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## A Tale of Two Theories of Well-Known Marks

Leah C. Grinvald

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## A Tale of Two Theories of Well-Known Marks

*Leah Chan Grinvald\**

### ABSTRACT

*The well-known marks doctrine presents a conundrum in international trademark law. Although protecting foreign well-known trademarks has been a treaty obligation since 1925, courts around the world, and in the United States and China in particular, do not uniformly apply the doctrine. This lack of uniform protection leads to the question of whether these countries are complying with their international obligations. While brand owners and some commentators would answer this question in the negative, this Article provides a different perspective. This Article offers an alternative approach to answering the compliance question: Before considering the question, one must examine the perspective from which compliance is being assessed. This analysis is important because the perception of compliance depends on the theoretical perspective from which these well-known marks cases are viewed. These theoretical perspectives have thus far been unrecognized, and this Article attempts to bring them to light. In so doing, this Article provides a more nuanced approach to analyze the compliance question, which can ultimately assist in providing better answers.*

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This is a tale of two companies with global aspirations.<sup>1</sup> One is the leading manufacturer of high-end guitars in the United States

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1. Although the two companies are fictional, the story is based on an amalgamation of experiences of multinational corporations. Some of these corporations decide to litigate, as seen in *Ferrari v. Jiajian* and *ITC Ltd v. Punchgini, Inc.*, as discussed below. See discussion *infra* Part III.

“Guitar Co.”); the other is the number one manufacturer of personal computers in China (“Computer Co.”). Each company previously did business only in its respective country, but recently decided that further profits required sales in other countries. Naturally, each company looked across the Pacific Ocean for new business opportunities. For Guitar Co., China represents an opportunity to introduce 1.3 billion people to high-end guitars,<sup>2</sup> while for Computer Co., the U.S. provides unparalleled access to growth, because Americans are among the leading consumers of personal electronic products.<sup>3</sup> After selling their products—guitars or computers—in the other country for a few months, each company receives a cease-and-desist letter from a local competitor. Having registered and used the disputed marks first, the local companies claim priority over Guitar Co. and Computer Co. Both companies are dismayed and angry. Each had been the first global user of its respective trademark and had established a global reputation. While changing the trademarks under which the guitars and computers are sold, either globally or in individual countries, is an obvious option, such changes would be quite costly.<sup>4</sup> Alternatively, Guitar Co. or Computer Co. could sue its respective local competitor for trademark infringement under the well-known marks doctrine.<sup>5</sup> Recognition of this doctrine is an

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2. See HAROLD CHEE & CHRIS WEST, MYTHS ABOUT DOING BUSINESS IN CHINA 5 (2004) (“When foreign companies visualize 1.3 billion potential consumers and the prospect of unlocking the collective Chinese wallet, they are struck by ‘China Fever’ and lose their commercial sense.”).

3. In 2007, 98% of all adult Americans owned a television, with 84% owning a DVD player/recorder, and 76% owned a cell phone. See *Product Ownership Rates*, CONSUMER ELECTRONICS ASS’N, [http://www.ce.org/Research/Sales\\_Stats/Ownership\\_Rates.asp](http://www.ce.org/Research/Sales_Stats/Ownership_Rates.asp) (last visited Sept. 29, 2010). In 2008, 75.6% of all American households owned a computer (desktop or laptop). U.S. Bureau of Labor Statistics, *Consumer Expenditures: 2008*, FOCUS ON PRICES AND SPENDING, May 2010, available at [http://www.bls.gov/opub/focus/volume1\\_number4/cex\\_1\\_4.pdf](http://www.bls.gov/opub/focus/volume1_number4/cex_1_4.pdf).

4. See Russell L. Parr, *The Value of Trademarks*, in Am. Law Inst.—Am. Bar Ass’n, *Trademarks, Copyrights, and Unfair Competition for the General Practitioner*, C913 ALI-ABA 229, 246 (1994) (“[L]arge-scale introduction of a new trademark carries enormous costs.”); Peter Robison, *Time Warner, Broadwing, Change Names after Losses*, IGOR NAMING & BRANDING AGENCY, Oct. 16, 2003, <http://www.igorinternational.com/press/bloomberg-corporate-business-name.php> (“Changing a corporate name can take a year and cost tens of millions of dollars.”). There are also non-monetary costs involved in changing a trademark for individual countries, like losses of marketing efficiency. See Emil Scheller, *Management of a Trademark Operation Within a Corporation*, 59 TRADEMARK REP. 221, 222 (1969) (“Among the marketing reasons for trying to achieve worldwide consistency of trademarks are that the good will embodied in the trademark often crosses national boundaries and distribution patterns, packaging runs and internal communications are facilitated and made more efficient.”). In addition, there may be confusion among local consumers if the trademark of the foreign company is already well-known there. See 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:4 (4th ed. 2010) (“If there is no reputation in the U.S., U.S. customers have no knowledge of the mark and use by another firm could not cause any likelihood of confusion.”).

5. This doctrine is also referred to as the “famous marks doctrine.” FREDERICK W. MOSTERT, FAMOUS AND WELL-KNOWN MARKS 1-9 (Frederick W. Mostert, ed., 2d ed. 2004). This

international treaty obligation intended to protect foreign trademarks in nations where they have not been registered or used,<sup>6</sup> but have become well known.<sup>7</sup> If Guitar Co. and Computer Co. could prove that their respective trademarks were well known prior to the local entity's registration or use, each company could reclaim its mark.<sup>8</sup>

However, recent decisions in both China and the U.S. suggest that the well-known marks doctrine does not guarantee success.<sup>9</sup>

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Article will use "famous marks" and "well-known marks" synonymously. In the United States, Computer Co. would need to bring its lawsuit under the well-known marks doctrine as incorporated by either federal or common law because international obligations do not provide an independent right to sue in the United States. See *In re Rath*, 402 F.3d 1207, 1209 (Fed. Cir. 2005) ("[T]he Paris Convention is not a self-executing treaty and requires congressional implementation."). Some courts in the United States recognize the doctrine as part of the common law. See *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004). In China, the doctrine has been legislatively adopted. See *Shangbiao fa* [Trademark Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983), art. 13, 2001 FAGUI HUIBIAN 112, translated at Trademark Law of the People's Republic of China, CHINA.ORG.CN, <http://www.china.org.cn/english/government/207501.htm> (last visited Sept. 29, 2010) [hereinafter Chinese Trademark Law] ("Where a trademark in respect of which the application for registration is filed for use for identical or similar goods is a reproduction, imitation or translation of another's trademark not registered in China and likely to cause confusion, it shall be rejected for registration and prohibited from use.").

6. Use is typically considered to be either the sale of a product or the advertising of a product (with sales of the product forthcoming). See *New Eng. Duplicating Co. v. Mendes*, 190 F.2d 415, 418 (1st Cir. 1951) ("[A]lthough evidence of sales is highly persuasive, the question of use adequate to establish appropriation remains one to be decided on the facts of each case, and that evidence showing, first, adoption, and, second, use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark, is competent to establish ownership, even without evidence of actual sales."). Proving that a foreign trademark is well known in advance of use requires a showing of knowledge of the trademark based on some connection between the foreign trademark and local consumers. See *infra* Part II. This Article argues that the standards for proving a foreign trademark is well-known differ based on the theory applied.

7. See G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 90 (1968) ("The purpose of the [well-known marks doctrine] is to avoid the registration and use of a trademark, liable to create *confusion* with another mark already well known in the country of such registration or use, although the latter well-known mark is not, or not yet, protected in that country by a registration which would normally prevent the registration or use of the conflicting mark.").

8. In addition, each company would need to prove that the local entities' trademarks cause a likelihood of confusion with their respective trademarks. See *infra* Part I.B. Further, whether Guitar Co. and Computer Co. would win their cases would depend on whether they could produce enough evidence to satisfy the interactional theory. See *infra* Part II.B.

9. See, e.g., *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 164 (2d Cir. 2007) (holding that "BUKHARA" was not well known in the United States); *De Beers LV Trademark Ltd v. DeBeers Diamond Syndicate Inc.*, 440 F. Supp. 2d 249, 271-72 (S.D.N.Y. 2006) (holding that "DE BEERS" for diamond jewelry was not a well-known trademark in the United States); *London Reg'l Transp. v. William A. Berdan & Edward C. Goetz, III P'ship*, Opposition No. 91106031, 2006 TTAB LEXIS 272 (June, 20 2006) (not citable as precedent) (holding that "LONDON UNDERGROUND" was not a well-known trademark among American consumers); *Pfizer, Inc. v. Great Beijing Health New Concept Pharmacy*, (Beijing 1st Intermediate People's Ct. Dec. 30, 2006) [hereinafter Pfizer Transcript] (holding that "WEIGE" was not Pfizer's well-known

Both companies have cause for concern because foreign trademark owners have lost in recent court cases.<sup>10</sup> Legal commentators have suggested that the U.S. and China are shirking their obligations to protect foreign well-known trademarks.<sup>11</sup> This Article, however, offers an alternative approach to answering the compliance question, by first examining the perspective from which compliance is assessed. The perception of compliance depends on the theoretical perspective from which these well-known marks cases are viewed. Commentators have yet to recognize these theoretical perspectives, and this Article attempts to bring them to light,<sup>12</sup> by suggesting a more nuanced approach to analyzing the compliance question, which ultimately can assist in providing better answers.

This Article suggests that two theoretical perspectives explain how a foreign trademark becomes “well known” in a nation where the mark has been neither registered nor used: a “passive perception theory” and an “interactional theory.”<sup>13</sup> The passive perception theory views foreign well-known trademarks as having attained a unique status,<sup>14</sup> which more easily allows them to become well known in

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trademark) (translation on file with author); *Microsoft v. Tianjin Med. Grp.* (Beijing 1st Intermediate People’s Ct. Dec. 13, 2000) (holding that “HOTMAIL” was not a well-known trademark when defendants first registered the domain name, “hotmail.com.cn” in 1997), as reported in ROBERT H. HU, RESEARCH GUIDE TO CHINESE TRADEMARK LAW AND PRACTICE 44 (2009); *Ferrari v. Jiajian*, (Beijing 1st Intermediate People’s Ct. ), as reported in Guo Jing-Xia, *Ferrari’s Trademark—“Prancing Horse” Is Not Constituted as a Well-Known Trademark*, July 7, 2007 [hereinafter Jing-Xia] (translation on file with author).

