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Gamut Trading Co. v. U.S. International Trade Commission: Expanding the Gamut of Trademark Protection

Sean A. Barry

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I. INTRODUCTION

In the recent case of *Gamut Trading Co. v. U.S. International Trade Commission*,[1] the Circuit Court of Appeals for the Federal Circuit expanded the trademark protection available under the Tariff Act of 1930.[2] Specifically, the court held that the importation and subsequent resale of goods bearing legally affixed trademarks can infringe the same trademark in the United States, despite the fact that the imported goods are second-hand goods.[3] While the Federal Circuit classifies this case as

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1. 200 F.3d 775 (Fed. Cir. 1999).

2. Gamut was charged with violation of § 337 of the Tariff Act of 1930 which prohibits, "[t]he importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, consignee, of articles that infringe a valid enforceable United States trademark registered under the Trademark Act of 1946." 19 U.S.C. § 1337 (a)(1)(C).

3. *See* Gamut Trading Co., 200 F.3d at 781.

a gray market case, the fact that this case involved the importation of second-hand goods makes it distinguishable from gray market case law. Additionally, the fact that all the goods subject to this dispute were effectively controlled by the same entity should have precluded a finding of trademark infringement. This case note addresses both of these points.

II. BACKGROUND FACTS

This case was initially brought by the Kubota Corporation of Japan ("Kubota-Japan"), and its U.S. affiliates, Kubota Tractor Corporation and Kubota Manufacturing of America (collectively "Kubota-US"), before the U.S. International Trade Commission ("ITC").[4] The ITC upheld Kubota-Japan's and Kubota-US's claims that the unauthorized importation and resale of used Kubota tractors by Gamut Trading Company ("Gamut") violated section 337 of the Tariff Act of 1930.[5] Upon appeal, a two-judge panel of the Federal Circuit affirmed the ITC's decision.[6]

At the source of this dispute is the fact that Kubota-Japan, like many multi-national companies, tailors its tractor designs for specific regions of the world, yet Kubota-Japan affixes the same trademark on all of its tractors.[7] For instance, in Japan, where Gamut purchased its Kubota tractors, Kubota-Japan sells tractors adept to rice paddy farming. Among other qualities, these models have narrow wheelbases and are designed to maneuver in wet, muddy conditions.[8] For the U.S. market, Kubota-Japan sells tractors adept to heavy lifting, transporting raw materials, and functioning with heavy weight blades used for cutting rough undergrowth.[9]

It is notable that all of the tractors subject to this dispute were foreign-manufactured tractors, manufactured in Kubota-Japan's Japanese factory.[10] While Kubota-Japan has licensed the use of the Kubota trademark in the U.S. to Kubota-US, Kubota-Japan is the registered owner of the Kubota trademark in the U.S..[11] Kubota-Japan's licensing agreement with Kubota-US expressly provides that any goodwill associated with the Kubota mark remains the "exclusive property" of

4. *See* In the Matter of Certain Agricultural Tractors Under 50 Power Take-Off Horsepower, 44 U.S.P.Q. 2d. 1385 (1997).
5. *See* Gamut Trading Co., 200 F.3d at 777.
6. *See id.* at 776.
7. *See id.*
8. *See id.*
9. *See id.*
10. *See* In the Matter of Certain Agricultural Tractors, *supra* note 4, at 1407.
11. *See* Gamut Trading Co., *supra* note 5, at 776.

Kubota-Japan, not Kubota-US.[12]

III. GRAY MARKET GOODS AND THE TERRITORIALITY DOCTRINE

Generally, the term "gray market goods" refers to goods bearing legally affixed trademarks that are imported without the consent of the domestic trademark owner.[13] While gray market goods bear legally affixed trademarks, their importation may nonetheless infringe the same trademark in the U.S. when imported without the consent of the domestic trademark owner.[14]

