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**EC TRADEMARK OWNERS SHOULD CONSIDER PROTECTING  
TRADEMARKS IN THE U.S. EVEN IF THERE IS NO CURRENT U.S. USE.**

**A Recent Court Case Casts Doubt On  
Whether U.S. Law Affords Any Protection,  
Even For Famous Trademarks, If They Are  
Neither Used Nor Registered In The U.S.<sup>1</sup>**

**To: Clients and Friends of Tannenbaum Helpern Syracuse &  
Hirschtritt LLP**

**Date: June 2007**

A recent trademark law decision by an influential United States appellate court indicates that trademark owners whose marks are neither used nor registered in the U.S. are unlikely to be able to protect their marks from usurpation in the U.S. by unrelated users, even if a mark is well known among the relevant class of U.S. consumers. This situation could lead to consumer confusion, damage to a trademark's goodwill, and inability to use the mark in the U.S. when expansion here becomes desirable. Accordingly, EC trademark owners who foresee eventual expansion to the U.S. or want to protect the reputation of their trademarks among U.S. consumers who may purchase goods and services in the EC until U.S. use commences would be wise to consider trademark registrations in the U.S. now.

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<sup>1</sup> This **GlobalNote**® memorandum provides general information on the subject matter described, and should not be relied on for legal advice on any matter, which may turn on specific facts. You should seek specific legal advice before acting with regard to the subjects discussed herein. For further information see the firm's website: [www.thshlaw.com](http://www.thshlaw.com).

“Territoriality” – the concept that trademark rights exist separately under each country’s law – is a basic principle of U.S. trademark law, *e.g.*, *Buti v. Impresa Perosa, S.R.L.*, 139 F.3d 98, 103 (2d Cir. 1998); *Person’s Co. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990), as well as the trademark law of most nations. Under the territoriality principle, use of a mark outside the U.S. does not give the user any rights to use the mark in the U.S. or to stop others from using it. This is true even where the U.S. user is acting in arguable “bad faith” by not only using the mark but also adopting trade dress and other elements used by the foreign user in an attempt to create the impression that the U.S. user is associated with the foreign user.

Many have long thought, however, that a countervailing principle known as the “Famous Marks Doctrine” was also a part of U.S. trademark law. Under the Famous Marks Doctrine, a mark may be entitled to protection in a country even if neither used nor registered there if it is well known among consumers in that country. Indeed, a version of the Famous Marks Doctrine is embodied in a long-standing multi-national intellectual property treaty to which the U.S. and most other significant countries are parties.

However, in a recent important decision, the United States Court of Appeals for the Second Circuit<sup>2</sup> held that the Famous Marks Doctrine is not, in fact, a part of federal trademark law, even though it is embodied in a treaty the U.S. signed. According to that court, any possible application of the doctrine in the United States would only be pursuant to the unfair competition law of a particular state. *ITC Limited v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007).

*ITC* involved the use of the trademark BUKHARA for Indian restaurants. The plaintiff ITC owned and operated well known Indian restaurants under that mark in India and elsewhere. It had formerly operated several Bukhara restaurants in the U.S., all of which had been closed, and had an existing U.S. trademark registration for BUKHARA. The defendants noted that ITC was no longer using the mark in the U.S. and decided to open two restaurants in New York under the mark BUKHARA GRILL. The defendants’ restaurants “mimic[ed] the ITC Bukharas’ logos, décor, staff uniforms, wood-slab menus, and red-checked customer bibs,” 482 F.3d at 144, and so they were obviously trying to trade on the fame of the foreign restaurants of the same name.

