

Brands in the Boardroom 2008

Famous marks doctrine in the US and UK
Arnold & Porter LLP

A supplement to *Intellectual Asset Management* magazine
www.iam-magazine.com

iam

This text first appeared in the IAM magazine supplement 'Brands in the Boardroom 2008' April 2008

Famous marks doctrine in the US and UK

By **Roberta L Horton, Suzanne V Wilson, Simon Bennett, Murad Hussain and Rochelle Mello**, Arnold & Porter LLP

Trademark rights are, generally speaking, enforceable only in the country in which they are established. For example, the manufacturer of Hoppin' sausages in Germany has no rights in the United States if it does not sell or advertise its sausages in the United States. An international treaty known as the Paris Convention – to which the United States, the United Kingdom and many EU nations are signatories – makes an exception to this territoriality principle with the doctrine of “famous marks”. This exception requires a signatory nation to protect a foreign mark that has become famous in that nation even if it is not registered or used there, as long as the mark is protected under another member nation's laws. This article compares and contrasts the state of the famous marks doctrine in the United States and the United Kingdom.

United States

In the United States, trademark rights can be acquired under both federal law and state law. Federal trademark law is set out in the Lanham Act. Federal trademarks are acquired and maintained through use of the mark in commerce anywhere in the country. Registration with the US Patent and Trademark Office (USPTO) enhances those rights by affording the registrant certain legal presumptions of exclusive rights and validity. State law trademark rights, on the other hand, may be based on state law or on the common law of unfair competition as determined by the courts of an individual state. Trademark rights at common law are acquired through use of a mark, but the scope of their enforceability is limited to the geographic area in which they are used.

In the 2007 case of *ITC Ltd v Punchgini*,

Inc, a New York federal court ruled that US federal trademark law does not recognise the famous marks doctrine exception (known as the “well-known” marks doctrine in the United States). As a result, an Indian corporation with a famous restaurant mark used in India – which it was not using in the United States at the time – could not prohibit a New York restaurant from using the same mark based on the alleged fame of the Indian mark in the United States. The *Punchgini* decision may have led global entrepreneurs to mourn the death of the famous marks doctrine in the United States, under the belief that the outcome could encourage pirates to race into the US market, appropriate internationally famous brands and exploit their reputation and goodwill. But to paraphrase another famous Mark (Twain), reports of the doctrine's death have been greatly exaggerated. While the *Punchgini* decision may have a *persuasive* effect on other US courts that consider this issue, the unique features of US trademark law and federalism limit the decision's *legal* effect. Specifically, *Punchgini* will directly affect only the holders of foreign marks that bring *federal* trademark infringement lawsuits in certain states, as explained below.

The plaintiff in *Punchgini* was ITC, an Indian corporation with an internationally renowned restaurant trademark: BUKHARA. Although ITC had opened several Bukhara restaurants in the United States during the 1980s, it had ceased all US operations by 1997. The defendant was Punchgini, a New York corporation formed in 1999 by former ITC employees who started a Manhattan restaurant called Bukhara Grill that copied elements of ITC's Bukhara restaurants. ITC sued Punchgini in 2003, claiming trademark infringement under the federal Lanham Act and New York's common law of unfair competition.

The *Punchgini* trial court ruled against ITC, which then appealed to the US Court of Appeals for the Second Circuit. In addition to

finding that the plaintiff had abandoned its US trademark rights, the Second Circuit concluded that any residual notoriety that the plaintiff's mark had in the United States was immaterial because the Lanham Act does not recognise the famous marks doctrine, and because the Paris Convention's relevant provision did not apply because Congress never implemented it through legislation.

Yet the Second Circuit held off on resolving ITC's claims under New York's common law of unfair competition. Instead, it "certified" two questions to be answered by the state's highest court, the New York Court of Appeals:

- Whether foreign mark owners can assert common law property rights in New York without using those marks there; and
- If so, how "famous" a mark must be in order to receive common law protection.

The Court of Appeals held that although New York law does not recognise the famous marks doctrine *per se*, the state's unfair competition law *does* prohibit misappropriation of any business's goodwill that constitutes "property or a commercial advantage" and derives from the business's "renown" in New York. The Court then explained that, at a minimum, a foreign mark owner must prove that consumers "primarily associate" the mark used in New York with the foreign plaintiff. Evidence of this association may include the defendant's efforts intentionally to associate itself with the foreign plaintiff, surveys that show that consumers believe such an association exists, and proof of overlap between the foreign plaintiff's customers and the New York defendant's customers. The Second Circuit subsequently applied the Court of Appeals' ruling to ITC's claims and found that ITC had failed to offer enough evidence that it possessed protectable goodwill in its mark in the New York market.

Yet the *Punchgini* ruling on the viability of the famous marks doctrine under federal law has no legal effect upon federal courts in other parts of the United States. A federal circuit court determines the meaning of federal law only within the boundaries of its "circuit". Since the Second Circuit hears only cases originating in New York and Connecticut, those two states are the *only* places where *Punchgini*'s interpretation of federal law is legally binding.