In the 1923 case of *A. Bourgois & Co. v. Katzel*,[15] the United States. Supreme Court conceived of the territoriality principle. Under this principle, a trademark has a separate legal existence in each country and is entitled to the protection afforded by the laws of that country.[16] Basically, the territoriality principle recognizes two purposes of a trademark. First, like its predecessor, the universality principle,[17] the territoriality principle recognizes that a trademark identifies the source of the product.[18] Second, and more importantly, the territoriality principle protects "the *goodwill* of the domestic markholder whose reputation backs the particular product in that territory."[19]

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12. *See id.* at 777

13. *See* TIMOTHY H. HIEBERT, PARALLEL IMPORTATION IN U.S. TRADEMARK LAW 1 (1994) (citations omitted). The terms "gray market" and "parallel importation" are often used interchangeably. However, the term "gray market" actually encompasses more than parallel importation. Parallel importation requires both the U.S. trademark owner and a third party to import their goods. A gray market, however, can originate when the U.S. trademark owner does not import its goods. In such a situation, there is no parallel importation because only the alleged "infringer" is importing goods. *See id.* at 13 n.1.

14. *See generally* J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29.19[4].

15. 260 U.S. 689 (1923).

16. *See id.* at 692.

17. Prior to the United States Supreme Court's decision in *Katzel*, 260 U.S. 689 (1923), trademarks were governed by the universality principle which offered no protection against gray market goods. Under the universality principle, transferring ownership of the product effectively extinguished the trademark owner's ability to control the product's downstream flow in commerce. Under this approach, a trademark's *sole* purpose was to identify a product's origin. Therefore, a foreign trademark could not infringe a U.S. trademark if it correctly identified the origin or source of the product, regardless of where the consumer purchased the product.

18. *See, e.g.*, Osawa & Co. v. B & H Photo, 589 F. Supp. 1163, 1171-72 (S.D.N.Y. 1984).

19. Weil Ceramics and Glass, Inc. v. Dash, 878 F.2d 659, 663 (3d Cir. 1989) (emphasis added).

To determine whether a domestic trademark's goodwill is damaged by the importation of gray market goods bearing the same trademark, courts generally employ a material differences analysis. When gray market goods have material differences from their domestic counterparts bearing the same trademark, the goodwill that domestic consumers associate with the trademark is jeopardized.[20] Domestic consumers, who are not aware they are purchasing gray market goods, may mistakenly associate or confuse any of the good's inferior qualities with the U.S. trademark owner and not the foreign trademark owner.[21]

A. *Material Differences Is Not the Test When Dealing With Second-Hand Goods*

Essentially, the holding in *Gamut Trading Co.*[22] rests on the premise that because Gamut's tractors are materially different from Kubota-US's tractors, Gamut's tractors were likely to damage the goodwill that domestic consumers associate with the Kubota trademark.[23] Because this case involved the importation of second-hand tractors, the Federal Circuit's reliance on the material differences test is inappropriate.

In *Champion Spark Plug Co. v. Sanders*,[24] a case not cited in the Federal Circuit's opinion, the United States Supreme Court held that consumers of second-hand goods have lower expectations than consumers of new goods.[25] As long as the used goods are not being passed off as new goods, the Court held that any differences or "inferiority is *immaterial*."[26]

Despite the holding of *Champion Spark Plugs*, the Federal Circuit nevertheless held that Gamut's imported tractors infringed the Kubota trademark based on the fact that the imported tractors possessed material differences from the authorized Kubota tractors. The Federal Circuit notes, "the basic question in gray market cases concerning goods of foreign origin is not whether the mark was validly affixed, but whether there are differences between the foreign and domestic product and if so whether the differences are *material*."[27] The Federal Circuit further states, "[s]ubstantial evidence supports the [ITC's] finding that

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20. "[I]f there are material differences between the gray market imports and the authorized imports, then the gray market imports are not 'genuine' imports and can create a likelihood of confusion." MCCARTHY, *supra* note 14, at § 29.19[4].
21. *See id.*
22. 200 F.3d 775.
23. *See id.* at 783.
24. 331 U.S. 125 (1947).
25. *See id.* at 129.
26. *Id.* at 129-30 (emphasis added).
27. Gamut Trading Co., 200 F.3d at 779 (emphasis added).

