applied only to administrative proceedings. Nevertheless, the district court certified the order for appeal and the Ninth Circuit agreed to accept it.

The Decision

The court began with the text of the statute, which, if clear, governs. As the opinion frames it: "we interpret Section 1051(e), which governs service of notices or process in 'proceedings affecting [a trademark].'"

As its first step, the court examined whether the court action fits within the meaning of the word "proceeding." Relying upon common sense, case law, and dictionary definitions, the court concluded, "The word 'proceedings' requires no complex interpretation: its plain and ordinary meaning includes proceedings in court."

Likewise, the court found that "[i]t is equally clear that court proceedings can 'affect' a trademark." It noted that not only does the Lanham Act generally grant federal courts powers to "affect" trademarks, but that San Antonio's suit specifically sought relief that would directly impact both Jiaxing's registered mark and application to register marks.

Of particular note, the court found that Section 1051(e)'s reference to the service of both "notices" and "***process***" to be particularly strong evidence that the section was intended to include court actions. This is because administrative proceedings within the USPTO do not operate on service of process but on notices. Accordingly, if Section 1051(e) was limited to administrative proceedings, then "process" would be mere surplusage.

Thus, the court found that because the plain language of the statute was clear, there was no need to look beyond it and that it could disregard the decisions that have done so to reach a different result.

Likewise, the Ninth Circuit also held that service through Section 1051(e) does not violate the Hague Convention. The Convention is implicated only when the service requires transmittal to a party abroad. Here, the service of the lawsuit is complete upon service on the Director (or the party's U.S.-domiciled agent). "It is of no moment that the recipient of the served documents … might ultimately send them to a defendant domiciled in a country that is a signatory to the Convention … [because] once service on the U.S. recipient is valid and complete, '[the] inquiry ends and the Convention has no further implications.'"

Accordingly, the Ninth Circuit vacated and remanded the matter to the district court for consideration of San Antonio's motion for default.

Takeaways

It is no secret that bad-faith trademark filers are wreaking havoc across the globe. Many of these trademark "trolls" obtain registrations using fraud or other bad-faith tactics. These trolls then use those registrations to shake down legitimate rights holders or unfairly compete with them on websites like Amazon.com, which rely on trademark registrations to verify IP ownership.

This case thus represents a boon for U.S.-based companies that are faced with dealing with these overseas-based trolls—especially where there U.S. company's superior trademark rights are based upon common law usage. Now, they can (relatively) cheaply file and serve a complaint and, in the likely event that the "troll" fails to appear, obtain a default judgment and injunction that can be used with third-party websites like Amazon and eBay to protect the plaintiffs' legitimate rights.

The case is *San Antonio Winery, Inc. v. Jiaxing Micarose Trade Co.*, case number 21-56036, in the U.S. Court of Appeals for the Ninth Circuit

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