In fact, the US Court of Appeals for the Ninth Circuit – which determines federal law for nine western states, including California – has ruled that federal trademark law *does*

recognise the famous marks exception. In the 2004 case of *Grupo Gigante SA De CV v Dallo & Co*, the Ninth Circuit concluded that because a Mexican grocery chain's longstanding use of the GIGANTE mark in Northern Mexico made the mark familiar to Mexican-Americans in Southern California, the chain deserved legal priority over a grocer who later used the identical mark in Los Angeles. The Ninth Circuit reasoned that in a globalised economy, abandoning the famous mark doctrine "would promote consumer confusion and fraud" because "[c]ommerce crosses borders. In this nation of immigrants, so do people... 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."

The *Punchgini* court criticised the Ninth Circuit's *Grupo Gigante* decision as unsupported by statutory text and premised solely upon policy rationales that should be enacted by Congress, not the judiciary. Nonetheless, the Second and Ninth Circuits' divergent interpretations of federal trademark law will both remain on the books for the foreseeable future. Last October, the US Supreme Court declined to reconcile this "circuit split" when it denied the *Punchgini* plaintiffs' request to appeal their case.

In a similar vein, the Second Circuit's *judicial* interpretation has no bearing upon federal *administrative* trademark proceedings. In 1983, the Trademark Trial and Appellate Board (TTAB) of the USPTO recognised the famous marks doctrine in *The All England Lawn Tennis Club (Wimbledon) Ltd v Creations Aromatiques, Inc*. The TTAB refused to let a US entity, unaffiliated with the Wimbledon tennis tournament, federally register a trademark for Wimbledon Cologne – even though the tournament's sponsors were not using the WIMBLEDON mark on any good or service sold in the United States. The TTAB recently reiterated its support for the famous marks doctrine, and noted its approval of the *Grupo Gigante* decision, in the 2006 case of *London Regional Transport v The William A Berdan & Edward C Goetz, III Partnership* (Opposition 91106031).

United Kingdom

How might a UK court approach and decide the issues raised by the *Punchgini* decision? English trademark law recognises a famous marks doctrine and adheres to the Paris Convention. In spite of this, ITC's claims would fail to sway English courts if ITC failed to demonstrate either consumer confusion or goodwill in the United Kingdom.

In the United Kingdom, ITC would have two possible legal avenues for protecting its BUKHARA mark. UK trademark law is set out in the Trade Marks Act 1994 and common law. First, Section 56 of the Trade Marks Act specifically protects well-known trademarks pursuant to the Paris Convention. Well-known trademarks of other Convention countries are protected, whether or not there is goodwill (ie, trading reputation) in the United Kingdom. The proprietor of the mark is entitled to an injunction under this provision only where use of the mark in the United Kingdom is likely to cause confusion. In addition, this provision applies only to trademarks registered in a Convention member country.

Second, protection for unregistered trademarks is also provided by the English common law doctrine of passing off. A claim for passing off is essentially a claim for damage to goodwill. A passing off claim requires a showing of the “classic trinity” of goodwill, misrepresentation and damage. “Goodwill” means that the get-up (ie, brand name, trade description, labelling/packaging) of goods or services is recognised by the public as distinctive to the plaintiff’s goods or services. “Misrepresentation” means that the goods or services have been presented to the public so as to lead or be likely to lead the public to believe that the goods or services offered are those of the plaintiff (ie, the claimant). Finally, the plaintiff must suffer or be likely to suffer damage as a result of this misrepresentation.

Turning to ITC’s claims, assuming the same facts as found by the *Punchgini* court, Section 56 of the Trade Marks Act is relatively promising. ITC’s original Bukhara restaurant was in India, which is a Convention country. Therefore, if ITC had a trademark for BUKHARA in India (or any other Convention country), an English court could apply Section 56 of the Trade Marks Act and rule in ITC’s favour if ITC could prove that the defendant’s use of BUKHARA created a likelihood of confusion. The fact, however, that many unrelated Bukhara restaurants existed worldwide would likely eviscerate any claim of exclusive goodwill and likelihood of confusion.

ITC’s strongest UK claim would be for passing off. ITC could readily establish the necessary element of misrepresentation and damage would be presumed once another element of the claim was made out. Its greatest hurdle would be to establish goodwill in the United Kingdom. ITC’s claim under New York state law in *Punchgini* was rejected because it did not establish sufficient goodwill in New York, leading the Second

Circuit to conclude that where there is no goodwill, there is nothing to misappropriate.

Similarly, in the United Kingdom, the first limb of a passing off test is establishing goodwill in the United Kingdom itself. To establish goodwill in the United Kingdom, a plaintiff must show some kind of trading activity in that country. In *Anheuser-Busch v Budejovicky Budvar*, a Czech company started marketing pilsner in the United Kingdom under the name “Budweiser”. At the time, Budweiser beer was well known in the United Kingdom, but was not being sold there, save in US PX stores. The English Court of Appeal held that the sales in the US PX stores did not show goodwill in the United Kingdom because these sales were not evidence of UK customers of Budweiser, and thus it refused the injunction. The courts will sometimes accept minimal evidence of trading in the United Kingdom to support a finding of goodwill. Unfortunately, the reasoning that courts give in these cases is often artificial and decisions are difficult to reconcile. To a certain extent, it seems that if a court has sympathy with a particular plaintiff, then it will “find” evidence of trading in the United Kingdom.

