Meenaxi Enter. v. Coca-Cola Co.: Protecting a Foreign Trademark in the United States

I. OVERVIEW

Coca-Cola began selling their Thums Up and Limca sodas after purchasing and acquiring Parle's Indian registrations for the marks in 1993.[1] These popular Indian sodas began to be distributed in India and surrounding countries by Coca-Cola and in the United States by third party companies.[2] Coca-Cola continued this distribution until Meenaxi Enterprises (Meenaxi), who began to sell beverages using the Thums Up and Limca marks in 2008, registered the two marks in the United States in 2012.[3] The drinks Meenaxi began selling in the United States closely resembled those sold by Coca-Cola in India.[4] Coca-Cola brought cancellation proceedings for Meenaxi's marks under the Lanham Act for misrepresentation of source, and the United States Trademark Trial and Appeal Board (the Board) held in Coca-Cola's favor.[5] Additionally, the Board noted that the Thums Up and Limca trademarks were not the only Indian brands that Meenaxi reproduced in the United States as part of its business model of copying other popular Indian brands and selling them to Indian American consumers.[6] Since then, other Meenaxi marks have been challenged in Board proceedings, resulting in the cancellation or abandonment of these marks.[7]

Meenaxi appealed to the United States Court of Appeals for the Federal Circuit, arguing that Coca-Cola "lack[ed] any cause of action

1. Meenaxi Enter. v. Coca-Cola Co., 38 F.4th 1067, 1069 (Fed. Cir. 2022).
2. *Id.*
3. *Id.* at 1069-70.
4. *Id.* at 1070.
5. *Id.* at 1070-71.
6. *Id.* at 1071 n.1.
7. *Id.*

under the Lanham Act because of the territoriality principle."[8] The Federal Circuit Court of Appeals held that Coca-Cola did not have a statutory cause of action under Section 14 of the Lanham Act to challenge Meenaxi's trademarks due to lack of lost sales and lack of domestic reputation. *Meenaxi Enter. v. Coca-Cola Co.*, 38 F.4th 1067 (Fed. Cir. 2022).

II. Background

The global presence of certain trademarks can give companies legal standing to capitalize on an already established and popularized brand. Because trademark laws vary from country to country, it is important to promptly register a mark in markets that the company might have potential future growth in. A guiding principle of trademark law is the avoidance of consumer confusion, which could be caused by different companies owning the marks for a certain product in different places.[9] Thus, the basic test for federal statutory trademark infringement is likelihood of confusion.[10]

Pursuant to the Lanham Act, an individual may seek protection for a mark using four primary mechanisms: registration based on actual use, registration based on intent to use, registration based on foreign application and registration based on foreign registration.[11] Additionally, the Lanham Act provides recourse for trademark infringement of both registered and unregistered marks. Under Section 14 of the Lanham Act, a petitioner may seek the cancellation of a *registered* mark "by any person who believes he is or will be damaged . . . by the registration of a mark."[12] Further, Section 14(3) allows for the cancellation of a mark if it is being used to misrepresent the source of the goods or in connection with which the mark is used.[13]

By contrast, Section 43 addresses situations involving both registered and unregistered marks.[14] Specifically, Section 43 allows for a

8. *Id.* at 1071, 1073.

9. Grupo Gigante S.A. de C.V. v. Dallo & Co., 391 F.3d 1088, 1094 (9th Cir. 2004) (adopting the use of the famous marks exception in the 9th Circuit for marks that have notoriety among U.S. consumers).

10. *See* 3M Co. v. Mohan, 482 F. App'x 574, 579 (Fed. Cir. 2012).

11. *See* 15 U.S.C. § 1064(3). A related issue pertains to an injured party's standing, under Article III, to bring suit for an issue of trademark infringement. *See generally* U.S. CONST. art. 3. Likewise, the appellant of a cancellation proceeding must also have standing in order to get review in a federal court. *See generally* Sierra Club v. EPA, 292 F.3d 895, 899 (D.C. Cir. 2002).

