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The Territoriality Principle and Protection for Famous Marks in the Americas

By L. Donald Prutzman

I. Introduction

Under the prevailing internationally recognized principle known as "territoriality," trademark rights typically exist in each country only within the borders of that country and only to the extent protected by that country's trademark law. For this reason, with some exceptions created by international agreements, such as the Community Trademark covering the entire European Union and the Andean Pact covering member Latin American nations, trademark owners must protect their marks in each country where they need protection, usually by registration there. As a general rule, a trademark that its owner ("Owner A") has protected in certain countries can be adopted, used and registered by an unrelated party ("Owner B") in a country where it has not been protected. This is true even where Owner B knows of Owner A's usage of the mark and is consciously attempting to appropriate the goodwill of Owner A's mark in a country where that mark is known to the relevant class of consumers. This situation fosters consumer confusion and possible damage to the goodwill of Owner A's trademark, and leaves Owner A unable to expand operations to a country where its trademark is known because a usurper already has the trademark there.

Because of this obvious problem with the rigorous application of the territoriality principle, the need for an exception, or countervailing principle, to territoriality, known as the "Famous Marks Doctrine," has long been recognized. In theory, the Famous Marks Doctrine affords protection to a trademark in a country where it is neither used nor registered, but where it is well known to the general public or at least the relevant class of consumers of the goods or services involved. However, the Famous Marks Doctrine is not typically part of a nation's internal trademark legislation, and a recent important appellate decision in the United States has held that it is not part of U.S. trademark law. The Famous Marks Doctrine is, however, embodied in, and applies through, international agreements.

The most important and well known such agreement is the "Paris Convention for the Protection of Industrial Property" (the "Paris Convention").¹ As discussed in more detail below, Article *6bis* of the Paris Convention affords protection under the Famous Marks Doctrine for trademarks (in the word's narrow sense of marks used for goods, as opposed to services). Article 16(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement")² expanded the reach of Article *6bis* to service marks. Most Latin

American countries, as well as the United States, are signatories to the Paris Convention and the TRIPS Agreement. However, as discussed below, a recent court decision in the United States has held that, notwithstanding the treaties, the Famous Marks Doctrine generally and Article *6bis* in particular are not part of United States trademark law.

There is, however, another international agreement among the United States and a handful of Latin American countries that embodies the Famous Marks Doctrine—the "General Inter-American Convention for Trademark and Commercial Protection of Washington, 1929" (the "Pan American Convention").³ Articles 7 and 8 of the Pan American Convention provide a very broad form of Famous Mark Protection that, as discussed in more detail below, does not even require that the mark be "famous" to be protected. The treaty requires only that the usurping user knew of the owner's use of the mark in another member country. Articles 7 and 8 of the Pan American Convention are unique, little-known provisions that have not been widely used. They are likely to assume much greater importance, at least for U.S. and Latin American trademark owners, as a result of the holding that Famous Marks protection under the Paris Convention and the TRIPS Agreement is not available in the United States.

II. Territoriality

"Territoriality"—the concept that trademark rights exist separately under each country's law—is a basic principle of U.S. trademark law⁴ as well as the trademark law of most nations. Under the territoriality principle, use of a mark outside a country does not give the user any rights to use the mark, or to stop others from using it, in that country. This is true even where the user in that country 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 user is associated with the foreign trademark owner.

Under the territoriality principle, a trademark has a separate legal existence under each country's laws, and its proper lawful function is not necessarily to specify the origin of a good or service, but rather to symbolize the domestic goodwill of the domestic trademark owner so that the consuming public may rely with an expectation of consistency on the domestic reputation earned for the mark by its owner, and the trademark owner may be confident that his goodwill and reputation will not be

injured through use of the mark by others in domestic commerce.⁵

There is a countervailing theory to the territoriality principle called the "universality principle." Under that theory, "if a trademark [is] lawfully affixed to merchandise in one country, the merchandise would carry that mark lawfully wherever it went and could not be deemed an infringer although transported to another country where the exclusive right to the mark was held by someone other than the owner of the merchandise."⁶ The universality principle is definitely not part of United States trademark law⁷ and has not found much acceptance anywhere else in the trademark context.⁸

III. The "Famous Marks Doctrine"

As noted above, rigorous application of the territoriality principle would allow an unrelated person to adopt a trademark that is well known in countries where it is used and protected in a country where it is neither used nor protected. The "Famous Marks Doctrine" has developed to address this problem. 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. It may not be necessary for a mark to be well known to the general public. Wide knowledge among the relevant class of consumers for the goods or services involved (known as "niche fame") may be sufficient.