10. See sources cited *supra* note 9.

11. See generally Mary K. Alexander, *The Starbucks Decision of the Shanghai No. 2 Intermediate People’s Court: Intermediate People’s Court: A Victory Limited to Lattes?*, 58 CASE W. RES. L. REV. 881 (2008); Anne LaLonde Gilson, *Don’t I Know You From Somewhere? Protection in the United States of Foreign Trademarks That Are Well Known but Not Used There*, 98 TRADEMARK REP. 1379, 1382–86 (2008); Jeffrey M. Reichard & Sam Sneed, *The Famous Marks Doctrine: A Call for American Courts to Grant Trademark Rights to Famous Foreign Marks*, 9 WAKE FOREST INTELL. PROP. L.J. 85, 88–91 (2009); Bruce J. Goldner & Kenneth A. Plevan, *Circuit Split on Famous Marks: With Recent Denial of Certiorari, Two Circuits Remain at Odds over Mark Rights Without Local Usage*, NAT’L L.J., Oct. 29, 2007, at S1 (“If *Punchgini* is upheld, the United States will be out of step with many other jurisdictions, such as France, Spain, and Italy, that, based on Article 6bis of the Paris Convention, incorporate the famous marks doctrine explicitly into their trademark statutes.”).

12. Neither of these theories has been recognized previously; rather, the author has distilled these theories from a variety of sources, including international agreements, court cases, and legal commentary. See *infra* Part II.

13. These labels are the invention of the author.

14. See, e.g., Frederick W. Mostert, *Is Goodwill Territorial or International?*, 12 EUR. INTELL. PROP. REV. 400, 447 (1989) (“Once the owner of a famous trade mark has established this favourable association between the trade mark and his goods or services, it is submitted that the owner has acquired goodwill . . . [This goodwill] exposes the owner of a famous trade mark to the various forms of damage . . . which may transcend the seriousness of the more traditional forms of damage.”).

nations of non-registration and non-use.<sup>15</sup> From this perspective, the evidentiary standards for internationally well-known trademarks are quite low, with a presumption in favor of the foreign well-known mark.<sup>16</sup> Courts that apply a passive perception theory to analyze well-known trademarks tend to accept evidence of global use of a foreign mark and global advertising as sufficient for proving requisite consumer recognition.<sup>17</sup> These low evidentiary standards mean that entities are able to prove more easily that their foreign trademarks are well known in Member nations without registration or use.<sup>18</sup>

Courts applying the interactional theory, in contrast, require a showing of some type of consumer “interaction” with the trademark, such as purchases, inquiries, or website activity, prior to deeming a foreign mark “well known.”<sup>19</sup> Unlike the passive perception theory, the burden on the foreign trademark owner is quite high, and the presumption is against the foreign well-known mark.<sup>20</sup> Therefore, when courts decide well-known marks cases against the foreign trademark owner, those groups whose interests align with the passive perception theory often argue that such decisions are equivalent to noncompliance.<sup>21</sup> However, whether a case violates the well-known

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15. See Brief for Int’l Trademark Ass’n as Amicus Curiae Supporting Appellants at 4, Supreme Court, *Prefel SA v. Jae Ik Choi*, July 23, 2002 (S. Kor.), available at [http://www.inta.org/downloads/brief\\_prefel1.pdf](http://www.inta.org/downloads/brief_prefel1.pdf) [hereinafter Brief for INTA in *Prefel*] (“In the modern age of mass communications and marketing it is very common for a mark to develop a reputation before products have even been widely sold under a mark. Consumers who have access to international publications, the Internet, cable and satellite television are often familiar with well-known trademarks regardless of the actual volume of sales.”).

16. See Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village?*, 86 TRADEMARK REP. 103, 116–17 (1996) (“In fact, the more well-known or famous a mark is, the more inclined the courts will be to assume that injury is present.”).

17. Member nations that have seemingly adopted a passive perception theory of the well-known marks doctrine include India, see *N.R. Dongre v. Whirlpool Corp.*, (1996) 5 S.C.C. 714, available at <http://www.indiankanoon.org/doc/1732339>, Israel, see DC (TA) 749/94 *Chanel (French Société Anonyme) v. City Cent. Ltd.* [1995], as discussed in Amir H. Khoury, *Well-Known and Famous Trademarks in Israel: TRIPS from Manhattan to the Dawn of a New Millennium!*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 991, 1019–20 (2002), and Malaysia, see *Hummel Int’l Sport & Leisure A/S v. Lim Yew Sing*, 3 AMR 2542 [1995], as discussed in *The Fourth Annual International Review of Trademark Jurisprudence: Malaysia*, 86 TRADEMARK REP. 946, 946–47 (1996).

18. See discussion *infra* Part II.A.

19. See discussion *infra* Part II.B.

20. See discussion *infra* Part II.B.

21. For example, after the Second Circuit decided *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), against the foreign plaintiffs, legal commentators who represent trademark owners attacked the decision. See, e.g., Ethan Horwitz & Jill Wasserman, *Famous Indian Restaurant, Bukhara, Denied Protection by Second Circuit*, METROPOLITAN CORP. COUNSEL, Nov. 1, 2007, <http://www.metrocorpocounsel.com/pdf/2007/November/62.pdf>; Steven Seidenberg, *Trademark Wars: Court’s Failure to Uphold Famous Marks Doctrine Jeopardizes U.S. Interests*

marks obligation requires further analysis. While neither of these perspectives is necessarily more correct than the other, cognitive science and advancement of international trademark registration provide support for the interactional theory as the appropriate perspective from which to view compliance with the well-known marks obligation.<sup>22</sup>

The time is ripe for a more complete picture of compliance with the well-known marks doctrine.<sup>23</sup> As globalization hurtles once-distant competitors into close quarters, lawsuits, already seen in the U.S. and China, will rapidly increase.<sup>24</sup> If Guitar Co. and Computer Co. lose their cases, they might decide to lobby their governments to pressure the other country to increase compliance with its well-known marks obligation.<sup>25</sup> Without an accurate understanding of compliance,

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*Overseas*, INSIDE COUNSEL, July 1, 2007, <http://www.insidecounsel.com/Issues/2007/July%202007/Pages/Trademark-Wars.aspx>.

22. See discussion *infra* Part IV.

23. See Bojan Pretnar, *Use and Non-Use in Trade Mark Law*, TRADE MARK USE 23 (Jeremy Phillips & Ilanah Simon eds., 2005) (“[T]his exception is rapidly becoming more and more relevant in a modern global economy in which an increasing number of trademarks can be considered well known.”).

24. In the United States, prior to 2004, only three cases arguably applied the well-known marks doctrine, with another three cases only mentioning the doctrine (but not applying the doctrine). See *Buti v. Impresa Perosa, S.R.L.* 139 F.3d 98 (2d Cir. 1998) (mentioning); *Person’s v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990) (mentioning); *All Eng. Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. (BNA) 1069 (T.T.A.B. 1983) (applying); *Mother’s Rests. Inc. v. Mother’s Other Kitchen, Inc.*, 218 U.S.P.Q. (BNA) 1046 (T.T.A.B. 1983) (mentioning); *Vaudable v. Montmartre, Inc.*, 193 N.Y.S.2d 332 (N.Y. Sup. Ct. 1959) (applying); *Maison Prunier v. Prunier’s Rest. & Café, Inc.*, 288 N.Y.S. 529 (N.Y. Sup. Ct. 1936) (applying). Since 2004, there have been nine cases where the well-known marks doctrine has factored into a court’s decision. See *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007); *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088 (9th Cir. 2004); *Empresa Cubana del Tabaco v. Culbro Corp.*, 587 F. Supp. 2d 622 (S.D.N.Y. 2008), *rev’d*, No. 08-58-78cv, 2010 WL 2759416 (2d Cir. July 14, 2010); *Maruti.com v. Maruti Udyog Ltd.*, 447 F. Supp. 2d 494 (D. Md. 2006); *DeBeers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, 440 F. Supp. 2d 249 (S.D.N.Y. 2006); *Almacenes Exito S.A. v. El Gallo Meat Mkt. Inc.*, 381 F. Supp. 2d 324 (S.D.N.Y. 2005); *Bayer Consumer Care AG v. Belmora LLC*, 90 U.S.P.Q. 2d (BNA) 1587 (T.T.A.B. 2009); *London Reg’l Transp. v. William A. Berdan & Edward C. Goetz, III P’ship*, No. 91106031, 2006 TTAB LEXIS 272 (T.T.A.B. June 20, 2006) (not citable as precedent); *First Niagara Ins. Brokers Inc. v. First Niagara Fin. Grp., Inc.*, 77 U.S.P.Q.2d (BNA) 1334 (T.T.A.B. 2005), *rev’d*, 476 F.3d 867 (Fed. Cir. 2007). In China, not all cases are reported and so the actual number of well-known marks cases is hard to quantify. See ROBERT H. HU, RESEARCH GUIDE TO CHINESE TRADEMARK LAW & PRACTICE 27 (2007) (“Since there exists no systematic case reporting system in China, such as that of West’s National Reporter system in the United States, tracking Chinese court decisions presents a huge challenge for the researcher.”). However, as a whole, China has seen a substantial increase in the number of trademark cases. See Tony Chen & Pilar Woo, *China in 2004 and Beyond*, MANAGING INTELL. PROP., Jan. 2005, <http://www.managingip.com/Article/1321547/Supplements/China-in-2004-and-beyond.html>.

25. In the United States, the Office of the United States Trade Representative (the organization responsible for negotiating international intellectual property rights) relies heavily on input from brand owners for their agenda. See ANDREW MERTHA, POLITICS OF PIRACY 56 (2005) (“Because it lacks country-specific investigation teams, the USTR must rely upon



these pressures will increase tensions between nations, potentially leading to conflict and reduced cooperative efforts. Such conflict and lack of cooperation will damage the international intellectual property system, which depends on collaboration among its members.<sup>26</sup>

The history between the U.S. and China demonstrates the damage that can arise from such conflicts. The U.S., through its annual Special 301 review process, has routinely branded China as a “priority watch” nation since 2005—the highest category for nations deemed noncompliant with international intellectual property law.<sup>27</sup> Seeing no reasonable improvement in China’s compliance, the U.S. filed a dispute resolution action against China in April 2007.<sup>28</sup> China subsequently suspended all formal discussions of intellectual property matters with the U.S. until June 2008,<sup>29</sup> a setback for the bilateral relationship between the two countries.<sup>30</sup> This Article provides a more appropriate platform from which to view compliance, which should

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submissions from interested parties with legitimate grievances in analyzing a country’s performance, shaping specific negotiating platforms and deciding to take action against the target country.”).

