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The Famous Marks Doctrine Under the Paris Convention

Is the remedy available to foreign entities in the Second Circuit?

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THE “FAMOUS MARKS” doctrine, sometimes also referred to as the “well-known” marks doctrine, has been defined by one authority as the legal concept under which a trademark or service mark is protected within a nation where it is well-known even though it is not actually used or registered in that nation.¹ The concept of protecting famous marks is rooted in Article 6bis of the Paris Convention for the Protection of Intellectual Property, which states, in part, that member countries agree:

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.

The United States is a member of the Paris Convention. However, the U.S. Congress has never enacted specific legislation to implement this obligation. To do so would create serious conflict with the territoriality principle, a long-established precept under U.S. law that trademark rights arise from use and federal registration, without which no such rights would exist. Notwithstanding this fact, some U.S. courts have afforded protection to the famous marks of foreign entities in the United States absent any actual use or federal registration of the marks in this country. Their application of the doctrine, however, has been far from uniform.

This article will review some recent conflicting New York district court decisions on the application of the famous marks doctrine, and compare the uncertainty of its availability in the U.S. Court of Appeals for the Second Circuit with the certainty of the answer to the same question in the U.S. Court of Appeals for the Ninth Circuit. It will also discuss the conflict over what level of fame is required, and will conclude with an evaluation of the doctrine’s availability under New York state law.

Conflict in the Courts

The Second Circuit has taken no position on the availability of the famous marks doctrine to serve as the basis for a federal claim of trademark infringement. In *Empresa Cubana del Tabaco v. Culbro Corp.*, 399 F.3d 462 (2d Cir. 2005), the only case in which the Second Circuit considered this issue, the court expressly declined to answer the question of whether an entity that has not used a mark on products sold in the United States can nevertheless acquire a U.S. trademark through the operation of the famous marks doctrine. *Id.* at 471. Instead, it determined that the plaintiff, a Cuban cigar manufacturer, had no recourse against an American company that used its Cuban COHIBA mark in the United States because the Cuban embargo statute precluded the manufacturer from acquiring property rights in the mark. *Id.*

Recent New York district court cases have not yielded consistent decisions regarding the availability of the famous marks doctrine as a basis for a trademark infringement claim under federal law. As one court has noted, “[t]he very existence of the doctrine is controversial, as is its scope.” *ITC Ltd. v. Punchgini, Inc.*, 373 F.Supp.2d 275, 286 (S.D.N.Y. 2005).

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Several months after the ITC court declined to rule on the fate of the famous marks doctrine, Judge Jed Rakoff decided the question left open in *Empresa Cubana* in his opinion in *Almacenes Exito, S.A. v. El Gallo Meat Market*, 381 F.Supp.2d 324 (S.D.N.Y. 2005), and held that there was no federal claim for trademark infringement under the famous marks doctrine. In *Exito*, a Colombian retail store chain sued for trademark infringement and unfair competition based on the use of its distinctive black and yellow EXITO logo by U.S. defendants operating supermarkets in Spanish-speaking areas in New York City and Miami. *Id.* at 326. The plaintiff had used the logo in Colombia and Venezuela since 1949, and asserted that the mark had come to be known and recognized as a designation of source throughout Latin America and by a high percentage of the Hispanic population in New York City and Miami.

Although the defendants used an exact replica of the plaintiff's mark, including the distinctive uppercase, block, black lettering (with each letter set inside individual yellow rectangular blocks) Judge Rakoff granted defendants' motion to dismiss plaintiff's federal claims for trademark infringement. *Id.* at 326-28. He reasoned that because the *Empresa Cubana* court stated that "[t]he Paris Convention requires that foreign nationals be given the same treatment in each of the member countries as that country makes available to its own citizens," it followed that the Second Circuit had effectively concluded that a foreign entity, like a U.S. entity, could not bring a suit in the United States for trademark infringement of a mark it had never used or registered there. *Id.* at 328.

Judge Rakoff also concluded that the famous marks doctrine "has no place in federal law where Congress has enacted a statute, the Lanham Act, that carefully prescribes the bases for federal trademark claims," and noted that the Lanham Act did not contain any reference to the doctrine. *Id.* at 327. He said that such a radical change in basic federal trademark law should be made by the Congress, rather than the courts, and refused to allow the doctrine to be used as a foundation for asserting a federal trademark infringement claim. *Id.* at 328.

