NORTH AMERICA

Court Finds Famous Foreign Trademarks Protectable

One of the foundational principles of United States trademark law, as well as the law of most other countries, is that trademark protection is national in nature and does not extend beyond a country in which the mark is used or registered. A recent decision by the New York State Court of Appeals demonstrates that in an increasingly global economy, this bedrock principle of trademark law is no longer absolute. The Court of Appeals decision in *ITC Ltd vs. Punchgini, Inc* involved a claim by the owner of the Bukhara restaurant in New Delhi, India, that a restaurant which opened in New York City under the same name was infringing its trademark rights.

The plaintiff brought its suit in Federal Court in New York, alleging violation of federal law as well as the law of New York State. The Federal Court quickly decided that there was no violation of federal law. The court reasoned: "Because a trademark has a separate legal existence under each country's laws, ownership of a mark in one country does not automatically confer upon the owner the exclusive right to use that mark in another country. Rather, a mark owner must take the proper steps to ensure that its rights to that mark are recognized in any country in which it seeks to assert them." The plaintiff had argued that under the so-called "famous marks doctrine," trademark protection in the United States was available for marks which "even if not used in the United States by their owners, have achieved a certain measure of fame within this country." The Federal Court found that federal law did not recognize the famous marks doctrine, but was unsure as to whether the doctrine was available under New York State law and certified this question to the New York State Court of Appeals to answer.

The New York State Court of Appeals concluded that while the famous marks doctrine itself is not recognized by New York law, New York law does provide protection to the owner of a famous mark by virtue of the owner's prior use of the mark in a foreign country under a theory of unfair competition through misappropriation. The court held that "for certain kinds of businesses (particularly cachet goods/services with highly mobile clienteles), goodwill can, and does, cross state and national boundary lines." Thus, "when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this State, that goodwill is protected from misappropriation under New York unfair competition law. This is so whether the business is domestic or foreign." The New York State Court of Appeals also addressed the proof that would be necessary for the plaintiff to sustain a claim for unfair competition in this situation. The plaintiff "would have to show, first as an independent prerequisite that defendants appropriated (i.e. deliberately copied), [plaintiff's] Bukhara mark or dress for their New York restaurants. If they successfully make this showing, [plaintiff] 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 [plaintiff]."

It is somewhat ironic that to the extent the famous marks doctrine has been recognized by courts in the United States, two New York lower court decisions from the 1930s and 1950s are uniformly cited as foundational cases. New York's highest court, the Court of Appeals, has now held that these decisions do not rely on a new doctrine of law, but instead are conventional unfair competition through misappropriation cases. In any event, it is now clear that, at least in New York, the owners of a trademark, which although not used in New York has developed goodwill there, may protect that mark from deliberate misappropriation under New York common law. Decisions by New York courts in this area are often widely followed and respected throughout the United States. Future cases will reveal how widely the reasoning of the New York State Court of Appeals will be followed. However, Asian companies should take heart that they may be able to protect their well-known trademarks in the United States, even without registration or actual use there.

Sheppard Mullin Richter & Hampton LLP
30 Rockefeller Plaza, 24th Floor
New York, NY 10112, USA
Tel: 212-332-5025 Fax: 212-332-1233
Email: JLutzker@sheppardmullin.com