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Understanding importance of the Territoriality Principle: Protection for famous trademarks not used in the U.S.

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Under the internationally-recognized principle known as "territoriality," a trademark owner's trademark rights typically do not extend beyond the borders of countries in which the trademark is used or legally protected. And another party may adopt and use the same mark, for the same goods or services, in other countries.

This principle can apply even where another user is acting in "bad faith" by creating the impression that the user is associated with the foreign owner. To address the bad faith usurpation problem, a countervailing principle known as the "Famous Marks Doctrine," has developed. In theory, the Famous Marks Doctrine protects a trademark in a country where it is neither used nor registered, but where it is well known to the relevant class of consumers.

Recent decisions

A recent trademark litigation concerning restaurants using the same

trademark in New York and India, in which both the Second Circuit Court of Appeals and the New York Court of Appeals have issued significant decisions, has shed new light on application of the Famous Marks Doctrine in the United States, under federal law, and in New York, as part of our state's unfair competition law.

In *ITC Limited v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir.), cert. denied, 128 S. Ct. 288, certified questions answered, 9 N.Y.3d 467, 850 N.Y.S.2d 366 (2007), certified questions conformed to, 518 F.3d 159 (2d Cir. 2008), the Second Circuit held that the Famous Marks Doctrine is not only not part of U.S. trademark law, but also held, quite unexpectedly, that the provisions of the principal international agreements that embody it—the "Paris Convention for the Protection of Industrial Property" (the "Paris Convention") and the Agreement on Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement")—do not apply in the U.S. even though the U.S. is a signatory to both agreements. According-

ly, the Second Circuit held that the plaintiff had no remedy under federal trademark law, but certified questions to the New York Court of Appeals to determine whether it had any state law remedy.

In deciding the Second Circuit's certified questions, the New York Court of Appeals determined late last year that although the "Famous Marks Doctrine" is not part of New York law, state unfair competition law may, in some circumstances, protect trademarks that are well-known in New York, but not used in the United States.

The Court of Appeals held that, "to prevail against defendants on an unfair competition theory under New York law, ITC would have to show first, as an independent prerequisite, that defendants appropriated (i.e., deliberately copied), ITC's Bukhara mark or dress for their New York restaurants. If they successfully make this showing, defendants would then have to establish that the relevant consumer market for New York's Bukhara restaurant primarily associates the Bukhara mark or

dress with those Bukhara restaurants owned and operated by ITC."

Based on that response, the Second Circuit ultimately denied the plaintiff any relief because, although defendants' copying was clear, ITC was not able to show that New York consumers associate the BUKHARA name with ITC's foreign restaurants.

Consequences

One important result of the ITC case—particularly its unexpected holding that the provisions of the Paris Convention and the TRIPS Agreement that protect famous marks are inapplicable in the United States—will likely be to breathe new life and importance into a little-known international agreement among the United States and a handful of Latin American countries that embodies protection similar to, and in some respects better than, the Famous Marks Doctrine—the "General Inter-American Convention for Trademark and Commercial Protection of

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Protection for famous overseas trademarks

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Washington, 1929" (the "Pan American Convention"). Articles 7 and 8 of the Pan American Convention provide a very broad form of Famous Mark Protection that 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 will assume far greater importance not only for trademark owners from those Latin American countries that are parties to the treaty (Peru, Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama and Paraguay) but for other international trademark owners who operate in those countries or register their

trademarks in those countries. That is because the protections of the treaty are available not only to nationals of signatory countries, but also to others who own manufacturing, commercial or agricultural development facilities in, or who protect their trademarks in, one of those countries. ♦

Prutzman, of New York's Tannenbaum Helpert Syracuse & Hirschtritt LLP, has a broad-based intellectual property and trade regulation practice that encompasses both litigation and non-litigated matters. Prutzman has broad experience in commercial litigation, particularly disputes involving trademark, copyright and anti-trust issues.