

Trader Joe's May Pursue Trademark Case Against Canadian Reseller

(August 29, 2016) An appellate court found that Trader Joe's may proceed with a trademark case in the United States against a Canadian citizen for trademark infringement in Canada.

Michael Hallatt buys Trader Joe's Company products in the United States, which he resells in a Canadian store he operates as Pirate Joe's. Trader Joe's, a specialty grocery store, does not operate in Canada. Trader Joe's has registered trademarks in both the United States and Canada. In its complaint, Trader Joe's alleged that Hallatt would buy products in the United



States and sell them at a higher price in Canada. When Trader Joe's tried to stop him from buying products at their stores, he donned disguises, went to various stores, and hired third parties to buy the products. The trial court dismissed the complaint, finding it lacked subject matter jurisdiction because the action took place in Canada and because Hallatt's actions did not affect U.S. commerce.

The Ninth Circuit said the issue of subject matter jurisdiction was a merits question, not a jurisdictional question. As to affecting U.S. commerce, the appellate court found there was sufficient nexus between Hallatt's foreign conduct and American commerce to state a Lanham Act case. "Hallatt's conduct may cause Trader Joe's reputational harm that could decrease the value of its American-held trademarks, and Hallatt operates in American commerce streams when he buys Trader Joe's goods in Washington and hires locals to assist him."

The appellate court noted that the "first sale" doctrine, which establishes that "resale by the first purchaser of the original article under the producer's trademark is generally neither trademark infringement nor unfair competition," did not apply because Trader Joe's alleged that the conduct harmed its reputation and decreased the value of its American-held trademarks.

"According to Trader Joe's, Hallatt's poor quality control practices could impact American commerce if consumers who purchase Trader Joe's-brand products that have been transported to Canada become ill, and news of such illness travels across the border. Trader Joe's alleges this may harm its reputation, reduce the value of its trademarks, and cause lost sales," the opinion states. "There is nothing implausible about the concern that Trader Joe's will suffer a tarnished reputation and resultant monetary harm in the United States from contaminated goods sold in Canada," which affects U.S. commerce.

The appellate court observed that the district court could enjoin Hallett from his activities in the United States because all of the Trader Joe's goods he sells comes from the United States.

Trader Joe's Company v. Michael Norman Hallatt, an individual DBA Pirate Joe's AKA Transylvania Trading, Ninth Cir. No. 14-35035, issued August 26, 2016.

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