Approximately one year after *Exito* was decided, Judge Denise Cote expressly disagreed with its holding in *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.*, No. 04 CIV. 4099 (DLC), 2006 WL 1582035 (S.D.N.Y. June 9, 2006), and held that the famous marks doctrine could be used as the basis for a federal trademark infringement claim. In *De Beers*, two British companies that had received rights to the DE BEERS trademark via assignment sued an American individual and his company for the use of the mark DEBEERS in connection with the sale of diamonds in the United States. Although the plaintiffs' mark had never been used in this country, its fame was widely recognized. As Judge Cote pointed out, the DE BEERS mark had been used in advertising in the United States since the 1930s, and its series of "A Diamond is Forever" commercials were widely regarded as some of the most successful marketing efforts of the 20th century. *Id.* at 6.

Despite this knowledge, the defendant, whose family had been connected to the diamond trade for three generations, formed the DeBeers Diamond Syndicate in 1981, claiming to have chosen the name DeBeers because of what he describes as its "mythological association with diamonds." *Id.* at *6-7. He subsequently allowed the corporation to go abandoned but resurrected it after learning that the plaintiffs intended to launch stores and sell products under the DE BEERS name in the United States. *Id.* at *7-8. The British companies then sued the defendants for trademark infringement based on the famous marks doctrine.

In her decision accepting the application of this doctrine, Judge Cote held that significant considerations favored its recognition. *Id.* at *13. She reasoned that acknowledgment of the famous marks doctrine was particularly desirable in a world where international travel is commonplace and where the Internet and other media facilitate the rapid creation of business goodwill that transcends borders. *Id.*, citing *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, No. 04 Civ. 4099 (DLC), 2005 WL 1164073 (S.D.N.Y. May 18, 2005). She also rejected Judge Rakoff's conclusion that the Second Circuit's *Empresa Cubana* decision stood for the proposition that an entity that does

not do business in the United States cannot avail itself of the famous marks doctrine, and instead concluded that the *Empresa Cubana* court declined to allow the Cuban company to take advantage of the famous marks doctrine simply because such a result would have amounted to a transfer of property rights in violation of the federal embargo. *De Beers*, 2006 WL 1582035 at *13. Judge Cote distinguished the facts in *De Beers* by noting that the plaintiffs were not subject to such an absolute bar to conducting business in the United States, and that their choice to avoid doing business there did not preclude them from obtaining American rights to a mark they used overseas. *Id.*

Judge Cote ultimately declined to apply the famous marks doctrine in this case because she concluded that the plaintiffs did not proffer enough evidence to show that they had accrued any rights under it. *Id.* at 15. Recognizing their evidence as both admissible and probative, she deemed it insufficient, noting that courts must be extremely cautious when applying the famous marks doctrine because it is an abrogation of the territoriality principle and has not yet been recognized by the Second Circuit. *Id.*

The disagreement between Judges Rakoff and Cote regarding the availability of the famous marks doctrine as a basis for a federal trademark infringement action has yet to be resolved by the Second Circuit.

The Ninth Circuit, on the other hand, has answered the question more definitively. In *Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc.*, 391 F.3d 1088 (9th Cir. 2004), the court held that a Mexican grocery store chain could attempt to prove trademark infringement of its GIGANTE mark by showing that the mark, although never used in the United States, was sufficiently famous there such that protection against a California company's use of it was warranted. The Ninth Circuit noted that although no other circuit court had ever applied a famous marks exception to the territoriality principle, it was explicitly holding that such an exception did indeed exist. *Id.* at 1093.

The *Grupo Gigante* court did acknowledge the importance of the territoriality principle to U.S. trademark law, but determined that such a rule could not be absolute because

it would promote consumer confusion and fraud. *Id.* at 1094. It reasoned that since trademark law is about protecting against consumer confusion and “palming off,” there was no justification for using it to “fool immigrants into thinking that they are buying from the store they liked back home.” *Id.* It therefore agreed with the district court that the Mexican grocery store was entitled to a declaratory judgment that it had a valid, protectable interest in the GIGANTE mark. It vacated and remanded the case, however, so that the district court could determine whether or not the GIGANTE mark was sufficiently famous under the new test it laid out in its decision.

The Level of Fame Required

Like the debate surrounding its availability as a basis for a trademark infringement claim, the level of fame required for a mark to be considered “famous” under the famous marks doctrine is highly controversial.