26. See Christine T. Phan, Note, *Can the Intellectual Property—Human Rights Framework Bridge the Gap Between Vietnam’s Legal Reality and Rhetoric?*, 22 COLUM. J. ASIAN L. 143, 148 (2008) (“Although Paris and Berne ushered in the multilateral era of international cooperation in intellectual property, it was really TRIPS that forced the world of intellectual property into the global era.”) (citations omitted); Eugenia Baroncelli et al., *The Global Distribution of Trademarks: Some Stylized Facts* 6 (World Bank Policy Research Working Paper No. 3270, 2004), available at <http://ssrn.com/abstract=610311> (“A deeper form of international cooperation takes the form of international agreements that provide for some form of harmonized minimum standards of trademark laws and administrative and enforcement procedures. The rationale for such agreements is to minimize conflicts that can arise if domestic [intellectual property rights] regulations discriminate against foreign nationals or if standards of protection are weaker abroad than they are at home.”).

27. See U.S. TRADE REPRESENTATIVE, 2010 SPECIAL 301 REPORT 3 (2010), available at [http://www.ustr.gov/webfm\\_send/1906](http://www.ustr.gov/webfm_send/1906) (listing the different categories). The Special 301 review was established by § 182 of the Trade Act of 1974, as amended. Trade Act of 1974 § 182, 19 U.S.C. § 2242 (2006).

28. See U.S. TRADE REPRESENTATIVE, 2008 SPECIAL 301 REPORT 19 (2008), available at [http://www.ustr.gov/sites/default/files/asset\\_upload\\_file553\\_14869.pdf](http://www.ustr.gov/sites/default/files/asset_upload_file553_14869.pdf) (“The United States recognizes and appreciates the efforts of the many officials in China who continue to give voice to China’s commitment to protecting intellectual property rights and are working hard to make it a reality. In spite of these efforts, the shared goal of significantly reducing [intellectual property rights] infringement throughout China has not yet been achieved.”).

29. After suspending all intellectual property-related dialogue with the United States due to the WTO filings in April 2007, China finally agreed to recommence the dialogue with the United States regarding intellectual property protection in June 2008. See Scott Otteman, *China Agrees to Restart Bilateral IPR Talks, Releases National Plan*, CHINATRADEEXTRA.COM (June 18, 2008), available at 2008 WLNR 11658533.

30. See U.S. Piracy Complaints Against China Will Seriously Damage Cooperation: Vice Premier, XINHUA NEWS AGENCY, Apr. 24, 2007, available at 4/24/07 XINHUAEN 12:42:21 (quoting Vice Premier Chair Wu Yi as saying “[the WTO complaint] will seriously undermine bilateral cooperation on intellectual property rights (IPR) under the Joint Commission on Commerce and Trade framework”).

foster more productive discussions among nations and may ultimately help to reduce tensions and avoid future conflicts.

Part I provides a brief primer on international trademark law. Part II lays out the divergent theoretical perspectives. Part III discusses recent cases from the U.S. and China, viewing each case through both perspectives to illustrate that the answer to the compliance question depends on the perspective. Part IV questions which theory should be favored at a normative level on an international basis and argues that multiple grounds, including empirical evidence from cognitive science, support an interactional theory. Part IV ultimately concludes that the interactional theory is the more appropriate perspective from which to view the question of compliance.

## I. INTERNATIONAL TRADEMARK LAW PRIMER

The following international trademark law concepts are essential to understanding the well-known marks doctrine: the acquisition of trademark ownership through registration and use; standards of trademark infringement; territoriality; and the well-known marks doctrine as embodied in international treaties.

### *A. Acquisition of Trademark Ownership: Registration and Use*

Many nations, including China, require a multistep registration process before granting trademark ownership.<sup>31</sup> These “first-to-file” nations grant ownership to the first entity to complete the registration process, regardless of which entity first used the mark.<sup>32</sup> A minority of nations, including the U.S., grant trademark ownership based on a “first-to-use” system, whereby the first *user* of the trademark is considered the owner.<sup>33</sup> These “first-to-use” nations

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31. See 2 STEPHEN P. LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION § 632 (1975) (“Property in a trademark is acquired by prior use in but few countries. In most of the world, prior registration attributes property in a trademark”); DELI YANG, INTELLECTUAL PROPERTY AND DOING BUSINESS IN CHINA 90 (2003) (describing the Chinese trademark system as a first-to-file registration system).

32. See INTELLECTUAL PROPERTY LAW GUIDEBOOK: CHINA 58 (2007) (acknowledging that the “first-to-file” system “grants trademark rights to the party that first applies to register the trademark”).

33. See *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918) (“Undoubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question.”); *In Re Trade-Mark Cases*, 100 U.S. 82, 94 (1879) (“At common law the exclusive right to [a trademark] grows out of the use of it, and not its mere adoption. . . . It is simply founded on priority of appropriation.”); LUCINDA A. LOW ET AL., INTERNATIONAL LAWYER’S DESKBOOK 136 (2d ed. 2002) (“In the United States, trademark rights (and rights in service marks) are established and maintained through the

still provide for registration of trademarks, but an appropriate prior use of a mark will always trump priority based on registration or later use.<sup>34</sup> The international trademark system accommodates both first-to-file and first-to-use systems.<sup>35</sup> The system's principal objective, however, is to bolster individual registration in each member nation of the international trademark system, which assists in fostering free trade among the Members.<sup>36</sup>

Free movement of goods across national boundaries has always been one of the primary goals of the international community.<sup>37</sup> Foreign nations' lack of participation in the first World's Fair, hosted in Vienna in 1873, spurred the creation of the international trademark system.<sup>38</sup> The desire to increase participation resulted in the Paris Union, which committed to protect industrial property, including trademarks.<sup>39</sup> The Paris Union originated as a registration system.<sup>40</sup>

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adoption and actual use of a mark in conjunction with the associated good or service."); MCCARTHY, *supra* note 4, § 16:1 ("The basic rule of trademark ownership in the United States is priority of use.");

34. See *Allard Enter., Inc. v. Advanced Programming Res., Inc.*, 249 F.3d 564, 572 (6th Cir. 2001) (stating that "[f]ederal registration of a trademark or service mark cannot create rights and priority over others who have previously used the mark in commerce"); MCCARTHY, *supra* note 4, § 16:1 ("[I]n the United States, the rule of priority is that ownership and priority go to the party who was first-to-use. The only exception is that since 1989, priority of use can be obtained by filing an application for federal registration, which, upon registration, confers a 'constructive use' date of first use. But that 'constructive use' priority can always be defeated by another party's evidence of a prior actual use.").

35. See Agreement on Trade-Related Aspects of Intellectual Property Rights art. 15 ¶ 3, Apr. 15, 1994, 33 I.L.M. 1125 [hereinafter TRIPS Agreement] ("Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration.").

36. See Olufunmilayo B. Arewa, *TRIPS and Traditional Knowledge: Local Communities, Local Knowledge and Global Intellectual Property Frameworks*, 10 MARQ. INTEL. PROP. L. REV. 155, 158 (2006) ("A dominant ethos underlying the formation and activities of both the GATT and the WTO has been advancing global free trade.").

37. See SHANKER SINGHAM, *A GENERAL THEORY OF TRADE AND COMPETITION: TRADE LIBERALISATION AND COMPETITIVE MARKETS* 271 (2007) ("It has long been recognized that there is a trade interface to the protection of intellectual property. . . . Indeed, it could be argued that the failure to protect intellectual property is an artificial cost reduction strategy for a country's businesses, and therefore acts as a trade barrier.").

38. See WORLD INTELLECTUAL PROP. ORG., *INTELLECTUAL PROPERTY HANDBOOK: POLICY, LAW AND USE* 241 (2d. ed. 2004) [hereinafter WIPO HANDBOOK] ("When the Government of the Empire of Austria-Hungary invited the other countries to participate in an international exhibition of inventions held in 1873 at Vienna, participation was hampered by the fact that many foreign visitors were not willing to exhibit their inventions at that exhibition in view of the inadequate legal protection offered to exhibited inventions.").

39. See *id.* (explaining that an international "union" for protection of industrial property was finalized with the signature of the Paris Convention for the Protection of Industrial Property). The Paris Union was the beginning of the creation of the international trademark system. Currently, the system is a web of treaties overseen by the World Intellectual Property Organization and the TRIPS Agreement governed by the World Trade Organization. In this Article, the phrase "international trademark system" is intended as a short hand reference to

Although it might have stemmed from the dominance of first-to-file nations at the early conferences of the Paris Union,<sup>41</sup> in fact, a registration system provided the most natural means of furthering the international goal of free movement of goods.

A robust international registration system lowers the barriers to transnational trade in two ways.<sup>42</sup> First, registration alleviates some of the uncertainty surrounding the availability of a trademark. Registering a trademark enters it into the nation's registry.<sup>43</sup> Such a registry enables searches of all registered trademarks (and in some cases, pending applications), which allows entities to select a trademark with a modicum level of confidence that it does not impinge on another's rights. In a first-to-use jurisdiction, searching a registry is still helpful; however, the level of certainty surrounding potential infringement is much lower.<sup>44</sup> Because another entity who first uses a trademark may take priority over a later use or registration of the same mark, the lack of certainty causes diligent entities to spend more resources to find appropriate trademarks.<sup>45</sup> This lack of certainty increases the costs of bringing a product to a new market, which may increase the price of the product to consumers in that market.

Second, and more importantly, registration creates certainty of ownership. In a first-to-file jurisdiction, the registration process lessens the risk that another entity may claim priority over the applicant's trademark. As part of the registration process, third parties may claim priority up to three months after the trademark is

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these two entities focused on the protection and registration of trademarks globally through cooperation of its Member nations.

40. *Id.*

41. See ARTHUR P. GREELEY, FOREIGN PATENT AND TRADEMARK LAWS §140 (1899) (listing and discussing the various countries with registration-only systems); 1 STEPHEN P. LADAS, PATENTS, TRADEMARKS AND RELATED RIGHTS §§46, 47 (1975) (listing the various countries present at the conferences in 1878, 1880 and 1883).

42. See SINGHAM, *supra* note 37, at 271. Registration as a priority for the international trademark system can be seen in the efforts towards harmonizing the national registration requirements since 1891. See *infra* Part I.C. for further discussion.

43. These registries are often searchable online. See Jon R. Cavicchi, *Trademark Searching Tools and Strategies: Questions for the New Millennium*, 46 IDEA 649, 655 (2006) ("Trademark registration data is provided by the national offices to commercial database producers who add value to the data and produce a product called a database. These databases are licensed to online service vendors who offer the products to their customers.").