12. 15 U.S.C. § 1064.

13. *Id.*

14. *See generally* 15 U.S.C. § 1125.

civil action against a person whose use of a mark in commerce would lead to "any false designation of origin, false or misleading description of fact, or false or misleading representation of fact."[15] Additionally, Section 43 allows for injunctive relief for so called "famous marks."[16] Here, "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."[17]

Notably, the Lanham Act does not apply to activities outside the United States.[18] Rather, rights afforded by a trademark are secured on a country-by-country basis. Thus, sales in one country would not necessarily support their "use in commerce" in the United States.[19] Courts have recognized an "exception" in relation to the famous marks rule, however, noting that "those who use marks in other countries can sometimes—when their marks are famous enough—gain exclusive rights to the marks in this country."[20]

Relatedly, the principle of territoriality is necessarily implicated when examining trademark law in the United States.[21] Territoriality comports with the requirement that all intellectual property rights, including trademark rights, are subject to a larger international sphere that respects the sovereignty of each country.[22] Thus, "a trademark has a separate legal existence under each country's laws."[23] Further, the

15. 15 U.S.C. § 1125(a).

16. *Id.* § 1125(c).

17. *Id.* ("[A] mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner.").

18. *Id.*

19. *See, e.g.*, Person's Co. v. Christman, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990) (holding that appellant's failure to secure protection for its mark in the United States did not compel cancellation of appellee's mark where no established business or product line was in place in the United States).

20. Grupo Gigante S.A. de C.V. v. Dallo & Co., 391 F.3d 1088, 1095 (9th Cir. 2004).

21. *Person's Co.*, 900 F.2d at 1569 ("[T]rademark rights exist in each country solely according to that country's statutory scheme.").

22. 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:1 (5th ed. 2022). Territoriality was first recognized by the Court of Appeals for the Federal Circuit in Person's Co. v. *Christman*, where the court allowed a company to keep an infringing mark as the trademark was secured without bad faith. 900 F.2d at 1571-72. The appellant, Person's Co., failed to demonstrate that the mark had "acquired any notoriety" in the United States, *id.* at 1567. Further, Person's Co. had "failed to secure protection for its mark through use in U.S. commerce," *id.* at 1571.

23. ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 155 (2d Cir. 2007).

principle of territoriality is necessary for the owner to assert priority rights to a mark under the Lanham Act.[24]

Courts have analyzed the statutory provisions of the Lanham Act in various cases, including in relation to false advertising. In *Lexmark Int'l v. Static Control Components, Inc.,* the United States Supreme Court provided the requirements necessary to sustain a cause of action under Section 43.[25] Here, the Court described two requirements to establish a cause of action for false advertising: (1) the interest must fall within a zone of interest protected by the Act; and (2) there must be an injury that is a proximately caused by a violation of the Act.[26] More recently, the Federal Circuit held that the *Lexmark*'s zone-of-interests and proximate-causation requirements dictate this statutory cause of action analysis.[27] The statutory cause of action test from Section 43 was extended to be applicable to Section 14 by the Court of Appeals for the Federal Circuit in 2020.[28]

As *Lexmark* provides the basis for a sufficient cause of action under the Lanham Act, companies with foreign trademarks have found it difficult to assert claims in court as the zone of interests will only extend to actions inside the United States, unless an exception to the territoriality principle is found.[29] This is due to the fact that it "is not enough under Section 14(3) to show that the respondent willfully used a confusingly similar mark, or to do no more than allege that the respondent's trademark 'is a close approximation or a simulation of petitioner's corporate identity.'"[30] The mere fact that the mark bears the same name or brand name does not establish a cause of action. However, the Federal Circuit has established that a party does not need to use their mark in the United States to bring a cancellation proceeding under the Lanham Act; rather, a cancellation proceeding requires that the mark falls with a zone of interest

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24. *Grupo Gigante S.A. de C.V.*, 391 F.3d at 1093; *see Person's Co.*, 900 F.2d at 1570 ("'Knowledge of a foreign use does not preclude good faith adoption and use in the United States,' absent circumstances of a 'famous' mark or a 'nominal' use 'made solely to block the prior foreign user's planned expansion into the United States.'").

