

INTELLECTUAL PROPERTY & LIFE SCIENCE

Circuits Differ on Whether Marks That Are Famous Abroad Affect U.S. Merchants

By Noel D. Humphreys

A restaurateur in a foreign country successfully builds a brand. A U.S. entrepreneur opens a restaurant in the U.S. with that name. Federal trademark law does not uniformly respond to whether to stop the U.S. entrepreneur's using the name.

Bukhara Decision

The *Bukhara* decision (482 F.3d 135 (2007)) involved Bukhara Grill, in Manhattan and Bukhara Restaurant at the ITC Hotel Maurya, New Delhi, India. The New Delhi restaurant, founded in 1977, "was voted Best Asian restaurant and 37 best in the world by *Restaurant Magazine*, UK in 2007," according to Wikipedia. The country now known as Uzbekistan contains the ancient city of Bukhara. Neither restaurant served Uzbeki food.

ITC, owner of the New Delhi Bukhara, in the 1980s, had opened a Manhattan restaurant and, in 1987, obtained a federal trademark registration for BUKHARA for restaurants. The Manhattan restaurant closed in 1991.

In 1999, individuals who had worked for Bukhara restaurants in New Delhi or

Humphreys is Of Counsel to Connell Foley in Roseland and concentrates his practice in business transactions, corporate counseling and intellectual property.

Manhattan opened two Bukhara restaurants in Manhattan. These restaurants mimicked established Bukhara restaurants. In 2003, the New Delhi Bukhara owner sued the new Bukhara owners (collectively, "Punchgini").

ITC's complaint enumerated federal and state law claims, such as infringement of ITC's marks (15 USC Section 1114(1) (a)).

Punchgini argued that, without a U.S. restaurant, plaintiff had abandoned its rights to BUKHARA as a U.S. mark. Said to be basic to American trademark law, that "territoriality" principle means the first user of a mark in the U.S. has U.S. rights in that mark superior to those of anyone else.

Invoking the "famous" or "well-known" marks doctrine, plaintiff ITC asserted that operation of BUKHARA restaurants, particularly in New Delhi, overcame any failure to offer U.S. restaurant services under the BUKHARA mark.

The district court found ITC had abandoned the BUKHARA mark. The district court found plaintiff produced insufficient evidence of BUKHARA's fame in New York.

Plaintiff appealed, and defendants prevailed. The "territoriality principle requires the use to be in the United States for the owner to assert priority rights to the mark under the Lanham Act," Judge Raggi's opinion said.

Plaintiff ITC cited three restaurant cases for its position, including *Vaudable v. Montmartre, Inc.*, 20 Misc. 2d 757, 193

N.Y.S. 2d 332 (Supreme Court of New York, Special Term, 1959). Judge Raggi's opinion noted that these decisions, and others cited, rested on New York unfair competition law, not on federal law.

Plaintiff ITC urged the court to adopt the "well-known marks" doctrine on policy grounds, just as the Ninth Circuit (in *Gigante* discussed below) had. *Bukhara* described as "persuasive" the arguments in favor of the "well-known marks" doctrine, but *Bukhara* stated:

In light of the comprehensive and frequently modified federal statutory scheme for trademark protection set forth in the Lanham Act, we conclude that any policy arguments in favor of the famous marks doctrine must be submitted to Congress for it to determine whether and under what circumstances to accord federal recognition to such an exception to the basic principle of territoriality.

On that basis, the Second Circuit decision upheld the district court's decision in defendants' favor on federal law claims.

Bukhara became well known as the Second Circuit asked the New York Court of Appeals for advice on plaintiff's state

law claims. The New York court decided that New York did not recognize the “well-known marks” doctrine but did recognize “misappropriation of commercial advantage” in this case. In the end, state law decided the liability arising out of *Bukhara*’s facts.

The *Gigante* Decision

Decided before *Bukhara*, the Ninth Circuit’s *Gigante* decision, 391 F.3d 1088 (9th Cir., 2004), ruled differently. Supermarket chain Grupo Gigante, S.A de C.V., had been using the GIGANTE mark for food stores since the 1960s in Mexico City and elsewhere. The Dallo brothers had used GIGANTE for food stores in Southern California since 1991. Neither sought to register the mark with the U.S. Trademark Office, though both registered the GIGANTE mark in California in 1998.

