



An International Lawyers Network IP Group Publication

Trader Joe's trying to make Pirate Joe's "walk the plank" in U.S. trade-mark case

BY KWAN T. LOH ON SEPTEMBER 14, 2016

POSTED IN CANADA, CASE STUDIES, TRADEMARKS



In the ongoing dispute between Michael Hallatt, a Vancouver businessman, and U.S. based retailer Trader Joe's, the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit") has overruled the 2013 decision of the U.S. District Court for the Western District of Washington (the "District Court") not to hear Trader Joe's claim against Hallatt for, among other things, trade-mark infringement, dilution, unfair competition and false advertising.

The dispute arose out of Hallatt's purchase of products from Trader Joe's stores in the U.S., particularly in the state of Washington, for resale in Canada (there are no Trader Joe's stores in Canada). Hallatt has and continues to mark up and re-sell Trader Joe's products at his store in Vancouver, named Pirate Joe's.

The goods are not counterfeit, and the source of the products being sold is not in dispute – the packaging on the products bears Trader Joe's trade-marks, and Hallatt states on his website that he sells Trader Joe's products. Hallatt expressly states on his website that he is not an authorized or affiliated distributor or reseller of Trader Joe's. Nevertheless, Trader Joe's took the view that Hallatt's conduct

violated its U.S. trade-mark rights under the U.S. Lanham Act, and in 2013 it brought a claim against Hallatt in the District Court.

Taking the view that any unlawful conduct by Hallatt would have taken place in Canada rather than the U.S., and that Hallatt's activities did not cause a cognizable injury to Trader Joe's in the U.S. or an effect on American foreign commerce, the District Court judge decided in October 2013 that the Court had no subject matter jurisdiction to hear Trader Joe's claims. Trader Joe's appealed that decision to the Ninth Circuit.

The Ninth Circuit disagreed with the District Court judge, opining instead that Hallatt's activities could affect the goodwill and value of the Trader Joe's brand in the U.S., and accordingly, its U.S. trade-mark rights. The Ninth Circuit concluded that the Lanham Act does apply to Hallatt's allegedly infringing conduct, and in the result, remanded the case back to the District Court for further proceedings.

We will be keeping an eye on this trade-mark case that is likely of particular interest to cross-border shoppers.

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