25. Lexmark Int'l, Inc. v. Static Control Components, Inc., 572 U.S. 118, 140 (2014).

26. *Id.* at 129.

27. Corcamore, LLC v. SFM, LLC, 978 F.3d 1298, 1302-03 (Fed. Cir. 2020).

28. *Id.* at 1305-06 (concluding that the requirements for Section 43 of the Lanham Act are substantively equal to the statutory requirements to oppose the registration of a mark (Section 14 of the Lanham Act)).

29. *See also Lexmark Int'l*, 572 U.S. at 131-32.

30. 3 Gilson on Trademarks § 9.03(h) (2022).

protected by the Lanham Act and that this subsequently causes an injury in violation of the Act.[31]

III. COURT'S DECISION

In the noted case, the Federal Circuit Court of Appeals held that a domestic drink manufacturer did not have sufficient standing to challenge a foreign soft drink manufacturer's trademark registrations for two marks where the manufacturer could not identify any lost sales in the United States.[32] First, the court held Coca-Cola did not satisfy the statutory requirements for a cause of action against Meenaxi's trademarks under Section 14.[33] Second, the court held Coca-Cola failed to establish a statutory cause of action based "on alleged injury occurring in the United States[.]"[34]

The Federal Circuit analyzed whether Coca-Cola demonstrated a sufficient cause of action under Section 14 "to challenge Meenaxi's trademark registrations."[35] As an initial matter, the Federal Circuit reaffirmed its holding in *Corcamore* where Section 14 was held to have the same standing requirements as Section 43.[36] Next, the court addressed Meenaxi's argument that pursuant to the principles of territoriality: Coca-Cola's ownership of marks in India should not extend protection of the marks in the United States.[37] The Federal Circuit rejected Meenaxi's argument, noting that "the territoriality principle still applies with respect to use of marks in different countries."[38]

In determining whether there is a cause of action presented by Coca-Cola, the majority first declined to apply the territoriality principle that the court previously used in *Person's*.[39] However, the court noted that "Coca-Cola [did] not claim to have U.S. trademark rights" to the marks. Rather, Coca-Cola argued that the Lanham Act can protect improper use of the

31. *See* Empresa Cubana Del Tabaco v. Gen. Cigar Co., 753 F.3d 1270, 1275 (Fed. Cir. 2014).
32. Meenaxi Enter. v. Coca-Cola Co., 38 F.4th 1067, 1076 (Fed. Cir. 2022).
33. *Id.* at 1072.
34. *Id.* at 1076.
35. *Id.* at 1071.
36. *Id.* at 1073.
37. *Id.*
38. *Id.* at 1074.
39. *Id.* at 1073. In *Person's Co*., it was determined that a company in registering a foreign company's trademark in the United States had not done so in bad faith and was the first to register the mark, therefore appellant could not cancel the trademark, 900 F.2d at 1568-69.

marks that goes beyond the trademark holder themselves.[40] Here, the majority looked solely at the injury caused to Coca-Cola inside of the United States, guided by Coca-Cola's waiver of the well-known exception to the territoriality principle of the Lanham Act.[41]

Additionally, the Federal Circuit held Coca-Cola failed to demonstrate a statutory cause of action under *Lexmark* for a commercial injury, noting Coca-Cola's failure to demonstrate lost sales or reputational injury in the United States.[42] Looking to evidence of lost sales, the Federal Circuit concluded that Coca-Cola did not present any evidence that it sells the sodas in the United States, nor that they lost any sales as a result of Meenaxi's activities.[43] Importantly, lost foreign sales could not serve as the basis for Coca-Cola's lost sales in the United States.[44] Likewise, Coca-Cola's broad future plans to sell the soda in the United States do not provide enough evidence to base their Lanham Act cancellation claim in.[45]