The district court in the *Empresa Cubana* case held that a secondary meaning level of recognition was required for a mark to be considered famous, relying on several Trademark Trial and Appeal Board decisions² which held that a mark must be famous within the meaning of the New York state case of *Vaudable v. Montmartre*, 193 N.Y.S.2d 332 (Sup. Ct., New York Co. 1959), *i.e.*, that it had acquired secondary meaning. *Empresa Cubana del Tabaco v. Culbro Corp.*, No. 97 Civ. 8399(RWS), 2004 WL 602295 (S.D.N.Y. 2004).

The *Empresa* court also stated that J. Thomas McCarthy (a noted trademark authority) had argued for the principle that a mark used on products and services sold abroad should be considered famous for purposes of the famous marks doctrine if its reputation is known in the United States.³ *Id.* at 33. It noted that in *Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc.*, 119 F.Supp.2d 1083, 1090 (C.D. Cal. 2000), a California district court used similar logic to support its conclusion that secondary meaning was the standard to be applied in determining the degree of fame required by the famous marks doctrine, consistent with the holding in *Vaudable*. *Id.*

The Ninth Circuit, however, required more. It vacated the district court’s *Grupo Gigante* holding that a showing of secondary meaning was not sufficient to prove fame under the famous marks doctrine, concluding that such a standard was too low a threshold to qualify for the exception because it would cause the doctrine to eclipse the territoriality rule in its entirety. See *Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc.*, 391 F.3d 1088 (9th Cir. 2004). The Ninth Circuit reasoned that under the district court’s logic, the fact that the plaintiff’s earlier use of the mark was entirely outside the United States would become irrelevant, and concluded that this would effectively eliminate the territoriality principle itself. *Id.* at 1097.

The *Grupo Gigante* court then set forth a new test to determine when the famous marks doctrine should be applied, and stated: “where the mark has not before been used in the American market, the court must be satisfied, by a preponderance of the evidence, that a substantial percentage of consumers in the relevant American market is familiar with the foreign mark.” *Id.* at 1098. It defined the relevant American market as the geographic area where the defendant uses the allegedly infringing mark, and listed several factors to be considered when applying the test, such as the intentional copying of the mark by the defendant, and whether customers of the American firm are likely to think they are patronizing the same firm that uses the mark in another country. *Id.* It then remanded the case to the district court to apply this “secondary meaning plus” test.⁴

Doctrine and New York State Law

Although the availability of the famous marks doctrine as a basis for a federal trademark infringement claim is undecided, it is widely accepted that New York has adopted it as part of its common law in the *Maison Prunier v. Prunier’s Restaurant & Café, Inc.*, 288 N.Y.S. 529 (Sup. Ct., New York Co. 1936) and *Vaudable* decisions. See, *e.g.*, *Exito*, 381 F.Supp.2d at 327.

In *Maison Prunier*, the plaintiff, who owned three “Prunier” restaurants in Paris and London but had never used the mark in

the United States, was able to prove unfair competition by American defendants who used the same name on its New York City restaurant by showing that “[the plaintiff’s] reputation extends far beyond the territorial limits of Paris and London and that it has a substantial following in New York City and other parts of the world.” 288 N.Y.S. at 559. Noting that “[t]here is no part of the law which is more plastic than unfair competition,” the court determined that it must consider a case where the business standards were ethically indefensible and amounted to an aggravated form of commercial piracy, even though the French company possessed no U.S. trademark rights in the name at issue. The court granted the plaintiff a preliminary injunction against the defendants’ use of the PRUNIER name.

Approximately 20 years later, the court in *Vaudable* also granted an injunction prohibiting use of the name MAXIM’S for a New York restaurant based upon plaintiff’s Paris MAXIM’S restaurant. Based upon its observation that the French restaurant was well-known in this country “particularly to the class of people residing in the cosmopolitan city of New York who dine out,” the court concluded that the defendants purposely appropriated the plaintiff’s goodwill and could be restrained by the doctrine of unfair competition, finding commercial unfairness whenever it appears that there has been a misappropriation of a property right belonging to another. 193 N.Y.S.2d at 334-335.

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1. See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §29:61 (4th ed.).

2. Specifically, *Mother’s Restaurants, Inc. v. Mother’s Other Kitchen*, 218 U.S.P.Q. 1046 (T.T.A.B. 1998) and *All England Lawn Tennis Club (Wimbledon) v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069 (T.T.A.B. 1983).

3. McCarthy §29:4.

4. *ITC Ltd.*, 373 F.Supp.2d at 288.