consumers would consider the differences between the used imported tractors and the authorized Kubota-US tractors to be important to their purchasing decision, and thus material."[28] There is little doubt that the Federal Circuit's opinion relies on the material differences test, and, to that extent, the opinion conflicts with *Champion Spark Plugs.*

In *Champion Spark Plugs*, defendant, Sanders, was in the business of reselling second-hand spark plugs, all of which had been reconditioned, repaired, yet still bore their original "Champion" trademark.[29] Despite the fact the performance of the reconditioned spark plugs was materially inferior to the performance of new spark plugs, the Court found such evidence inapposite to the trademark analysis.[30] Moreover, the Court expressly noted that while the second-hand dealer derives some advantage from the trademark, the Court held that such advantage "is wholly permissible so long as the manufacturer is *not identified with the inferior qualities* of the product resulting from wear and tear or the reconditioning by the dealer."[31]

Although the Federal Circuit's opinion does not expressly address the holding in *Champion Spark Plugs*, the evidence in the record tends to show that it is unlikely that Gamut's consumers actually identified the accused tractor's inferior qualities with the Kubota trademark. The senior vice president of Kubota-Japan testified that, "[Kubota-US's tractors] [are] not in competition with the infringing tractors because the consumer who is looking for a new tractor and the customer who is looking for a used tractor (i.e. a gray market tractor), have different requirements; and that, while there is some overlap, generally there is a difference in price and a difference in condition."[32] Implicit in this testimony is the notion that consumers understand and knowingly assume that second-hand products are inferior compared with new products. In *Champion Spark Plugs*, the Court recognized that consumers generally pay much less for second-hand goods, and consequently, consumers *expect* the performance and quality of second-

28. *Id.* at 782.
29. *See* Champion Spark Plugs, 331 U.S. at 126.
30. *See id.* at 129.
31. *Id.* at 129-30 (emphasis added).
32. This quote comes from the ITC's published opinion *before* it was published in the United States Patents Quarterly, 44 U.S.P.Q. 2d. 1385. This quote and substantial portions of the ITC's opinion do not appear in the U.S.P.Q. edition. The quote can be found in the complete ITC published opinion. *See* In the Matter of Certain Agricultural Tractors Under 50 Power Take-Off Horsepower, Inv. No. 337-TA-380, U.S.I.T.C. Pub. 3026 (March 1997), 1996 WL 901435, at 65-66.

hand goods to be inferior compared with new goods.[33]

It is notable that all of the tractors subject to the dispute in *Gamut Trading Co.* were between the ages of 13 and 25 years old.[34] It is self-evident that the older a product becomes, the lower the expectations of its consumer will be, and the more likely that consumers will identify any of the product's inferior aspects with the fact that the product has been reconditioned or repaired.[35] Additionally, evidence in the record, presented by Kubota-Japan, showed that the used gray market tractors were selling at a 65 to 90 percent discount compared to the new Kubota.[36] In light of the age, discounted price, and lack of competition between the new and accused tractors, it seems extremely unlikely that a consumer would identify a used tractor's inferior qualities with the Kubota trademark.

In its opinion, the Federal Circuit notes that their was "evidence that a purchaser of such a used tractor . . . did not realize that he was not buying an authorized tractor or that service and parts were not available from the Kubota-US dealerships."[37] While the above purchaser may have been disappointed with the fact that replacement parts were difficult to obtain, his testimony fails to establish that he perceived the quality or performance of the tractor to be inferior. It is conceivable the above purchaser was extremely satisfied with his tractor's lighter weight and superior maneuverability compared to the much heavier domestic Kubota models.[38] Hence, the unavailability of replacement parts does not address the threshold issues, whether the gray market tractors were perceived to be inferior.[39]