The trial court had decided in favor of the defendants. On appeal, the Second Circuit first disposed of plaintiffs’ claim that defendants’ use of the mark infringed

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<sup>2</sup> The Second Circuit is comprised of the states of New York, Connecticut and Vermont. Under the federal judicial system in the U.S., the decisions of a federal circuit court are binding as precedent only within that circuit. However, decisions of the Second Circuit tend to be widely respected, particularly on matters of trademark and other intellectual property law. When conflicts over interpretations of federal law arise between or among circuit courts, the United States Supreme Court can resolve them and establish a uniform interpretation for the country.

plaintiffs' existing U.S. registration. The court affirmed the lower court's holding that by closing its U.S. restaurants ITC had abandoned its U.S. mark so that the registration was subject to cancellation.

The court next considered whether the Famous Marks Doctrine applied to protect the mark in the U.S. even though it was not being used there and its registration was invalid. The court evaluated three possible ways the doctrine could apply: (1) the possible application of the "Famous Marks Doctrine" as federal trademark law, (2) the possible application of the treaty referred to above – Article 6*bis* of the Paris Convention<sup>3</sup> – which purports to require member states to recognize rights in marks that are "famous" in other member states, and (3) the possible application of the Famous Marks Doctrine as state unfair competition law. The Second Circuit rejected possibilities (1) and (2), but noted that New York state law might support an exception to the territoriality principle under possibility (3). The court certified the state law question to the New York Court of Appeals (the state's highest court)<sup>4</sup> so the answer is at present unknown.

#### **A. The "Famous Marks Doctrine" as U.S. Federal Trademark Law.**

The court first considered whether the "Famous Marks Doctrine" is encompassed within U.S. federal trademark law. The doctrine has been applied in only a few U.S. cases, only one of them a federal court case. The seminal case was decided in a New York state court. *Maison Prunier v. Prunier's Rest. & Café*, 159 Misc. 551, 288 N.Y.S. 29 (Sup. Ct. N.Y. Co. 1936). In *Prunier*, the owner of "Maison Prunier," a famous Paris restaurant with a branch in London, but no operations in the U.S., sued the operator of a New York restaurant that had adopted the Prunier name and a slogan used by the Paris Prunier, and was advertising itself as "The Famous French Sea Food Restaurant." The New York court granted an injunction. The court acknowledged the general rule of territoriality, but held that there was an exception for foreign marks that were well-known in the U.S. where the U.S. user was acting in bad faith by leading the public to believe that it was connected to the famous foreign mark owner. The holding was based entirely on New York common law unfair competition.

The doctrine was recognized again in *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193 N.Y.S.2d 332 (Sup. Ct. N.Y. Co. 1959), another New York state court case. That case also involved a famous Paris restaurant, Maxim's. The court enjoined operation

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<sup>3</sup> The Paris Convention for the Protection of Industrial Property, March 20, 1883, as revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305.

<sup>4</sup> In some, but not all, of the states, where a point of state law is uncertain, it is possible for a federal appellate court to clarify state law by asking the highest court of the state to answer stated questions. This procedure is known as "certification" of the questions. Where "certification" is not available (because state law does not allow it) a federal court must make the best prediction it can of how a state's highest court would rule.

of a New York City restaurant called Maxim's that had also adopted the décor and other trade dress of the Paris restaurant. The court concluded that the French trademark owner had priority in the U.S. against a junior user based on (1) uninterrupted use of the mark outside the U.S., and (2) the fame of the mark among the relevant class of consumers.

The Trademark Trial and Appeal Board<sup>5</sup> has also recognized the existence of the Famous Marks Doctrine in several decisions,<sup>6</sup> but has actually applied it in only one. In *All England Lawn Tennis Club, Ltd. v. Creative Aromatiques*, 220 U.S.P.Q. 1069 (T.T.A.B. 1983), the Board upheld an opposition by the operators of the Wimbledon tennis facility and tournament to registration of the mark "Wimbledon" for cologne in the U.S.. Even though the petitioner was not using the Wimbledon mark on any goods or services in the U.S., the Board held that it had the ability to oppose registration based on the rationale of *Vaudable* because consumers would believe that the cologne was sponsored or approved by the operators of the famous tennis tournament. However, as the Second Circuit noted in *ITC*, the Board did not ground its recognition of the Famous Marks Doctrine on any provision of federal trademark law. It relied solely on a state law unfair competition theory. For this reason, the Second Circuit declined to give it the weight it would ordinarily afford a T.T.A.B. decision on a trademark law issue.