As the one United States federal court ever to apply the Famous Marks Doctrine, the United States Court of Appeals for the Ninth Circuit,⁹ explained:

[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 fool immigrants into thinking that they are buying from the store they liked back home.¹⁰

In *Grupo Gigante*, the plaintiff operated a chain of grocery stores in Mexico under the trademark "Gigante," but neither used nor protected that mark in the United States. An unrelated entity appropriated the mark for grocery stores in Los Angeles, California, an area with a significant concentration of Mexican immigrants. The Mexican trademark owner sought to stop the junior user from using the mark. The court invoked the Famous

Marks Doctrine to do so without grounding its use on any provision of United States trademark law or any international agreement to which the United States is a party.

State courts in the United States have occasionally invoked the Famous Marks Doctrine in deciding state common law unfair competition cases. The seminal case was decided in a New York state court. In *Maison Prunier v. Prunier's Rest. & Cafe*,¹¹ 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, and not U.S. trademark law.

The doctrine was recognized again in *Vaudable v. Montmartre, Inc.*,¹² another New York state court case. That case also involved a famous Paris restaurant, Maxim's. The court enjoined operation of a New York City restaurant called Maxim's that had also adopted the decor 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 Board¹³ has also recognized the existence of the Famous Marks Doctrine in several decisions,¹⁴ but has actually applied it in only one case. In *All England Lawn Tennis Club, Ltd. v. Creative Aromatiques*,¹⁵ 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, the Board did not ground its recognition of the Famous Marks Doctrine on any provision of federal trademark law or any international agreement. It relied solely on a state law unfair competition theory.

IV. Is the Famous Marks Doctrine Part of United States Domestic Trademark Law?

As noted above, those state courts that have applied the Famous Marks Doctrine and the Trademark Trial and Appeal Board have all based their decisions on state unfair competition law, not United States trademark law.

The one federal appellate decision to apply the doctrine, *Grupo Gigante*, did not cite any provision of federal trademark law in support. Recently, the United States Court of Appeals for the Second Circuit¹⁶ 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's decision,¹⁷ any possible application of the doctrine in the United States would only be pursuant to the unfair competition law of a particular state.

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 observed 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[ked] the *ITC* Bukharas' logos, decor, staff uniforms, wood-slab menus, and red-checkered customer bibs,"¹⁸ 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 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 and was of no assistance to the plaintiff.

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 Article 6bis of the Paris Convention (referred to above and discussed in detail below); and (3) the possible application of the Famous Marks Doctrine as state unfair competition law.

The Second Circuit first determined that, notwithstanding the Ninth Circuit's decision in *Grupo Gigante*, the Famous Marks Doctrine is not embodied in United States trademark law. The court declined to follow the Ninth Circuit expressly because that court 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. Although the Second Circuit recognized that "a persuasive policy argument can be advanced in support of the famous marks doctrine,"¹⁹ 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]."²⁰ Although decisions of the Trademark Trial and Appeal Board would ordinarily be afforded considerable weight on matters of trademark law, the court also declined to follow the T.T.A.B.'s decision in the Wimbledon case, because the Board had relied on state unfair competition law, not federal trademark law. According to the Second Circuit, if the Famous Marks Doctrine is to be adopted as part of United States trademark law, it is up to the U.S. Congress to do it.

V. Article 6bis of the Paris Convention and Article 16(2) of TRIPS

After rejecting federal trademark law as a source of the Famous Marks Doctrine, the Second Circuit in *ITC* next considered whether international treaties—Article 6bis of the Paris Convention and Article 16(2) of TRIPS—afforded the plaintiff any protection.

Article 6bis of the Paris Convention 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.

Article 6bis applies, by its terms, only to "goods." However the TRIPS Agreement expanded it to apply to services as well. Article 16(2) of TRIPS states that, "Article 6bis of the Paris Convention shall apply, *mutatis mutandis*, to services."

These treaty provisions would seem to require the United States to recognize the Foreign Marks Doctrine, at least to the extent specified in Article 6bis, 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 these international agreements inapplicable in *ITC*.

The court, following established precedent, held that the Paris Convention and TRIPS were not self-executing treaties, i.e., that they did not become federal law by their own force, but were only effective in the United States to the extent the U.S. Congress passed implementing