Next, the Federal Circuit concluded that Coca-Cola did not establish a "reputational injury in the United States."[46] The court rejected Coca-Cola's arguments that that members of the Indian-American community in the United States were (1) aware of the Coca-Cola's marks in India marks and (2) misled to think Meenaxi's products "were the same as those sold by Coca-Cola in India."[47] Coca-Cola did not rely on the famous marks exception, rather Coca-Cola based their claims in attitudes of the public and activity in the United States.[48]

For the second prong of the *Lexmark* test, the court concluded that Coca-Cola needed to show economic reputational injury flowing directly from the deception caused by the Meenaxi's advertising.[49] According to the court, Coca-Cola failed to explain how reputational injury affected their commercial interests in the United States.[50] Here, the court noted a lack of substantial evidence to support the Board's alleged link between U.S.-based Indians and their awareness of the branding by Meenaxi to

40. *Id.* at 1074-75 (noting that the territoriality principle still applies where a mark is used in different countries).
41. *Id.* at 1075-76, 1081.
42. *Id.* at 1076.
43. *Id.*
44. *Id.* at 1075-76.
45. *Id.* at 1076.
46. *Id.*
47. *Id.* at 1077.
48. *Id.* at 1077-78.
49. *Id.* at 1076-77.
50. *Id.* at 1077.

relate Meenaxi's trademark to that of Coca-Cola's in India.[51] Moreover, the court concluded that the third-party sales of Thums Up and Limca did not establish product reputation in the United States.[52]

Importantly, there was no survey evidence showing awareness of marks, and Meenaxi's admission of a "single instance of U.S. consumer awareness" was insufficient to prove this reputational injury.[53] As Coca-Cola failed to establish reputational harm, the Federal Circuit concluded there was no cause of action under the Lanham Act.[54] Similarly because there was no interest falling within the zone of the Lanham Act and no injury proximately caused by a violation of the Act, as outlined by the test in *Lexmark*, there was no statutory cause of action.[55] Ultimately, Coca-Cola could not demonstrate that relevant sections of the U.S. public were aware of the reputation of their marks.[56]

The concurrence in the noted case, written by Judge Reyna, agreed with the majority's overall outcome of Coca-Cola's failure to establish use of its Indian trademarks in the United States, but argued that the territoriality principle governs this matter, since this principle "extends to all cancellation proceedings in the Lanham Act."[57] Judge Reyna further argued that the Lanham Act was not intended by Congress to protect trademarks from other territorialities, especially when those foreign trademarks have been registered by a different party in the United States.[58] Rather, Judge Reyna noted that the majority relied on the famous-marks exception to the territoriality principle despite Coca-Cola previously waiving reliance on this exception.[59] Lastly, Judge Reyna agreed with the majority that because the principle of territoriality prevents damage from a foreign trademark constituting damages for the purpose of the Lanham Act, there was no statutory standing for Coca-Cola to bring their cancellation claim.[60]

51. *Id*. at 1077-78.
52. *Id*. at 1078.
53. *Id*.
54. *Id*. at 1079.
55. *Id*.
56. *Id*. at 1078.
57. *Id*. at 1079-80.
58. *Id*. at 1080.
59. *Id*. at 1079.
60. *Id*. at 1080.

IV. ANALYSIS

The Federal Circuit's holding in the noted case depicts the importance of global registration of trademarks in a timely manner. Coca-Cola lost their chance to market their Indian products in the United States because they did not promptly register the marks. This decision has major impacts not just for Coca-Cola's trademarks' global reputation and the company's global economy, but for other major worldwide companies. Though Coca-Cola is one of the biggest worldwide corporations with elevated name recognition, without the marks registered in the United States, they could not establish reputational injury.