The only federal appellate court to recognize the Famous Marks Doctrine as an element of federal trademark law is the Ninth Circuit Court of Appeals.<sup>7</sup> *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004). In that case, the plaintiff, which operated a chain of grocery stores in Mexico under the trademark "Gigante," claimed that it had priority over a junior user of that mark for grocery stores in Los Angeles. The Ninth Circuit held that:

[T]here is a famous mark exception to the territoriality principle. While the territoriality principle is a long-standing and important doctrine within trademark law, it cannot be absolute. An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud. Commerce crosses borders. In this nation of immigrants, so do people. Trademark law is, at its core, about protecting against consumer confusion and "palming off." There can be no justification for using trademark law to

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<sup>5</sup> The Trademark Trial and Appeal Board is an administrative tribunal within the U.S. Patent and Trademark Office. Its decisions are not binding on the federal courts, but are ordinarily accorded great weight on matters of federal trademark law.

<sup>6</sup> *Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q. 1046 (T.T.A.B. 1983); *First Niagara Ins. Brokers, Inc. v. First Niagara Fin. Group, Inc.*, 77 U.S.P.Q.2d 1334 (T.T.A.B. 2005), *overruled on other grounds*, 476 F.3d 867 (Fed. Cir. 2007).

<sup>7</sup> The Ninth Circuit is comprised of the states of Alaska, Idaho, Montana, Oregon, Washington, California, Hawaii, Nevada and Arizona, and the territory of Guam.

fool immigrants into thinking that they are buying from the store they liked back home.

391 F.3d at 1094 (footnotes omitted).

The Ninth Circuit did not ground its recognition of the Famous Marks Doctrine in any provision of federal law or on any treaty provision. The doctrine was recognized solely as a matter of sound policy. Largely for this reason, the Second Circuit declined to follow *Grupo Gigante* in *ITC*. Although the Second Circuit recognized that “a persuasive policy argument can be advanced in support of the famous marks doctrine,” 482 F.3d at 165, the court found that sound policy “is not a sufficient ground for its judicial recognition, particularly in an area regulated by statute [such as trademark law]. *Id.* According to the Second Circuit, if the doctrine is to be adopted as part of federal law it is up to the U.S. Congress to do it.

Thus, currently, the Famous Marks Doctrine is recognized as federal law only in the Ninth Circuit and has been expressly rejected in the Second Circuit. It is, of course, possible that other circuits to consider the issue might adopt the Ninth Circuit view rather than follow the Second Circuit. It is also possible that the Supreme Court might resolve the conflict. It is too soon to know whether either party will even seek Supreme Court review.

#### **B. The Famous Marks Doctrine under the Paris Convention.**

Article 6*bis* of The Paris Convention, an international treaty to which the United States and most other significant countries are parties, requires member states

ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

This treaty provision would seem to require the United States to recognize the Foreign Marks Doctrine at least to the extent specified in the provision, *i.e.*, when “competent authority” in the U.S. considers the mark to be “well known” here, the person asserting rights is from another member country, and the mark is used for “identical or similar goods.” Yet the Second Circuit held Article 6*bis* inapplicable in *ITC*.

The Second Circuit, following established precedent, held that the Paris Convention was not a self-executing treaty, *i.e.*, that it did not become federal law by its own force, but was only effective to the extent the U.S. Congress passed implementing U.S. legislation incorporating its provisions. The court held that Congress had not adopted any legislation implementing Article 6*bis* and so ITC could not rely on the treaty provision in arguing that the Famous Marks Doctrine should afford it protection from the defendants' usurpation of its famous trademark. It also rejected arguments by ITC that Article 6*bis* was, in fact, incorporated in certain provisions of the Lanham Act, even if not explicitly so. These arguments had the support of the leading commentator on U.S. trademark law, Prof. McCarthy. *See McCarthy on Trademarks*, § 29:4 at 29-30.