44. See MCCARTHY, *supra* note 4, § 19:6 ("[E]ven if a search reveals no close conflict with previously used marks or trade names, it cannot be a guarantee that conflict is impossible. For example, it is impossible to find out with total certainty whether anyone has previously used a nonregistered trade name in the United States such that every possible conflict can be foreseen in advance.").

45. See *id.* ("The greater the amount to be invested in ultimate trademark use and advertising, the greater the amount that should be spent on a preliminary search and the follow-up investigation of questions created by the search.").

published publicly.<sup>46</sup> If no party opposes the registration, or if the opposition is decided in favor of the applicant, the applicant will be granted ownership and priority over the trademark.<sup>47</sup> While trademark ownership can be contested for up to five years,<sup>48</sup> after this five-year term, the grounds for a third party to cancel a mark are quite limited and often difficult to prove.<sup>49</sup> In contrast, in first-to-use jurisdictions, much less certainty surrounds ownership and priority. Determining what qualifies as first use requires an intensive and often complex analysis.<sup>50</sup> For example, in the U.S., an entity may have advertised and promoted a trademark in advance of a product launch but not made any sales with the mark. Prior to the product launch, another entity may sell a similar product under the same trademark. Technically, the seller of the product has made a “first

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46. See, e.g., Chinese Trademark Law, *supra* note 7, at art. 30 (“Any person may, within three months from the date of the publication, file an opposition against the trademark that has, after examination, been preliminarily approved. If no opposition has been filed after the expiration of the time limit from the publication, the registration shall be approved, a certificate of trademark registration shall be issued and the trademark shall be published.”).

47. Some jurisdictions, like the European Union, confer priority from the date of the publication of registration. See *Registration*, THE TRADE MARKS & DESIGNS REGISTRATION OFFICE OF THE EUR. UNION, <http://oami.europa.eu/ows/rw/pages/CTM/regProcess/registration.en.do> (last updated Apr. 16, 2010) (“The rights conferred by a Community trade mark prevail against third parties from the date of publication of registration of the trade mark.”). In addition, the Community Trade Mark certificate of registration may include any claims of priority. See *id.*

48. See, e.g., Chinese Trademark Law, *supra* note 7, at art. 41.

49. In China, the grounds on which a cancellation request can be brought are if the trademark was acquired by fraud, *id.*, if the trademark was not properly registered in the first place, *id.* at arts. 10–12, if another entity claims the registered trademark violates their well-known mark, *id.* at arts. 13–14, if the trademark was misappropriated by the registering agent, *id.* at art. 15, or if the trademark is a misleading geographical indicator, *id.* at art. 16. After the five-year period, only fraudulently obtained and invalid trademarks are subject to cancellation. *Id.* at art. 41. The only exception to this is a filing through the Madrid system. Through the Madrid System, an entity who files for a trademark in its home nation has six months within which to file in another Member nation in order to retain the priority date of its home nation filing. See Madrid Agreement Concerning the International Registration of Marks art. 4, Apr. 14, 1891, as amended Sept. 28, 1979, 828 U.N.T.S. 389 [hereinafter Madrid Agreement], available at [http://www.wipo.int/madrid/en/legal\\_texts/trtdocs\\_wo015.html](http://www.wipo.int/madrid/en/legal_texts/trtdocs_wo015.html) (incorporating article 4 of the Paris Convention); Paris Convention for the Protection of Industrial Property, art. 4(C)(1), July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention] (“The periods of priority referred to above shall be . . . six months for . . . trademarks.”). This may mean that if an entity with a home nation filing takes advantage of the Madrid System after the three-month window for opposition, but before the six months time frame has expired, the entity will have a good claim for priority. In general, fraud is a difficult standard to prove. See MCCARTHY, *supra* note 4, § 31:68 (“[F]raud in obtaining or maintaining trademark registration, though it is often alleged, is seldom proven.”).

50. See Jeremy Phillips & Ilanah Simon, *Introduction to TRADEMARK USE* 3, 4 ¶ 1.05 (Jeremy Phillips & Ilanah Simon eds., 2005) (“There is . . . no single cogent and authoritative definition of use.”).

use” of the trademark. The question of who should own the trademark is complicated, with court decisions split on this issue.<sup>51</sup>

Greater certainty surrounding ownership of a trademark allows its owner to reap the benefits of investing in the mark,<sup>52</sup> which increases incentives for entities to expand their sales to other nations.<sup>53</sup> Increased transnational trade benefits both the exporting nation (adding to the gross domestic product) and the importing nation (providing needed or varied products to citizens).<sup>54</sup> This mutual benefit has led the international community to prioritize national registration, including efforts to simplify the registration process in Member nations since 1891.<sup>55</sup> These efforts have focused mainly on harmonizing the registration requirements for trademarks across nations, thereby lowering the uncertainty and costs of a multinational registration process.<sup>56</sup> Recent efforts have been quite successful.<sup>57</sup> Currently, an entity can file one application to register a

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51. Compare *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1158 (9th Cir. 2001) (referring to its decision in *New West* by saying “[w]e determined that, although mere advertising by itself may not establish priority of use, advertising combined with other non-sales activity is sufficient to establish use in commerce.”), and *New West Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1200 (9th Cir. 1979) (“Although mere advertising by itself may not establish priority of use, . . . the totality of appellee’s prior actions, taken together, establish a right to use the trade-mark and trade name.”), with *Silberstein v. Fox Entm’t Grp., Inc.*, 424 F. Supp. 2d 616, 633 (S.D.N.Y. 2004) (stating that “[t]here can be no confusion as to the source of a product if there is no product” in granting priority to litigant who had first sold the product containing the contested trademark), *aff’d sub nom. Silberstein v. John Does 1–10*, 242 Fed. App’x. 720 (2d Cir. 2007).

52. See Carsten Fink, Beata Smarzynska Javorcik & Mariana Spatareanu, *Income-Related Biases in International Trade: What Do Trademark Registration Data Tell Us?* 7 (World Bank Policy Research Working Paper No. 3150, 2003), available at <http://ssrn.com/abstract=636569> (“By identifying the original producer of a product, trademarks [registration] can be seen as a prerequisite for firms to recoup these investments in marketing.”).

53. See Shari-Ellen Bourque, Note, *The Illegality of the Cuban Embargo in the Current International System*, 13 B.U. INT’L L.J. 191, 224 (1995) (“[Greater property] protection provides strong incentives for individuals and corporations to invest and expand business opportunities in foreign territories.”); Elke Elizabeth Werner, Comment, *Are We Trading Our Lanham Act Away? An Evaluation of Conflicting Provisions Between the NAFTA and North American Trademark Law*, 2 SW. J. L. & TRADE AM. 227, 262 (1995) (“Through the NAFTA’s implementation, trademark owners have been given an incentive to greatly expand their business across their respective borders and will register their marks and sell their products in the United States.”).

54. See Philip M. Nichols, *Regulating Transnational Bribery in Times of Globalization and Fragmentation*, 24 YALE J. INT’L L. 257, 263 (1999) (“A simple increase in global wealth is not the only benefit of economic globalization. An increase in transnational trade will increase the amount and variety of goods and services available to consumers.”).

55. See WIPO HANDBOOK, *supra* note 38, at 287.

56. See Baroncelli et al., *supra* note 26, at 5–6 (“The so-called Madrid system substantially reduces the administrative burden and transaction costs involved in registering trademarks and maintaining them in multiple countries by allowing an applicant to file one international application and designate the countries in which protection is sought.”).

57. See WIPO HANDBOOK, *supra* note 38, at 287 (discussing the adoption of the Madrid Protocol in 1989 after the adoption of the Madrid Agreement in 1891: “The reason for the much

trademark in over eighty nations.<sup>58</sup> Although each nation will continue to scrutinize the application, the process is more efficient than filing eighty different applications.<sup>59</sup>

### B. Standards of Trademark Infringement

Acquisition of trademark “ownership” allows the trademark owner to enjoin others from using or registering the same or similar marks,<sup>60</sup> but only if the trademark owner uses the mark continuously.<sup>61</sup> The standard for liability—the likelihood of confusion between the trademark owner’s mark and that of a third party—depends in large part on the consumer recognition of the trademark as a symbol that identifies the source of the product.<sup>62</sup> Consumer recognition, in turn, has traditionally arisen from trademark use.<sup>63</sup> If

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more recent Protocol . . . was the absence of the Madrid Union of some of the major countries in the trademark field—for example, Japan, the United Kingdom and the United States of America. The Protocol is intended to make the Madrid system acceptable to more countries.”). The United States acceded to the Madrid Protocol in 2003. See *Madrid Contracting Parties*, WORLD INTEL. PROP. ORGANIZATION, [http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid\\_marks.pdf](http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf) (last visited Sept. 29, 2010). For a discussion on the various international treaties relating to international registration, see generally Jeffrey M. Samuels & Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 GEO. WASH. J. INT’L L. & ECON. 433 (1994).

58. See *Madrid Contracting Parties*, *supra* note 57.

59. See Madrid Agreement, *supra* note 49, at art. 5(1); Baroncelli et al., *supra* note 26, at 5–6 (“The so-called Madrid system substantially reduces the administrative burden and transaction costs involved in registering trademarks and maintaining them in multiple countries by allowing an applicant to file one international application and designate the countries in which protection is sought.”).

60. See *In re Deister Concentrator Co.*, 289 F.2d 496, 501 n.5 (C.C.P.A. 1961) (“To say one has a ‘trademark’ implies exclusive ownership and ownership implies the right to exclude others. If the law will not protect one’s claim of right to exclude others from using an alleged trademark, then he does not own a ‘trademark,’ for that which all are free to use cannot be a trademark.”); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916) (“The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used.”).

61. See *Phillips & Simons*, *supra* note 50, at 4 ¶ 1.04 (“[U]se is an implicit or explicit requirement in most, if not all, forms of trade mark infringement.”). This is true even in first-to-file jurisdictions. See Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law From the Nation-State*, 41 HOUS. L. REV. 885, 932 (2004) (“[T]he concept of use is important even in registration-based systems where use is still required to maintain a registration and to determine infringement.”).

62. See *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274, 276 (7th Cir. 1976) (“A ‘trademark’ is not that which is infringed. What is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product’s reputation. . . . The trademark laws exist not to ‘protect’ trademarks, but, as above indicated, to protect the consuming public from confusion, concomitantly protecting the trademark owner’s right to a non-confused public.”).