Decisions such as *Anheuser-Busch* have led some to question whether UK courts should recognise international goodwill when considering a common law passing off claim. For example, Ireland, Canada, Australia and New Zealand – all common law jurisdictions – have recognised the concept of international goodwill, which has arguably resulted in greater protection for unregistered marks that possess significant goodwill, but not necessarily in the jurisdiction where relief is sought. Until the House of Lords holds that a passing off claim may be proven based on international goodwill, however, a foreign mark owner will have to prove that UK residents associate the mark with the foreign owner or that there are UK customers for the product at issue.

For example, in *Pete Waterman Ltd v CBS United Kingdom Ltd*, Browne-Wilkinson VC was unable to find that the goodwill requirement could be satisfied by proof of international goodwill, due to binding authority to the contrary; however, he did find that local goodwill was demonstrated by evidence that a business had customers in the United Kingdom. He stated that “once it is found that there are customers, it is open to find that there is a business here to which the local goodwill is attached”.

Pete Waterman should be considered against the court’s earlier decision in *Bernardin v Pavilion Properties*, the facts of

which are very similar to those in *Punchgini*. In *Bernardin*, the judge refused to grant an injunction against the opening of a Crazy Horse saloon in London, despite the fact that this was admittedly modelled on and had the same name as an infamous saloon in Paris. The Paris saloon was advertised in the United Kingdom and could prove that some of its customers came from the United Kingdom, but was unable to show any business activity in the United Kingdom. In *Pete Waterman*, Browne-Wilkinson VC criticised the *Bernardin* judge's decision. The fact remains, however, that an English court might take the view, if presented with the facts in *Punchgini*, that the *Bernardin* decision is binding authority.

It is thus possible, although unlikely, that ITC's claims would succeed in the United Kingdom. ITC could rely on Section 56 of the Trade Marks Act if the BUKHARA mark were registered in India or any other Convention country, and if ITC could also establish a likelihood of confusion as a result of the defendant's use of the mark – a difficult task considering that the name "Bukhara" is used by many other companies. Finally, ITC likely

would not succeed in a passing off claim because local goodwill is still a requirement of English law. ITC would have to demonstrate that it had customers from the United Kingdom who associated "Bukhara" with ITC's restaurants.

Conclusion

In our view, as the US Ninth Circuit acknowledged in *Grupo Gigante*, today's increasingly global economies support the recognition and protection of a foreign mark with international goodwill by the courts of the United States and the United Kingdom. As horizons have broadened, so must the concept of goodwill.

The authors would like to thank Murad Hussain and Rochelle Mello, associates in Arnold & Porter's LA and London offices respectively, for all their help in putting this article together



Roberta Horton practises in the area of trademark and copyright law, with a special emphasis on trademark counselling and litigation. She heads the firm's Washington, DC trademark practice areas, and has represented commercial and non-profit organisations in a wide variety of trademark matters. She frequently speaks and writes on copyright, trademark grey market and right of publicity issues, and has published articles in periodicals such as The National Law Journal, IP Worldwide and The Computer Lawyer.

Roberta L Horton

Partner

Email: Roberta.Horton@aporter.com

Tel: +1 202 942 5161

Arnold & Porter LLP

USA

www.aporter.com



Suzanne Wilson specialises in representing Internet and technology companies, as well as consumer products companies and other businesses, in commercial and intellectual property litigation. Ms Wilson represents clients in matters involving trademark and copyright infringement, unfair competition, false advertising, trade secret and right of publicity issues. She has substantial expertise in Internet-related trademark and false advertising issues, including domain name registration and anti-spammer disputes, and has frequently defended clients against false advertising claims.

Suzanne V Wilson

Partner

Email: Suzanne.Wilson@aporter.com

Tel: +1 213 243 4255

Arnold & Porter LLP

USA

www.aporter.com



Simon Bennett is a UK solicitor and counsel in the firm's London office, where he specialises in intellectual property and information technology law. He has acted for clients in a variety of IP disputes, ranging from patent litigation, trademark and passing off litigation through to copyright and design disputes and breach of confidence. He has advised clients in a wide variety of sectors including media, new media, retail, film and television, telecommunications, financial services, IT, manufacturing, publishing, pharmaceutical, sport, oil and gas. Mr Bennett has experience with many different types of dispute resolution including arbitration, mediation, High Court, Court of Appeal, Copyright Tribunal, Trade Marks Registry and European Patent Office.

Simon Bennett

Counsel

Email: Simon.Bennett@aporter.com

Tel: +44 20 7786 6114

Arnold & Porter LLP

England & Wales

www.aporter.com