Despite the majority disregarding the territorial principle due to Coca-Cola's proffered argument, the concurrence rightly points out that territoriality should be applied. The concurrence supports this viewpoint by noting the majority's usage of territoriality throughout its analysis.[61] While Coca-Cola does not claim to use the territoriality principle in their argument, it is perfunctory for the court to completely disregard the principle in the noted case. The geographical impact that this trademark has around the world has important bearing on the trademark's presence in the United States. The court limits its analysis to actions inside the United States, implying that the court is utilizing the territoriality principle.

The majority's opinion completely lacks in an evaluation of the misrepresentation of source argument, the main reason for the trademark board for deciding to cancel Meenaxi's marks.[62] However, the analysis of misrepresentation of source under Section 14(3) was necessary as the noted case created a unique trademark cancellation proceeding, examining the intersection of misrepresentation of marks for a foreign trademark without the use of the territoriality principle and with a waived famous marks exception. As such, the Federal Circuit needed to provide some guidance for future courts faced with this unique intersection of conditions, as it is likely to occur again after this decision.

A more effective way to prove reputational injury to Coca-Cola would have come from an argument for the famous-marks exception to apply.[63] This exception is widely recognized in the United States and provides protection from reputational harm inside the United States even

61. *Id.* at 1079.
62. *Id.* at 1070.
63. David S. Welkowitz, *State of the State: Is There a Future For State Dilution Laws?*, 24(3) SANTA CLARA COMPUTER & HIGH TECH. L.J. 681, 709 (2007).

though the trademarks were used solely outside of the country.[64] As the majority seems to clearly apply the territoriality principle, the application of the famous marks exception would have expanded the court's analysis to Coca-Cola's activities around the world.[65] In waiving this exception, Coca-Cola lost the opportunity to provide the necessary evidence showcasing that actions inside the United States drew a connection for consumers of Coca-Cola's trademarks outside the United States.[66] This begs the question of what mark Coca-Cola would find as famous enough to utilize the famous marks exception.

Relatedly, Coca-Cola should have made a stronger argument for the sales they were losing from these other parties selling their manufactured sodas. Here, the Federal Circuit concluded that Coca-Cola did not adequately provide sufficient evidence of lost sales in the United States.[67] To bypass the similar issue identified in *Person's Co.*, Coca-Cola should have evidenced confusion stemming from American customers' familiarity with the Indian trademarked drinks.[68] Further, Coca-Cola could have conducted a study of the public to show evidence of the potential awareness of the marks in the country or gathered some other kind of evidence to show a general reputational awareness of the drinks.

Ultimately, the noted case has worldwide repercussions, as it depicts that the global popularity of a trademark may be trumped by the timing of a company to register that mark in a particular country. In looking for opportunities for growth, a smaller company might take this decision as permission to find a popular foreign manufactured product from a larger corporation that has potential to have some recognition in the United States and register that mark to sell that product before the larger corporation realizes that they should have. Based on this decision, third parties could take advantage of the reputation that has been established by a well-known brand if that well-known brand cannot show the correct evidence of domestic injury. While the Federal Circuit court's decision in the noted case does not fall far from precedent, the decision to disregard the territoriality principle and focus on the Lanham Act protecting

64. *Id*. at 709-710.

65. *Meenaxi Enter*., 38 F.4th at 1069. Here, the findings of the Indian High Court of Delhi that the THUMS UP mark was "famous" and "well known" and that the LIMCA mark was "well known" in India would have served as great evidence for Coca-Cola to show the reach of their Indian marks, *id*. at 1069.

66. Kyle Jahner, *Coca-Cola Loss Raises—But Ducks—Territoriality Trademark Tension*, BL (Nov. 10, 2022, 2:50 PM), https://news.bloomberglaw.com/ip-law/coca-cola-loss-raises-but-ducks-territoriality-trademark-tension.

67. *Meenaxi Enter*., 38 F.4th at 1076.

68. *See also Person's Co*., 900 F.2d at 1570.

improper use of marks beyond the trademark holder themselves is powerful. If a corporation as well-known as Coca-Cola cannot evidence consumer awareness of their trademarks in other countries, then it is likely that any other corporation would be unlikely to succeed in a similar claim.

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