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33. *See* Champion Spark Plugs, 331 U.S. at 129-30.
34. *See* Gamut Trading Co., 200 F.3d at 777.
35. *Accord* Champion Spark Plugs, 331 U.S. at 129-30.
36. *See* In the Matter of Certain Agricultural Tractors Under 50 Power Take-Off Horsepower, 1996 WL 901435, at 214.
37. *See* Gamut Trading Co., 200 F.3d at 781.
38. *See id.* at 776.
39. This case note concedes that under the material differences test, courts have found that the material differences analysis is not limited to physical differences. However, once the analysis becomes divorced from the physical differences, a trademark is essentially given monopoly type power. In the Fifth Circuit case, *Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA, Co.*, the court alluded to a situation where a gray market good may be deemed materially different despite the fact that the product is *actually identical* to its domestic counterpart. Martin's Herend Imports, Inc. v. Diamond & Gem Trading USA, Co., 112 F.3d 1296 (5th Cir. 1997), The court stated that a finding of materiality, "depends not only on the 'quality' of such goods as measured in some objective or scientific sense, but on the ability to impart on the domestic consumer a view that the goods are rare, collectable, elegant, chic, or otherwise highly desirable pieces to own." *Id.* at 1302. Because the influx of identical goods could make the goods seem less rare or unique, imported gray market goods that are identical to the domestic goods could be found to infringe the domestic trademark. *See id.* Therefore, according to the 5th Circuit, material difference could be found, despite the

Even assuming that the unavailability of replacement parts somehow makes the gray market tractors "inferior," it still must be established that Gamut's customers *identified* the tractors' inferiority qualities or performance with the Kubota trademark, and not with the fact that the tractors were second-hand.[40] The only evidence referenced in the court's opinion that even addresses this point, albeit inadvertently, is the above testimony. Conceivably, this testimony could show that a purchaser disappointed with the unavailability of replacement parts associated and identified his disappointment with Kubota, and not with the fact that his tractor was an older model tractor. However, this argument pushes the bounds of credibility. Considering the age, discount, and lack of competition between the new and used tractors, it is difficult to believe that a consumer failed to realize that replacement parts may have been difficult to obtain. However, it is likely that a customer disappointed with his gray market Kubota tractor, would have identified the tractor's poor performance with the fact that the tractor was a second-hand refurbished tractor. In such a case, there has been no damage to the Kubota trademark and associated goodwill.[41]

As noted above, consumers of second-hand products knowingly accept certain risks, including the risk that replacement parts may not be available.[42] Surely, the Ford Corporation could not claim that the unauthorized resale of its older model cars infringes the "Ford" trademark based on the fact that Ford dealerships no longer carried replacement parts.[43] Accordingly, the Federal Circuit's opinion fails to credibly establish that Gamut's consumers identified the tractor's "inferiority" with the Kubota trademark.

Instead of addressing the holding of *Champion Spark Plugs*, the Federal Circuit cites to three cases for the proposition that "used goods *can* be gray market goods."[44] In *Red Baron-Franklin Park, Inc. v. Taito Corp.*,[45] one of the cases relied on in the Federal Circuit's opinion, the court held that the importation of second-hand coin operated video arcade games violated the copyright owner's exclusive right to public

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fact that the products are identical in every sense of the word. *See id.*

40. *See* Champion Spark Plugs, 331 U.S. at 130.
41. *See id.*
42. *See id.*
43. *See id.* at 129.
44. Gamut Trading Co., 200 F.3d at 783 (emphasis added).
45. 883 F.2d 275 (4th Cir. 1989).

performance under *copyright law*.[46] It is notable that the right to public performance is a unique aspect of copyright law and there is no such protection found in trademark law. Moreover, the court in *Red Baron-Franklin Park* expressly noted that had the case involved the "distribution of the copyrighted work"[47] that is more like the present situation in *Gamut Trading Co.*, the first sale doctrine would have precluded a finding of copyright infringement.[48] Clearly, *Red Baron-Franklin Park* provides little guidance as to whether the importation of second-hand goods infringes the domestic trademark.

