

UNITED STATES DISTRICT COURT

DISTRICT OF MAINE

CECIL McBEE,

Plaintiff

v.

DELICA CO., LTD.,

Defendant

Civil No. 02-198-P-C

**AMENDED ORDER ON THE RECOMMENDED
DECISION OF THE MAGISTRATE JUDGE**

The United States Magistrate Judge filed with the Court on August 19, 2004, with copies to counsel, his Memorandum of Decision on Motions in Limine and to Strike and Recommended Decision on Motions to Dismiss and for Summary Judgment (Docket Item No. 131). Defendant filed its objection thereto on September 10, 2004 (Docket Item No. 136), to which objection Plaintiff filed his response on September 27, 2004 (Docket Item No. 140). This Court has reviewed and considered the Magistrate Judge's Recommended Decision, together with the entire record, and, having made a *de novo* determination of the matters adjudicated by the Magistrate Judge's Recommended Decision, concurs with the recommendation of the Magistrate Judge that the injunctive relief portions of Plaintiff's Lanham Act claims must be dismissed and declines to accept the recommendation of the Magistrate Judge that the Court conclude that it has subject matter jurisdiction over the damage portion of Plaintiff's Lanham Act claims.

In its objection to the Recommended Decision, Defendant argues that the Magistrate Judge improperly distinguished between injunctive relief and damages in determining whether the Court has

subject matter jurisdiction under the Lanham Act. The basis for the distinction made by the Magistrate Judge was that there was no potential for conflict with Japanese law with respect to Plaintiff's claims for damages under the Lanham Act. It is not explained why there is no conflict, but presumably the reason was that an award of damages in Plaintiff's favor would not annul Defendant's Japanese trademark protection. This Court respectfully disagrees.

First, the Court notes that the issue of the extraterritorial application of the Lanham Act is an issue of first impression in this Circuit. In determining whether the Court has subject matter jurisdiction in this case, the Magistrate Judge considered the three factors stressed by the Supreme Court in *Steele v. Bulova Watch Co.*, 344 U.S. 280, 73 S. Ct. 252, 97 L. Ed. 319 (1952). The *Bulova* factors are whether: (1) the defendant's conduct has an effect on United States commerce; (2) the defendant was a United States citizen and the United States has a broad power to regulate the conduct of its citizens in foreign countries; and (3) there was a conflict with trademark rights established under the foreign law. *Id.*; see also *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 642 (2d Cir. 1956). In applying these factors to those portions of Plaintiff's Lanham Act claims seeking injunctive relief, the Magistrate Judge concluded that there was no subject matter jurisdiction because Defendant did not satisfy either the second or third *Bulova* factors; that is, Defendant is not a United States citizen and the resolution of the case may create a conflict with Japanese trademark rights.¹ See Memorandum of Decision on

¹ On October 8, 2003, the Japanese Patent Office decided Defendant's trademark rights for "Cecil McBee" were valid. See Sixth Declaration of Akio Otsuka (Docket Item No. 137) at 1. Plaintiff appealed the Japanese Patent Office decision to the Tokyo High Court. On August 9, 2004, the Tokyo High Court rejected all grounds of Plaintiff's appeal and upheld the Japanese Patent Office ruling. *Id.* at 2 and exhibit B attached thereto.

Motions in Limine and to Strike and Recommended Decision on Motions to Dismiss and for Summary Judgment (Docket Item No. 131) at 4-5. The Court agrees with this conclusion.²

With respect to those portions of Plaintiff's Lanham Act claims seeking damages, however, the Magistrate Judge proceeded to find that there would be no potential for conflict with Japanese law. *See* Memorandum of Decision on Motions in Limine and to Strike and Recommended Decision on Motions to Dismiss and for Summary Judgment at 6. The Court disagrees with this conclusion. Just as the outcome of the injunctive relief portions of the Lanham Act claims may create a conflict with Japanese trademark law, so may the damage portions of those claims. There is a likelihood that the characterization of Defendant's acts as lawful or unlawful may be determined to be different in Japan than it would be determined to be here in the United States. That is, if a jury determined in this case that Defendant violated the Lanham Act and Plaintiff was damaged as a result of such unlawful act, that determination would conflict with Defendant's Japanese trademark protection. Thus, a damage award under the Lanham Act in this case would produce an inadvertent conflict between our laws and Defendant's trademark rights established under Japanese law that could result in a chilling effect on the protection afforded under Japanese law and create international dissension.

Having found that two of the three *Bulova* factors are not satisfied on either the damages or injunctive relief portion of Plaintiff's Lanham Act claims, the Court concludes that it

² Because two of the *Bulova* factors were not satisfied, the Magistrate Judge found it unnecessary to consider what effect Defendant's conduct has on United States commerce. *See Vanity Fair Mills*, 234 F.2d at 642-43 (expressing the opinion that the absence of two of the *Bulova* factors is "certainly fatal" to the claim). With respect to Plaintiff's allegations that Defendant's sales are having an effect on United States commerce, the Court notes that the record reveals that the purchases of clothing and other items from Delica's "Cecil McBee" line appear to have been made for purposes of this lawsuit alone. Moreover, although Delica's "Cecil McBee" line is advertised on the company website, which is expressed nearly exclusively in Japanese, it does not appear that any orders can be placed via the website. Indeed, the purchases made for purposes of creating a predicate for this suit by an individual living in Maine and delivered to Maine, were not made from the website but by directly contacting the Defendant company or

does not have subject matter jurisdiction over any aspects of those claims. *See Vanity Fair Mills*, 234 F.2d at 642-43. Since it is not appropriate to apply the Lanham Act extraterritorially in this case, the Court will not exercise supplemental jurisdiction over Plaintiff's remaining state and common law claims.

For reasons set forth in this opinion and the Magistrate Judge's Recommended Decision, the Court **ORDERS** as follows:

- (1) the Recommended Decision of the Magistrate Judge on Defendant's Motion to Dismiss the injunctive relief portion of the Lanham Act claims is hereby **AFFIRMED**;
- (2) Defendant's objection to that portion of the Recommended Decision relating to Plaintiff's Lanham Act damage claims is hereby **GRANTED**;
- (3) Defendant's Motion to Dismiss (Docket Item No. 73) is hereby **GRANTED**;
- (4) Plaintiff's Motion to Modify Recommended Decision (Docket Item No. 135) is hereby **DENIED**; and
- (5) in the absence of any claims based on federal law, Plaintiff's remaining claims based upon state or common law are hereby **DISMISSED** without prejudice.

/s/Gene Carter
GENE CARTER
Senior United States District Judge

Dated at Portland, Maine this 19th day of November, 2004.