63. This characteristic can be seen in the requirement of use to prove the strength of the trademark in infringement litigation. See *Polaroid Corp. v. Polaroid Elecs. Corp.*, 287 F.2d 492,

the trademark has not been used in the marketplace, consumers cannot have come to recognize it, and confusion therefore is unlikely. As one court noted, “[t]he import of confusion is that the consumer must have something in mind . . . with which to confuse another product. The buyer, to be deceived, must be looking for something.”<sup>64</sup>

In both the U.S. and China, the “likelihood of confusion” standard is the touchstone of trademark infringement.<sup>65</sup> This liability standard refers to the probability—not the actuality—that consumers will be confused by the same or similar trademarks.<sup>66</sup> The scope of potential confusion (and therefore the scope of enjoining third party uses) varies with the level of consumer recognition.<sup>67</sup> An owner whose trademark has a moderate level of consumer recognition may enjoin the use or registration of the same or a similar trademark within the

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495 (2d Cir. 1961) (strength of the trademark as one factor in likelihood of confusion analysis). For example, in the United States, strength of a trademark assists in proving that a trademark has acquired a high degree of consumer recognition such that the consumers will be confused by a competing trademark. See MCCARTHY, *supra* note 4, §11:73 (“A term which has achieved widespread customer recognition as a symbol of origin is more likely to result in confusion because of a junior user’s similar mark on similar goods than a mark that few customers know of or recognize.”). Strength of a trademark is often proven through circumstantial evidence such as the number of actual sales made by the trademark owner and advertising expenditures. See *id.* (“The legal strength of a mark is usually the same as its economic and marketing strength.”).

64. Spangler Candy Co. v. Crystal Pure Candy Co., 235 F. Supp. 18, 27 (N.D. Ill. 1964), *aff’d*, 353 F.2d 641 (7th Cir. 1965); see also Graeme W. Austin, *Tolerating Confusion About Confusion: Trademark Policies and Fair Use*, 50 ARIZ. L. REV. 157, 163 (2008) (“Before consumers can be confused about the source of goods or services as a result of a defendant’s use of a trademark, consumers need to *recognize* the mark as a symbol for the source of the goods or services.”).

65. See 15 U.S.C. §§ 1114(1)(a), 1125(a)(1) (2006); Chinese Trademark Law, *supra* note 7, at art. 13 (“Where a trademark in respect of which the application for registration is filed for use for non-identical or dissimilar goods is a reproduction, imitation or translation of the well-known mark of another person that has been registered in China, misleads the public and is likely to create prejudice to the interests of the well-known mark registrant, it shall be rejected for registration and prohibited from use.”).

66. See RICHARD L. KIRKPATRICK, LIKELIHOOD OF CONFUSION IN TRADEMARK LAW 1–3 (1995) (“Likely means probable; it is irrelevant that confusion is ‘possible.’”); see also *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986) (“[A]ctual confusion need not be shown.”); MCCARTHY, *supra* note 4, § 23:3 (“Likelihood of confusion is synonymous with ‘probable’ confusion—it is not sufficient if confusion is merely ‘possible.’”).

67. See *Champions Golf Club, Inc. v. Champions Golf Club, Inc.*, 78 F.3d 1111, 1117 (6th Cir. 1996) (“The stronger the mark, the more likely it is that encroachment on it will produce confusion.”). “Trademark strength” refers to consumer recognition. See *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (“What is intended by references to ‘strong’ and ‘weak’ marks is the effect of such marks upon the mind of the consuming public. A mark that is strong because of its fame or uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a greater breadth of products and services than is a mark that is weak because relatively unknown or very like similar marks or very like the name of the product.”); see also MCCARTHY, *supra* note 4, §11:73 (“A term which has achieved widespread customer recognition as a symbol of origin is more likely to result in confusion because of a junior user’s similar mark on similar goods than a mark that few customers know of or recognize.”).



same category of products.<sup>68</sup> For example, the owner of “FAMILY CIRCLE,” a trademark for a women’s magazine, could enjoin third parties from using FAMILY CIRCLE with women’s clothing or food (as featured in the magazine), but not for a discount store.<sup>69</sup> However, if a trademark has acquired an increased level of consumer recognition, the breadth of the owner’s rights expands. For example, the owner of a “famous” trademark, such as “ARDEN B,” a trademark for women’s clothing stores, could enjoin not only third party uses of ARDEN B and other formulations (such as “ARDENBEAUTY”) with women’s clothing, but also other product categories, such as personal care items.<sup>70</sup>

Consumer recognition is complicated by a unique feature of trademark law: The consumer, whose viewpoint determines trademark liability, is absent from trademark litigation.<sup>71</sup> In some countries, consumers do not have standing to bring a trademark infringement lawsuit.<sup>72</sup> Instead, plaintiffs attempt to construct the relevant consumer’s viewpoint through surveys and witness statements, which courts deem “direct evidence,” although merely a small sampling of the relevant consumer population.<sup>73</sup> However, even this direct evidence is generally not available, as its collection is resource intensive.<sup>74</sup> Typically, indirect and circumstantial evidence

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68. See MCCARTHY, *supra* note 4, § 11:73.

69. See *Family Circle, Inc. v. Family Circle Assocs.*, 332 F.2d 534, 540 (3d Cir. 1964).

70. See *Wet Seal, Inc. v. FD Mgmt., Inc.*, 82 U.S.P.Q.2d (BNA)1629, 1640 (T.T.A.B. 2007); see also *Tiffany & Co. v. Classic Motor Carriages, Inc.*, 10 U.S.P.Q.2d (BNA) 1835, 1842 (T.T.A.B. 1989) (enjoining a user of CLASSIC TIFFANY for use with automobiles based on the fame of TIFFANY for jewelry).

71. See Graeme W. Austin, *Trademarks and the Unburdened Imagination*, 69 BROOK. L. REV. 827, 831–32 (2003–2004) (“One of the unusual things about trademark infringement cases is that liability most often depends on the state of mind of none of the parties to the litigation. As a result, trademark law must always apprehend the consumer worldview at a distance.”).

72. For example, in the United States, consumers do not have the right to bring trademark infringement lawsuits. See *Made in the USA Found. v. Phillips Foods, Inc.*, 365 F.3d 278, 281 (4th Cir. 2004) (“[A] consumer does not have standing under the Lanham Act to sue for false advertising.”); *Serbin v. Ziebart Int’l Corp.*, 11 F.3d 1163, 1179 (3d Cir. 1993) (“[W]e join the Second Circuit in holding that Congress, when authorizing federal courts to deal with claims of false advertising [under Section 43(a) of the Lanham Act], did not contemplate that federal courts should entertain claims brought by consumers.”); *Colligan v. Activities Club of New York, Ltd.*, 442 F.2d 686, 687 (2d Cir. 1971) (“[C]onsumers, as opposed to commercial plaintiffs, . . . [lack] standing to sue under § 43(a).”).

73. See MCCARTHY, *supra* note 4, §15:30 (describing surveys as “quasi-direct evidence”).

74. See Austin, *supra* note 71 (“One of the unusual things about trademark infringement cases is that liability most often depends on the state of mind of none of the parties to the litigation. As a result, trademark law must always apprehend the consumer worldview at a distance.”); KIRKPATRICK, *supra* note 66, at xviii (“A mark infringes when it is likely to cause a mental state of confusion in an appreciable number of consumers. Whether such confusion is likely can rarely if ever be decided on the basis of direct evidence.”); see also Richard J. Leighton, *Using Daubert-Kumho Gatekeeping to Admit and Exclude Surveys in Lanham Act Advertising*

of trademark use must suffice to represent the relevant consumer viewpoint.<sup>75</sup>

While courts in both the U.S. and China consider several types of circumstantial evidence to support a finding of consumer recognition,<sup>76</sup> these lists of factors are not intended to be, nor are they, applied formalistically.<sup>77</sup> Much of this indirect evidence focuses on showing the owner's use of the trademark, which allows for a reasonable inference of consumer recognition.<sup>78</sup> However, courts are still looking for causation. As one commentator has noted, "The evidence must somehow demonstrate that the use that has been made of the trademark has caused relevant consumers to expect that goods or services sold or supplied under the trademark originate from a particular source (even if they are unable to identify it by name)."<sup>79</sup>

### C. Territoriality and the Need for a Safety Valve

Traditionally, the acquisition of trademark ownership and vindication of trademark rights have been territorial.<sup>80</sup> The

*and Trademark Cases*, 92 TRADEMARK REP. 743 (2002). Moreover, even when such evidence is available, most courts will not take such evidence into account. *See* *Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 169 (2d Cir. 1991) (declining to rely on consumer surveys in a lawsuit involving unregistered trade dress).

75. *See* Austin, *supra* note 71, at 832 (stating that "trademark law's ordinarily prudent consumer is a proxy for real people"); Deven R. Desai & Sandra L. Riererson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1833 (2007) (stating that, in the context of trademark litigation and a purportedly generic term, "perhaps because the 'test' for identifying a generic term is such an elusive and arguably arbitrary one, courts turn to various sources of circumstantial evidence to assist them in making this determination.").

76. In the United States, the following six factors have generally been considered for a finding of consumer recognition with respect to trademark rights: "(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and, (6) length and exclusivity of the mark's use." *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 143 n.4 (2d Cir. 1997) (quoting *Centaur Commc'ns v. A/S/M Commc'ns*, 830 F.2d 1217, 1222 (2d Cir. 1987)). In China, Article 14 of the Chinese Trademark Law adopts similar factors. Chinese Trademark Law, *supra* note 7, at art. 14 ("Account shall be taken of the following factors in establishment of a well-known mark: (1) reputation of the mark to the relevant public; (2) time for continued use of the mark; (3) consecutive time, extent and geographical area of advertisement of the mark; (4) records of protection of the mark as a well-known mark; and (5) any other factors relevant to the reputation of the mark.").

77. For example, in the United States, the influential Second Circuit has stated that consumer recognition "is often difficult inasmuch as no precise guidelines are applicable and no single factor is determinative. Each case must, therefore, be decided on its facts . . ." *Am. Footwear Corp. v. Gen. Footwear Co.*, 609 F.2d 655, 663 (2d Cir. 1979).

78. *See* Anna Carboni, *Distinctive Character Acquired Through Use: Establishing the Facts*, in TRADE MARK USE 71, 76 (Jeremy Phillips & Ilanah Simon eds., 2005).

79. *Id.* at 73 ¶ 5.05.