The court disagreed that Article 6*bis* was included by implication in any Lanham Act provision, noting that “[b]efore we construe the Lanham Act to include such a significant departure from the principle of territoriality, we will wait for Congress to express its intent more clearly.” 482 F.3d at 164. This holding seems to leave the United States in violation of its treaty obligations. The Second Circuit did not address that problem, but seemed essentially to take the position that if the U.S. is not in compliance with the treaty, that is Congress' problem, not the court's.

### **C. The Famous Marks Doctrine under State Law.**

As noted above, two quite old New York *nisi prius* decisions, *Vaudable* and *Maison Prunier*, do recognize the Famous Marks Doctrine as part of New York's common law of unfair competition. However, no New York appellate court has ever addressed the issue, nor did either of the two lower court decisions provide any guidance on how to measure or assess the fame of the foreign mark within New York. In *ITC*, the plaintiffs argued that even if the Famous Marks Doctrine was unavailable to it under federal law or the Paris Convention, it should be applied in support of their state common law unfair competition claim. The Second Circuit declined to do so, at least yet.

It found that the two existing cases provided too little basis for it to predict whether the state's highest court, the New York Court of Appeals, would adopt the Famous Marks Doctrine as state law and that whether or not the doctrine is part of New York common law “is plainly an important policy issue for a state that plays a pivotal role in international commerce.” 482 F.3d at 166. Accordingly, the Second Circuit decided to certify two questions to the New York Court of Appeals: 1. Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country? And, if question 1 is answered in the affirmative, 2. How famous must a foreign mark or trade dress be to permit its owner to sue for unfair competition? 482 F.3d at 166-67.

On June 5, 2007, the New York Court of Appeals unanimously accepted the Second Circuit's certified questions. That court will answer the questions after further briefing and argument before it, after which the Second Circuit will apply those answers in the *ITC* case.

**D. The *ITC* Case Makes Trademark Registration in the U.S. a Wise Move, Even if U.S. Use of the Mark is not Imminent.**

As noted above, the *ITC* case leaves at least substantial uncertainty about whether a trademark not actually used, and not registered or the subject of an application for registration, in the U.S. is entitled to any protection there, even if the mark has achieved fame elsewhere and is well known to relevant consumers in the U.S.. It leaves EU trademark owners vulnerable to having their trademarks and signature trade dress adopted in the U.S. by a seller who wants U.S. consumers to think they are buying the goods or services of a well-known European firm. When they are ready for expansion to the U.S., their trademarks may be in other hands.

An application for U.S. trademark registration in advance of actual commencement of use is a good way to protect against this possibility. There are three ways for an EU trademark owner to apply for trademark protection in the U.S. prior to the commencement of actual use in the U.S.:

1. File a U.S. trademark registration application with the U.S. Patent & Trademark Office based on the trademark owner's *bona fide* intent to use the trademark in the U.S.;
2. File a U.S. trademark registration application with the U.S. Patent & Trademark Office based on the trademark owner's ownership of a qualified trademark registration in the owner's home country; and
3. File a Request for Extension of Protection to the U.S. of an International trademark registration obtained under international treaties known as the Madrid Agreement and the Madrid Protocol, administered through the World Intellectual Property Organization.

Which of these routes to protection in the U.S. is best in a give situation depends on the individual facts and circumstances. Each route has pros and cons. Choosing the optimum route requires careful evaluation by competent trademark counsel. All routes require, however, that the trademark owner declare a *bona fide* intent to use the mark in the U.S. at some point. Depending on the route chosen, it is possible to preserve trademark rights in the U.S. for up to approximately six years before actual use must commence.

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If you have questions regarding trademark protection in the United States, or other United States intellectual property matters, please contact the Tannenbaum Helpem attorney with whom you regularly work or one of the following partners:

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