The Federal Circuit also cites *Sims v. Florida Dep't of Highway Safety and Motor Vehicles*.[49] In that case, the term "gray market" was used in the context of the Clean Air Act, which has no relation to its use under trademark law. Under the Clean Air Act, the term "gray market" refers to any imported automobile that does not comply with U.S. emissions and safety standards.[50] Under such a definition, even brand new products imported by the domestic trademark owner would be considered "gray market," if the products did not comply with the Clean Air Act requirements.[51] Conspicuously absent in any of the cases cited by the Federal Circuit is the issue raised in *Champion Spark Plugs*; whether consumers identified the inferior qualities of the second-hand tractors with the trademark. Moreover, none of the cases cited in the Federal Circuit's opinion were applying the material differences test to gray market, second-hand goods.

B. The Common Control or Ownership Exception

While the Tariff Act of 1930[52] on its face bars the importation of all gray market goods, the United States Customs Service allows the importation of gray market goods when a U.S. trademark owner or licensee, and a foreign trademark owner or licensee are under common control or ownership.[53] As the Court of Appeals for the Ninth Circuit

46. *See id.* at 280.
47. *Id.*
48. *See id.* at 279.
49. 862 F.2d 1449, 1451 (11th Cir.1989).
50. *See id.* at 1455.
51. *See id.*
52. 19 U.S.C. § 1526. Section 526 of the Tariff Act of 1930, provides that "it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States . . . unless written consent of the owner of such trademark is produced at the time of making entry." *Id.*
53. *See* 19 C.F.R. § 133.21(c)(2). This provision applies when the foreign and

has stated, when common control exists "articles produced and sold abroad by the foreign owner may be imported by anyone since the trademark owner has itself either introduced or authorized the introduction of the articles into commerce and thereafter may not unreasonably restrict the use of the product."[54] Under this rule of law, companies that are under common control or ownership are viewed as a single entity, and thus are precluded from controlling their products beyond their initial sale.

In 1988, the United States Supreme Court in *K-mart Corp. v. Cartier, Inc.*,[55] affirmed the application of the common control exception under section 526 of Tariff Act of 1930.[56] In particular, the Court upheld a U.S. Customs' regulation that permits the entry of goods manufactured abroad under what the Court called a Case 2 scenario.[57] This scenario arises when a domestic firm that registers the U.S. trademark for foreign-manufactured goods is either (a) a subsidiary of the foreign firm, (b) the parent of a foreign firm, or (c) the same as the foreign firm, and goods bearing the same trademark as that registered in the U.S. are imported.[58] In such a case, there can be no trademark infringement, due to the relatedness of the domestic and foreign entities. The Ninth Circuit has noted that common control can be established by showing "the foreign and domestic entities [are] sufficiently connected that either firm can effectively control the introduction of goods into the stream of international commerce."[59] Common control can also be established by showing "the sort of control that a parent corporation would exercise over a subsidiary or that a common owner might exercise over both organizations."[60]

In *Gamut Trading Co.*, the Federal Circuit neglects to even address the common control exception; yet, the facts of this case appear to satisfy the elements of a Case 2 fact pattern. First, while a Case 2 pattern

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domestic trademark owners are parent and subsidiary companies or are otherwise subject to common control or ownership. *See id.*

54. United States v. Eighty-Nine Bottles of "Eau De Joy," 797 F.2d 767, 771 (9th Cir. 1986) (quoting Coalition to Preserve the Integrity of American Trademarks v. U.S., 598 F.Supp. 844, 849-50 (D.D.C. 1984), *rev'd on other grounds*, 790 F.2d 903 (D.C. Cir. 1986)).

55. 486 U.S. 281 (1988).

56. 19 U.S.C. § 1526.

57. *See* K-mart, 485 U.S. at 292.

58. *See id.*

59. *See* Eighty-Nine Bottles, 797 F.2d at 772.

60. *Id.* at 771.

generally involves a U.S. firm that has registered a trademark in the U.S., common control is even easier to establish, as in *Gamut Trading Co.*, when the U.S. firm is not even the registered trademark owner. The Federal Circuit notes that the license agreement between Kubota-US and Kubota-Japan expressly provides that "the U.S. trademark and associated goodwill remain the *exclusive property of Kubota-Japan.*"[61] Because Kubota-Japan is the registered owner of the Kubota trademark, and not Kubota-US, the facts of this case are well within the bounds of a Case 2 pattern on this element.