80. *See* *ITC, Ltd. v. Punchgini, Inc.*, 482 F.3d 135,155 (2d Cir. 2007) ("The principle of territoriality is basic to American trademark law."); *Person's Co. v. Christman*, 900 F.2d 1565,

acquisition of ownership and vindication of rights occurs on a nation-by-nation basis, and the trademark ownership in one nation does not affect ownership status in another.<sup>81</sup> As such, different entities may own the same trademark in different jurisdictions. Similarly, consumer recognition may differ from nation to nation.<sup>82</sup> To vindicate trademark rights, the owner must bring her lawsuit in the nation in which she seeks to enjoin a third-party use and submit to the laws and jurisdiction of that nation.<sup>83</sup>

However, strict adherence to the principle of territoriality can produce inequities. For example, an entity that has used a trademark in a first-to-file nation for over thirty years but has not registered the trademark could lose ownership to a third party who filed an application to register the same mark.<sup>84</sup> In addition, globalization has increased the transnational movement of both products and people, which has made it more likely that the foreign trademark will be recognized by consumers from nations where the owner has not yet used or registered the mark. As recognized by many commentators, “[a] trademark may be well known in a country before its registration there and, in view of the possible repercussions of publicity in other countries, even before it is used in such country.”<sup>85</sup> As such, strict adherence to acquisition of trademark rights based on territoriality of consumer recognition could lead to consumer confusion if another entity uses a trademark already well known to consumers as that of a foreign entity.

An exception, or safety valve, to the international trademark system is needed to prevent or correct these inequities. The international community addressed this need by adopting such an exception—the well-known marks doctrine.

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1568–69 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law.”); Dinwoodie, *supra* note 61 at 887 (“[I]t is an axiomatic principle of domestic and international trademark law that trademarks and trademark law are territorial.”).

81. See Paris Convention, *supra* note 49, at art. 6bis (“A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin.”).

82. See *A. Bourjois & Co. v. Katzel*, 260 U.S. 689, 689–92 (1923).

83. See Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 WM. & MARY L. REV. 711, 733–34 (2009).

84. See Stephen P. Ladas, *International Protection of Well-Known Trademarks*, 41 TRADEMARK REP. 661, 662 (1951) (recounting the German court decision that “underlined the unfairness of the position and the necessity of such international legislation”).

85. BODENHAUSEN, *supra* note 7, at 91 n.5.

*D. The Well-Known Marks Doctrine in International Agreements*

Protection for well-known trademarks first appeared in the Paris Convention of Industrial Property (“Paris Convention”) in 1925 as Article 6*bis* at the Revision Conference in The Hague.<sup>86</sup> The current version of Article 6*bis*(1) provides:

The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, 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 and used for identical or similar goods.<sup>87</sup>

From this language, the following elements are required of a foreign mark owner to prevail in a well-known marks case: (1) the foreign mark is a valid trademark;<sup>88</sup> (2) the foreign mark has not been previously registered (or used) in the Member nation where a local entity seeks to register (or use) the mark;<sup>89</sup> (3) such registration or use involves identical or similar goods for which the foreign trademark is registered or used in the foreign mark owner’s home nation;<sup>90</sup> (4) the foreign mark is well known in the Member nation; and (5) confusion is likely to arise from the local entity’s registration or use.

When applied correctly, the well-known marks doctrine promotes the same goal of free trade that registration fosters. Consumer recognition does not provide a separate basis for protection of a trademark but acts instead as a safety valve. Allowing entrepreneurs to take advantage of the recognition garnered by a foreign trademark in Member nations where it has not been registered

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86. See *id.* at 89.

87. Paris Convention, *supra* note 49, at art. 6*bis*(1).

88. The TRIPS Agreement expands protection to service marks. See TRIPS Agreement, *supra* note 35, at art. 16(2) (“Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services.”).

89. While the plain language of Article 6*bis* is limited to an exception to a registration requirement, an exception to a use requirement has been interpreted into Article 6*bis*. See ASSEMBLY OF THE PARIS UNION FOR THE PROTECTION OF INDUS. PROP. & GEN. ASSEMBLY OF THE WORLD INTELLECTUAL PROP. ORG., WIPO JOINT RECOMMENDATION CONCERNING PROVISIONS ON THE PROTECTION OF WELL-KNOWN MARKS art. 2(3) (Sept. 20–29, 1999), available at [http://www.wipo.int/about-ip/en/development\\_iplaw/pdf/pub833.pdf](http://www.wipo.int/about-ip/en/development_iplaw/pdf/pub833.pdf) [hereinafter WIPO JOINT RECOMMENDATION]; BODENHAUSEN, *supra* note 7, at 89; Pretnar, *supra* note 23, at 23.

90. The TRIPS Agreement expands protection to dissimilar goods. See TRIPS Agreement, *supra* note 35, at art. 16(3) (“Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.”).

or used would disincentivize entities from expanding abroad. For example, if the South African courts had recognized a local entrepreneur's registration of MCDONALD'S,<sup>91</sup> other foreign entities would likely not have attempted to enter the South African market.<sup>92</sup> In essence, the correct level of protection for well-known trademarks protects the "global trading system through the prevention of piracy and unfair exploitation of well-known marks"<sup>93</sup> without undermining the registration system.

Although Article 6bis is a longstanding treaty obligation, the ability to enforce compliance is new. The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement"), as one of the founding documents of the World Trade Organization ("WTO"), incorporates Article 6bis into WTO commitments.<sup>94</sup> The WTO provides for a dispute resolution process that Member nations are contractually bound to follow.<sup>95</sup> Disputing parties must adhere to the judgment of the dispute resolution panel, or the winning Member nation may impose trade sanctions on the noncompliant Member nation.<sup>96</sup> Because these sanctions can create large economic losses for the noncompliant Member nation, the incentive to comply with the dispute resolution judgment is high.<sup>97</sup>

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91. In the landmark South African well-known marks case *McDonald's Corporation v. Joburgers Drive-Inn Restaurant (Pty) Ltd.*, the Appellate Division of the South African Supreme Court found in favor of McDonald's. 1996 (4) SA 1 (SCA) (S. Afr.), available at <http://www.saflii.org.za/za/cases/ZASCA/1996/82.pdf>. This case was upheld on appeal to the South African Supreme Court. See *South Africa—Appeal Upholds McDonald's Trademarks*, LADAS & PARRY—INTELL. PROP. L. (July 1997), [http://www.ladas.com/BULLETINS/1997/0797Bulletin/South Africa\\_McDonaldsTMs.html](http://www.ladas.com/BULLETINS/1997/0797Bulletin/South Africa_McDonaldsTMs.html).

92. For example, The Gap began business in South Africa around the time that the South African courts decided the *McDonald's* decision in the 1990s. See *A.M. Moolla Group Ltd v. The Gap, Inc.*, 2005 (6) SA 568 (SCA) (discussing the timeframe for The Gap's entry into the South African market).

93. *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007) (quoting Mostert, *supra* note 16, at 106).

94. See TRIPS Agreement, *supra* note 35, at art. 2(1). Additionally, Article 16(2) of the TRIPS Agreement provides some clarity surrounding other limitations of the Article 6bis language. *Id.* at art. 16(2). First, Article 16(2) provides well-known marks protection for service marks, as Article 6bis only mentions "trademarks." *Id.* Second, the scope of the "well-known mark" was narrowed to the "knowledge of the trademark in the relevant sector of the public." For a further discussion, see *infra* Part II.

95. See Understanding on Rules and Procedures Governing the Settlement of Disputes art. 21, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, 1869 U.N.T.S. 401.

96. See *id.* at art. 22.2. For an explanation of the process, see *Understanding the WTO: Settling Disputes—A Unique Contribution*, WORLD TRADE ORG., [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/displ\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/displ_e.htm) (last visited Sept. 29, 2010).

97. See William J. Davey, *Compliance Problems in WTO Dispute Settlement*, 42 CORNELL INT'L L.J. 119, 125 (2009) (explaining that high levels of compliance with WTO dispute settlement panel decisions are "due mainly to the good faith desire of WTO members to see the

Although no Member of the WTO has requested dispute resolution against another Member for violation of the well-known marks doctrine, WTO intellectual property disputes (including violations of trademark obligations) have been increasing.<sup>98</sup> Given the growing number of well-known marks cases brought in the Member nations over the last decade,<sup>99</sup> a dispute resolution based on a perceived violation of Article 6bis likely will occur in the near future.<sup>100</sup> Therefore, the international legal community needs to

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dispute settlement system work effectively.”); C. O’Neal Taylor, *The Limits of Economic Power: Section 301 and the World Trade Organization Dispute Settlement System*, 30 VAND. J. TRANSNAT’L L. 209, 309 (2007) (“The DSU puts the collective pressure of the WTO membership behind the resolution of each dispute. A losing party in the WTO system cannot simply avoid a report issued against it.”). However, there are some countries that do not comply, for example, the United States. See Graeme B. Dinwoodie, *Some Remarks on the Limits of Harmonization*, 5 J. MARSHALL REV. INTELL. PROP. L. 596, 597–98 (2006) (“[T]he existence of the WTO enforcement machinery has hardly ensured one hundred percent compliance. Most notably, the United States still has not made the legislative changes necessary to comply with adverse rulings by WTO dispute settlement panels in disputes over the Fairness in Music Licensing Act, and Section 211 of the Omnibus Appropriations Act of 1998 (the Cuban embargo trademark case.”); Jeffrey D. Gerrish & Hui Yu, *International Trade*, 38 INT’L LAW. 225, 239 (2004) (“The United States has been subject to intense criticism, pressure, and threats of retaliation from certain trading partners this year, particularly the EC, over its failure to implement several WTO decisions faulting U.S. laws.”).

98. There have been a total of twenty-nine TRIPS Agreement-related dispute settlements at the WTO. See *Disputes by Agreement*, WORLD TRADE ORG., [http://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_agreements\\_index\\_e.htm?id=A26#selected\\_agreement](http://www.wto.org/english/tratop_e/dispu_e/dispu_agreements_index_e.htm?id=A26#selected_agreement) (last visited Sept. 29, 2010). Of these, twenty-three were brought during the years of 1996 to 2000. *Id.* From 2001 to 2006, only two TRIPS Agreement-related dispute settlements were brought. *Id.* Since 2007, four TRIPS Agreement-related dispute settlements have been brought, with two in 2010 alone. *Id.* Of these twenty-nine disputes, at least three have included alleged violations of trademark obligations. See Appellate Body Report, *United States—Section 211 Omnibus Appropriations Act of 1998*, WT/ DS176/AB/R (Jan. 2, 2002), available at [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds176\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds176_e.htm); Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/ DS362/R (Jan. 26, 2009), available at [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds362\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm); Panel Report, *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/ DS174/R (Mar. 15, 2005), available at [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds174\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds174_e.htm); Panel Report, *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/ DS290/R (Mar. 15, 2003), available at [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds290\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds290_e.htm).