Gigante’s majority opinion noted that “territoriality” is basic. However, Judge Kleinfeld departed from the line Judge Raggi took, saying,

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.... 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.

Gigante does not cite any federal statute as authority for this. *Bukhara* clings to Lanham Act language, whereas *Gigante* hardly mentions the Lanham Act. *Gigante* cites the *Vaudable* decision, as the case most often cited for the “well-known marks” doctrine.

In *Vaudable*, a trial-level court wrote a nine-paragraph opinion that found: “There is no doubt as to its unique and eminent position as a restaurant of international fame and prestige. It is, of course, well known in this country, particularly to the class of people residing in the cosmopolitan city of New York

who dine out.” Plaintiffs in that case had a federal trademark registration for MAXIM’S for “catering services and wines” and sold “food products” under that name in the U.S.. The court also found that defendants had copied the Paris Maxim’s restaurant’s trade dress. The opinion said:

The trend of the law, both statutory and decisional, has been to extend the scope of the doctrine of unfair competition, whose basic principle is that commercial unfairness should be restrained whenever it appears that there has been a misappropriation, for the advantage of one person, of a property right belonging to another.

Vaudable did not examine in detail the source, quality or characteristics of the misappropriated “property right.”

Judge Kleinfeld’s majority opinion in *Gigante* notes that *Vaudable* does not quantify the renown required to overcome “territoriality.” *Gigante* remanded the case to the district court to determine whether to apply a “well-known marks” doctrine using two prongs:

First, the foreign mark must have achieved “secondary meaning” where the junior mark operated. Senior marks achieve “secondary meaning” when, in the public mind, the mark primarily identifies the source rather than the product.

Second, *Gigante* instructed the district court to evaluate whether a substantial percentage of consumers in the relevant American market is familiar with the foreign mark. For this purpose, the “relevant American market” is where the alleged infringer uses the mark. Then, curiously, the court instructs the district court to consider defendant’s intentional copying of the mark. *Gigante* says that such factors as intentional copying bear on likelihood of “consumer confusion and fraud, which are the reasons for having a famous-mark exception.”

Judge Kleinfeld’s *Gigante* decision appears to aim federal common law to forestall consumer confusion. The district court must assess risk of confusion and consumer protection. While defendant’s bad intent may play a role, the critical question is apparently whether consumers are confused. On the

other hand, Judge Raggi appears to want to follow New York law, rather than expand federal common law, to punish behavior that the court finds immoral, regardless of whether consumers are confused. Both decisions appear to aim at doing justice rather than following the formalities of trademark law.

Closing Remarks

New York’s Court of Appeals affirmed that *Vaudable* remains viable. New York’s misappropriation theory “prohibits a defendant from using a plaintiff’s property right or commercial advantage — in ... *Vaudable*, the goodwill attached to a famous name — to compete unfairly against the plaintiff in New York.” The court said that *Vaudable* stands for the “proposition that for certain kinds of businesses (particularly cachet goods/services with highly mobile clienteles) goodwill can, and does, cross state and national boundary lines.”

From that perspective, the Second and Ninth circuits decided similar patterns differently. *Bukhara* limits federal common law by requiring plaintiff to use the mark in U.S. commerce. State unfair competition law may punish junior users, but federal law does not provide a remedy.

The Ninth Circuit potentially provides a federal remedy for confusion among the public in everyday goods, regardless of Lanham Act language, because workers cross international boundaries.

Supporting *Vaudable*, New York’s Court of Appeals redirected the language “to compete unfairly against the plaintiff in New York” despite little evidence of unfairness. In a subsequent case, how will the parties demonstrate that copying a name is fair or unfair? Moreover, the whole phrase involves competing unfairly against plaintiff in New York. Plaintiff and defendant never competed in New York. Plaintiff apparently provided no evidence that plaintiff was harmed by defendant’s behavior or that the market for high-end restaurant services is worldwide. Nonetheless, what defendant did in Manhattan is said to constitute unfair competition.

In today’s globalized economy, what vendors do in foreign cities may affect trademarks in the United States. But, so far, courts have not provided uniform rationales for decisions about these patterns. ■