Next, a Case 2 scenario requires all of the goods to be foreign-manufactured goods.[62] It is undisputed that all of the tractors subject to this dispute were foreign-manufactured goods, manufactured by Kubota-Japan in its Japanese factories.[63] Thus, this element of a Case 2 pattern is likewise satisfied.

The last element of a Case 2 scenario is the entity relatedness requirement.[64] Although the exact corporate relationship is not touched upon in the Federal Circuit's opinion, it seems apparent that Kubota-US lacks meaningful control over the tractors it sells, and is effectively at the mercy of Kubota-Japan's manufacturing decisions. The evidence in the record tends to support this conclusion. In ITC's Finding of Fact, the court stated that, "[Kubota-US] . . . assembles, distributes, markets, sells, and services tractors *manufactured by [Kubota-Japan]* and specifically designed for the U.S. market."[65] The Federal Circuit's opinion seems to confirm Kubota-US's limited role, and refers to Kubota-US's role as maintaining a "distributorship/service system."[66] In the absence of any evidence to the contrary, the evidence in the record makes it clear that the power to tailor tractor models for different markets is reposed solely with Kubota-Japan.

Because Kubota-US is essentially powerless over the manufacturing decisions, it seems apparent that Kubota-Japan has the power to "effectively control the introduction of [tractors bearing the "Kubota trademark] into the stream of international commerce."[67]

By extending trademark protection to Kubota-US under these

61. Gamut Trading Co., 200 F.3d at 777 (emphasis added).

62. *See* K-mart, 485 U.S. at 292.

63. *See* Gamut Trading Co., 200 F.3d at 777.

64. *See* K-mart, 485 U.S. at 292.

65. In the Matter of Certain Agricultural Tractors Under 50 Power Take-Off Horsepower, Inv. No. 337-TA-380, U.S.I.T.C. Pub. 3026 (Mar. 1997), 1996 WL 901435, at 74 (emphasis added).

66. *See* Gamut Trading Co., 200 F.3d at 781.

67. *See* Eighty-Nine Bottles, 797 F.2d at 772 (quoting Coalition to Preserve the Integrity of American Trademarks v. U.S., 598 F. Supp. 844, 849-50 (D.D.C. 1984), *rev'd on other grounds*, 790 F.2d 903 (D.C. Cir. 1986)).

circumstances, the Federal Circuit extended Kubota-US trademark rights and benefits for which it has not bargained and which it cannot legitimately expect Kubota-Japan not to circumvent.[68] As previously mentioned, under the territoriality principle, a trademark protects a domestic trademark's goodwill that is separate and distinct from the foreign trademark's associated goodwill. Indeed, the "[territoriality] principle recognizes that a trademark has a separate legal existence under each country's laws, and that its proper lawful function is not necessarily to specify the origin or manufacture of a good, but rather to symbolize the domestic goodwill of the domestic markholder."[69] However, when a foreign company owns *all* of the goodwill associated with the trademark in the U.S., as does Kubota-Japan, trademark law should not protect goodwill that the U.S. trademark owner does not own or in which he has proprietary rights. Additionally, the fact that Kubota-Japan controls the manufacturing decisions for both the Japanese and U.S. markets further supports the premise that Kubota-US is controlled by Kubota-Japan. Taken in its entirety, the above evidence tends to show Kubota-Japan possesses "that sort of control that a parent corporation would exercise over a subsidiary or that a common owner might exercise over both organizations."[70]

C. The Tariff Act and Common Control

In *K-mart*, the United States Supreme Court expressly held that the common control exception applies to claims brought under the Tariff Act; however, the Court did not reach its application to claims arising under the Lanham Act.[71]

In *Gamut Trading Co.*, the Federal Circuit neglects this distinction, thereby rendering a finding of common control superfluous to the trademark infringement analysis under the Tariff Act. The Federal Circuit states that "when there are material differences between the domestic product and the foreign product bearing the same mark, most of the courts that have considered the issue have excluded the gray goods, *even when the holders of the domestic and foreign trademarks*