99. See sources cited *supra* note 24 (listing cases).

100. In particular, the United States and China have been recent litigants at the WTO, with the United States bringing five dispute resolutions since 2007, with two related to intellectual property. See *Dispute Settlement: Disputes by Country/Territory*, WORLD TRADE ORG., [http://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_by\\_country\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm) (last visited Sept. 29, 2010); see also Appellate Body Report, *China—Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products*, WT/ DS363/AB/R (Dec. 21, 2009), available at [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds363\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds363_e.htm); *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, *supra* note 98.

understand the theoretical perspectives through which compliance is viewed.

## II. TWO THEORIES OF CONSUMER RECOGNITION

As highlighted in the introduction, recent court decisions in the U.S. and China have raised compliance questions concerning these nations' international obligations to protect foreign well-known trademarks. Although territoriality concerns may be a lingering issue with compliance, this Part suggests that the answer to the compliance question depends on perception.<sup>101</sup> Those that view the U.S. and China as noncompliant may be examining these decisions through one theoretical lens, whereas a compliant picture may emerge from a different theoretical perspective. This Part will introduce these two theoretical perspectives.

The noncompliant perspective, which this Article refers to as the "passive perception theory," relies on consumer recognition through the filtration of trademarked materials into the Member nation where the foreign mark has not been registered or used (whether through television, printed materials, or the Internet). The alternative perspective, termed the "interactional theory," relies on evidence of foreign or domestic consumer interaction with a trademark before rights are granted (such as purchases, inquiries, or website activity). While previously unrecognized, the author has distilled these theories from a variety of sources, including international agreements, court cases, and legal commentary.

### *A. Passive Perception Theory*

The passive perception theory of consumer recognition begins with the premise that globalization has connected trading markets

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101. This Article does not dispute that at times, territoriality continues to be a concern, particularly with respect to the requirement of use of a trademark in the Member nation before a trademark will be considered as well-known. However, if territoriality were the only reason for the outcome of cases in favor of domestic trademark users, then it would be logical that the only cases where the foreign trademark is protection based on the well-known marks obligation are those where the indices of territoriality (i.e., use of the trademark in the Member nation) are met. However, there are a number of cases where foreign trademarks have been protected without the indices of territoriality. *See, e.g.*, Grupo Gigante SA de CV v. Dallo & Co., 391 F.3d 1088 (9th Cir. 2004); Empresa Cubana del Tabaco v. Culbro Corp., 587 F. Supp. 2d 622 (S.D.N.Y. 2008), *rev'd*, No. 08-58-78cv, 2010 WL 2759416 (2d Cir. July 14, 2010); Starbucks Corp. v. Shanghai Xingbake Coffee Corp. (Shanghai Higher People's Ct. Dec. 20, 2006) (translation on file with author).

and consumers on a greater scale than ever before.<sup>102</sup> Adherents to this vision of globalization proceed from the assumption that once a trademark achieves a level of recognition in one part of the world, it automatically creates consumer recognition in other parts of the world without the need for use there.<sup>103</sup>

While commentators and brand owners who advocate for greater protection of foreign well-known marks have not explicitly endorsed the passive perception theory, the theory encapsulates these advocates' beliefs. Article 16(2) of the TRIPS Agreement provides support for the passive perception theory: "In determining whether a trademark is well[ ]known, Members shall take account of the knowledge of the trademark in the *relevant sector* of the public, including knowledge in the Member concerned which has been obtained as a result of the *promotion* of the trademark."<sup>104</sup> In limiting the inquiry to the "relevant sector of the public," Article 16(2) lowers the barrier to protection for foreign well-known marks and somewhat alleviates the uncertainty of protection under Article 6*bis*.<sup>105</sup> The World Intellectual Property Organization ("WIPO") defines "relevant sector of the public," to mean actual (or even potential) consumers of the type of product to which the foreign trademark applies.<sup>106</sup> This narrows the segment of the public within which the foreign trademark

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102. See Mostert, *supra* note 14, at 440 ("The media and modern advertising are becoming less and less limited by national boundaries in view of sophisticated communication and frequent travel of people for reasons of business, study or pleasure."); Mostert, *supra* note 16, at 103 ("Our global village provides increasing opportunities for us, as world citizens, to purchase internationally famous branded goods and services.").

103. See Brief for INTA in Prefel, *supra* note 15, at 4 ("In the modern age of mass communications and marketing it is very common for a mark to develop a reputation before products have even been widely sold under a mark. Consumers who have access to international publications, the Internet, cable and satellite television are often familiar with well-known trademarks regardless of the actual volume of sales.").

104. TRIPS Agreement, *supra* note 35, at art. 16(2) (emphasis added).

105. See Mostert, *supra* note 16, at 108 ("The TRIPS Agreement . . . provides additional legal standards for the recognition and protection of well-known marks."); World Intellectual Prop. Org. Comm. of Experts on Well-Known Marks, Protection of Well-Known Marks: Results of the Study by the International Bureau and Prospects for Improvement of the Existing Situation, at 6, WKM/CE/I/2 (July 18, 1995), available at [http://www.wipo.int/mdocsarchives/WKM\\_CE\\_I\\_95/WKM\\_CE\\_I\\_2\\_E.pdf](http://www.wipo.int/mdocsarchives/WKM_CE_I_95/WKM_CE_I_2_E.pdf) [hereinafter WIPO Expert Committee] ("[S]ince the Paris Convention itself does not define the conditions under which a trademark is to be considered well known, considerable uncertainty exists as regards the circumstances under which a trademark owner can rely on Article 6*bis* of the Paris Convention."). However, the TRIPS Agreement did not entirely clarify the conditions, as evidenced by the varying approaches that could be taken in considering the "relevant sector of the public." See *id.* at 6–8 (discussing several approaches to determining whether the "relevant sector of the public" deemed a foreign mark well-known).

106. WIPO JOINT RECOMMENDATION, *supra* note 88, at arts. 2, 2(i). Two additional definitions, which further narrow the segment are: "(ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies; (iii) business circles dealing with the type of goods and/or services to which the mark applies." *Id.*



must be well known.<sup>107</sup> Some Member nations previously required recognition among the Member nation's consumers at large.<sup>108</sup> Thus, TRIPS has greatly reduced the burden on the foreign trademark owner.

In addition, specifying that knowledge through "promotion" shall be considered eases the evidentiary standards for a well-known trademark, thus making protection more certain. One influential commentator has interpreted this language as follows:

Article 16(2) of the TRIPS Agreement goes on to facilitate the proof of well-known status through *advertising* . . . . In other words, awareness of the mark may be gauged against the relevant universe of people in the marketplace who are exposed to the mark through advertising. Proof of well-known status through advertising is particularly important in those instances where the mark has not yet been used in the local jurisdiction. . . .<sup>109</sup>

In particular, Article 16(2) does not require that promotion of the foreign trademark occur *within* the Member nation, but simply allows for knowledge in the Member nation to arise through the promotional efforts. This knowledge may occur as a result of promotions inside *or outside* the Member nation.<sup>110</sup> Commentators and trademark owners have seized upon this ambiguity to argue that the potential for knowledge to arise through "spillover advertising"—advertising outside the relevant Member nation that filters in through satellite television, the Internet, or periodicals<sup>111</sup>—supports a finding of sufficient consumer recognition for well-known status determinations.<sup>112</sup>

The Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks ("Joint Recommendation") provides additional support for the passive perception theory. WIPO, the international entity responsible for oversight of the Paris Convention, issued the Joint Recommendation in 1999,<sup>113</sup> which lists six factors

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107. See Mostert, *supra* note 16, at 120 (stating "the knowledge of the mark is to be gauged against the relevant sector of public rather than the public at large for well-known marks").

108. See *id.* at 119 n.56 (citing Benelux law as one example where the requirement prior to the TRIPS Agreement was that the public at large needed to have knowledge of the foreign trademark in order to be considered well known).

109. MOSTERT, *supra* note 5 at 1-40.

110. See DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 277 (3d ed. 2008) ("TRIPS contains a higher standard of protection and art. 16(2) does not make a distinction as to where a mark is actually (specifically) advertised. . . . [A]rt. 16(2) does not seem to be limited to promotion of the mark *specifically in the Member concerned.*").

111. See MOSTERT, *supra* note 5, at 1-41.

112. See *id.*

113. See WIPO JOINT RECOMMENDATION, *supra* note 89, at 2.

Member nations should consider when deciding whether a mark is well known:<sup>114</sup>

(1) the degree of knowledge or recognition of the mark in the relevant sector of the public; (2) the duration, extent and geographical area of any use of the mark; (3) the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies; (4) the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark; (5) the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; (6) the value associated with the mark.<sup>115</sup>

All the factors, with the exception of the first, provide support for the passive perception theory.<sup>116</sup> The second factor, “the duration, extent and geographical area of any use of the mark,” must be read in conjunction with the Joint Recommendation “prohibitions,” one of which states that a “Member State shall not require, as a condition for determining whether a mark is a well-known trademark: that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in, or in respect of, the Member State.”<sup>117</sup> Reading these two factors together, a nation should take into account the “use” conducted outside of the nation. Although the Joint Recommendation does not define “use,” the term has traditionally meant sales or advertising or a combination of the two.<sup>118</sup> However, this “use” need not relate back to the Member nation’s consumers. The foreign trademark owner need not show that these consumers were ever exposed to such use outside of the Member nation. While commentators and trademark owners cite the likelihood of exposure to such use through “frequent travel of people for reasons of business, study or pleasure,” the Joint Recommendation does not

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114. See *id.* at art. 2(1)(b)(1)–(6).

115. See WIPO JOINT RECOMMENDATION, *supra* note 89, at art. 2(1)(b)(1)–(6).

116. The first factor examines the actual consumer recognition in the Member nation, “the degree of knowledge or recognition of the mark in the relevant sector of the public.” *Id.* at art. 2(1)(b)(1). However, as discussed earlier, this type of evidence is often not obtained by litigants and most litigants base their cases on circumstantial evidence, like the items the remaining factors suggest. See sources cited *supra* note 75.