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68. *See* NEC Electronics, Inc. v. Cal Circuit Abco, Inc., 810 F.2d 1506, 1510 (9th Cir. 1987).
69. Osawa & Co. v. B & H Photo, 589 F. Supp. 1163, 1171-72 (S.D.N.Y. 1984).
70. Eighty-Nine Bottles, 797 F.2d at 772.
71. K-mart, 486 U.S. at 290 n.3; 15 U.S.C. § 1127.

are related companies. . . ."[72]

This statement is misleading. First, the Federal Court ostensibly decides this case under the Tariff Act of 1930,[73] yet the court cites only cases decided under the Lanham Act. In *Lever Brothers Co. v. U.S.*,[74] a case decided under the Lanham Act and relied upon in the Federal Circuit's opinion, the United States Court of Appeals for the District of Columbia held that Customs' "[common control] exception does not square with section 42 [of the Lanham Act]."[75] However, in *Lever Brothers II* the Circuit Court expressly noted that it's holding does not apply to claims under the Tariff Act of 1930.[76] Indeed, the *Lever II* court acknowledged that under the Tariff Act of 1930, the Supreme Court's opinion in *K-mart* controlled,[77] a distinction the Federal Circuit overlooks.

Even assuming that *Gamut Trading Co.* was decided under the Lanham Act, the United States Court of Appeals for the Third and the Ninth Circuits have held that the Supreme Court's holding in *K-mart* applies to cases decided under the Lanham Act.[78] Consistent with the rest of its opinion, however, the Federal Circuit neglects to address the jurisdictional split on this issue, and applies Lanham Act case law.

IV. CONCLUSION

The Federal Circuit's decision in *Gamut Trading Co.*, unjustifiably expands trademark protection under the Tariff Act of 1930. First, the court fails to adequately consider that Gamut's tractors were second-hand tractors. Consequently, the Federal Circuit misplaces their analysis, focusing on the material differences. Fundamentally, the material differences test rests on the premise that a trademark's goodwill is necessarily damaged when an inferior product is sold under the same trademark. However, when dealing with the resale of second-hand goods, the Unites States Supreme Court's holding in *Champion Spark Plugs* makes it clear that a trademark's goodwill is not necessarily damaged.

72. Gamut Trading Co., 200 F.3d at 779.
73. The court decided this case under § 337 of the Tariff Act of 1930, 19 U.S.C. § 1337.
74. 981 F.2d 1330 (D.C. Cir. 1993).
75. *See* Lever Bros. Co. v. United States., 877 F.2d 101, 111 (D.C. Cir. 1989).
76. *See* Lever Bros. Co. v. United States, 981 F.2d at 175-6 (D.C. Cir. 1993) [hereinafter Lever II].
77. *See id.*
78. *See* Weil Ceramics & Glass, Inc. v. Dash, 878 F.2d 659, 668 (3d Cir. 1989); *see also* NEC Electronics, Inc. v. Cal Circuit Abco, Inc., 810 F.2d 1506, 1510 (9th Cir. 1987).

Second, the Federal Circuit ostensibly decides this case under the Tariff Act of 1930, yet the court fails to adequately address the common control exception. The facts in the record tend to indicate that this case satisfies the *K-mart* Case 2 fact pattern. Indeed, the facts tend to indicate that Kubota-US has neither any ownership in the Kubota trademark, nor any power over the manufacturing decisions.

Last, the Federal Circuit overlooks the fact that this case was brought under the Tariff Act and not the Lanham Act. While courts are split over the application of the common control exception to cases brought under the Lanham Act, *K-mart* makes it clear that the common control exception applies to the cases brought under the Tariff Act. Nevertheless, the Federal Circuit analyzes this case as if it were being decided under the Lanham Act.

Ultimately, the Federal Circuit's analytical flaws lead to the overprotection of Kubota-Japan's trademark. Kubota-Japan should not be able to invoke trademark law to protect itself from the very situation it created and has power to correct. Such problems should be resolved in the boardroom of Kubota-Japan, not the courtroom.

SEAN A. BARRY

IN LIMINE

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