117. See WIPO JOINT RECOMMENDATION, *supra* note 89, at art. 2(3)(i).

118. See *New Eng. Duplicating Co. v. Mendes*, 190 F.2d 415, 417–18 (1st Cir. 1951).

require this showing.<sup>119</sup> Rather, historical global uses of a trademark may be sufficient to prove that a trademark has become well known.<sup>120</sup>

The third factor deals specifically with advertising: “the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies.”<sup>121</sup> The Joint Recommendation does not explicitly state whether the promotion must take place in the Member nation. As with the interpretation of the TRIPS Agreement, commentators and brand owners advocate that the promotion need not take place in the Member nation to garner the requisite consumer recognition.<sup>122</sup>

Finally, the last three factors deal with registration, successful enforcement actions, and the value associated with the mark, all of which support the passive perception theory. Each factor requires examination of the filtration of knowledge of the mark into the nation.<sup>123</sup> For example, the only way the fifth factor, “successful enforcement of rights in the mark,” could have any bearing on whether consumers recognize the foreign mark is if the mark holder publicized the enforcement actions. Most large corporations do in fact publicize successful enforcement actions through press releases and other media; however, this is “promotional” activity.<sup>124</sup> As with advertising, if the press release does not issue inside the Member nation, the competent authority there would need to assume that such a press release had “spilled over” into the Member nation, creating the requisite consumer recognition.

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119. For example, courts will often rely on assertions that consumers in the local nation have travelled abroad. For example, in *McDonald's Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd.*, the court stated (without any verification from the plaintiff) that “the McDonald's trademarks would be known to many South Africans who have travelled abroad. This again would not be an insignificant number.” 1996 (4) SA 1 (SCA) (S.Afr.), available at <http://www.saflii.org.za/za/cases/ZASCA/1996/82.pdf> (last visited Oct. 4, 2010).

120. See, e.g., Brief for INTA in Prefel, *supra* note 15.

121. WIPO JOINT RECOMMENDATION, *supra* note 89, at art. 2(1)(b)(3).

122. See, e.g., Charles E. Webster, *The McDonald's Case: South Africa Joins the Global Village*, 86 TRADEMARK REP. 576, 588 (1996) (discussing the ease of spillover activity evidence through international sporting events and publications, which simply have “significant exposure in South Africa.”).

123. See WIPO JOINT RECOMMENDATION, *supra* note 89, at art. 2(1)(b)(4)–(6) (“4. [T]he duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark; 5. [T]he record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; 6. [T]he value associated with the mark.”).

124. See, e.g., Press Release, Louis Vuitton Malletier, S.A., Louis Vuitton Awarded \$32.4 Million in Damages in Lawsuit Against Web Host of Sites That Sell Counterfeit Merchandise (Aug. 31, 2009), available at [http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news\\_view&newsId=20090831005724](http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20090831005724) (announcing its win over website Akanoc, which sold counterfeit Louis Vuitton products).

The passive perception theory sets a low evidentiary burden for meeting the elements of Article 6*bis*. Brand owners commonly cite “FERRARI” as an example of how courts should implement this low burden.<sup>125</sup> As a result of FERRARI’s international well-known status, consumers in any country—even where FERRARI cars are not sold and the trademark is not registered—have come to recognize the FERRARI trademark through global advertisements and promotion of FERRARI.<sup>126</sup> These global advertisements and promotions need not be directed at the Member nation where well-known trademark owner seeks protection; that advertisements or promotions likely “spilled over” into that nation suffice.<sup>127</sup> Proof that consumers in the Member nation have access to certain magazines where FERRARI advertises, or to satellite television broadcasting the Ferrari-sponsored Formula One race series, would also suffice.<sup>128</sup>

Viewed through the lens of the passive perception theory, foreign well-known trademarks enjoy a presumption of protection in a Member nation. When a nation does not grant protection to a foreign well-known trademark, adherents of this perspective deem the nation as noncompliant. Trademark rights granted based on the passive perception theory are unmoored from a Member nation’s consumers. Instead, consumer recognition from other parts of the world vaults the foreign trademark above those of domestic marks. From this

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125. See Brief for Int’l Trademark Ass’n as Amicus Curiae Supporting Appellants at 12, *Tungsway Food & Beverage Holdings, Pte., Ltd. v. PT Istana Pualam Kristal* (Sup. Ct. Aug. 15, 2005) (Indon.), available at [http://www.inta.org/downloads/brief\\_tungsway.pdf](http://www.inta.org/downloads/brief_tungsway.pdf); Brief for Int’l Trademark Ass’n as Amici Curiae Supporting Appellants at 5, *Davidoff & Cie S.A. v. N.V. Sumatra Tobacco Trading Co.* (Sup. Ct. Apr. 11, 2003) (Indon.), available at [http://www.inta.org/downloads/brief\\_davidoff.pdf](http://www.inta.org/downloads/brief_davidoff.pdf); Brief for Int’l Trademark Ass’n as Amici Curiae Supporting Appellants at 6, *Intel v. PT Pangung Elec. Inds.* (Sup. Ct. Oct. 2, 2002) (Indon.) [hereinafter *Brief for INTA in Intel*], available at [http://www.inta.org/downloads/brief\\_intel.pdf](http://www.inta.org/downloads/brief_intel.pdf); Brief for INTA in *Prefel*, *supra* note 15.

126. See Brief for INTA in *Intel*, *supra* note 125, at 6 (“FERRARI, a trademark that many people have heard of through widespread promotion and long use, yet only a very small number of FERRARI cars is sold worldwide.”).

127. See Mostert, *supra* note 16, at 118 (“Reputation can be demonstrated in those instances where there is no use by taking account of spill-over advertising and survey evidence.”). As discussed above, survey evidence is usually not available and even if it is available, it is often not relied upon. See sources cited *supra* note 75 and accompanying text.

128. See Mostert, *supra* note 16, at 103 (describing the Olympic Games, World Soccer Cup and Formula 1 Racing as “universally attractive events” (which are sponsored by brand owning companies) and as bases for consumers to be exposed to foreign trademarks); see also Brief for Int’l Trademark Ass’n as Amici Curiae Supporting Appellants at 7–8, *Prefel SA v. Fahmi Babra* (Sup. Ct. Oct. 2, 2002) (Indon.), available at [http://inta.org/downloads/brief\\_prefel2.pdf](http://inta.org/downloads/brief_prefel2.pdf) (arguing that spillover advertising is sufficient for knowledge of well-known mark to develop); Webster, *supra* note 122, at 587 (“The most fundamental difficulty faced by the proprietor of a foreign trademark is that the plaintiff is unable to rely upon evidence such as significant sales and advertising figures in the territoriality because no sales have occurred in the territory. . . . The plaintiff may only rely on its worldwide sales figures and spill-over advertising.”).

perspective, rather than acting as a safety valve to the strictures of territoriality, this grant of broad rights threatens to become a new basis for investing trademark rights to owners of well-known marks.

### *B. Interactional Theory of Consumer Recognition*

In the absence of the traditional territorial exposure and use of a trademark, this Article suggests that a latent interactional theory has developed as a means to tie consumers in the U.S. and China to a foreign trademark. In contrast to the passive perception theory, the interactional theory requires a showing of some type of consumer “interaction” with the foreign trademark, such as purchases, inquiries, or website activity, prior to deeming the mark well known. Although the U.S. and China recognize that globalization has increased the interconnectedness of trading markets and consumers, these nations have not significantly altered the manner in which they grant foreign trademark rights. For the owner of a foreign well-known trademark to acquire protection in the U.S. or China, the owner must prove that a substantial number of American or Chinese consumers recognize the foreign trademark.<sup>129</sup> This level of recognition may exceed the threshold a trademark owner typically must prove to acquire rights in these nations, as the foreign trademark owner seeks to bypass the territoriality requirement by virtue of its mark being well known.<sup>130</sup> Unlike the passive perception theory, the unique status of a foreign well-known trademark is more of a burden than a boon at the nation level.

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129. See *ITC Ltd. v. Punchgini, Inc.*, 518 F.3d 159, 161 (2d. Cir. 2008) (characterizing the American standard set forth by the New York Court of Appeals as “secondary meaning”). While the level of consumer recognition required for secondary meaning differs from state to state, generally the standard is a “substantial number.” See MCCARTHY, *supra* note 4, § 15:45; see also St. Admin. for Indus. & Commerce, Provisions for the Determination and Protection of Well-Known Trademarks, art. 2 (Apr. 17, 2003), available at [http://www.wipo.int/clea/docs\\_new/pdf/en/cn/cn040en.pdf](http://www.wipo.int/clea/docs_new/pdf/en/cn/cn040en.pdf) (“[T]he term ‘well-known trademark’ as mentioned in the present Provisions refers to a trademark widely known by the relevant public and highly reputable in China.”).

130. See Xuemin Chen, *China, in* FAMOUS AND WELL-KNOWN MARKS 4–127, 4–134 (2d ed., 2004) (characterizing the “highly reputable” requirement as a “higher reputation”). In the Second Circuit, the level of consumer recognition for well-known trademarks (secondary meaning) is the same for trademarks that need to prove acquired consumer recognition. See MCCARTHY, *supra* note 4, § 15:1 (“[S]tatus of acquired distinctiveness is called ‘secondary meaning.’”). However, the standard in the Ninth Circuit is a higher one, termed “secondary meaning plus.” See *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1098 (9th Cir. 2004) (“[S]econdary meaning is not enough. In addition, 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 market is familiar with the foreign mark.”); *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 167 (2d Cir. 2007) (characterizing the Ninth Circuit standard as “secondary meaning plus”).

Requiring consumer recognition implicates two additional concepts. First, a high level of recognition is hard to prove; second, proving consumer recognition typically entails a combination of demonstrated exposure and use of the trademark.<sup>131</sup> However, the international obligation to protect foreign well-known marks does not allow a Member nation to require registration or use in that nation before deeming the trademark well known. As discussed in Part I, use is deeply ingrained in many national trademark systems, including the U.S. and China, so trademarks are unlikely to achieve high levels of consumer recognition without use. Paradoxically, both nations have issued decisions in favor of foreign trademarks based on the well-known marks doctrine.<sup>132</sup> Therefore, something else is usurping the traditional concept of use. Instead of requiring proof of consumer recognition through exposure and use within the borders of the nation, the interactional theory requires exposure and a likelihood of consumer activity with the trademark.

An examination of well-known marks cases from both the U.S. and China supports this theory. In the U.S., several cases in the last decade have indicated that courts demand exposure and consumer interaction with the foreign trademark before deeming it well known. In *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.*,<sup>133</sup> after acknowledging the well-known marks doctrine, the court carefully examined the evidence for signs of these elements.<sup>134</sup> The foreign plaintiff, a British entity, sought to enjoin the use of “DE BEERS” by the New York-based defendant for diamond jewelry. The court acknowledged that: “DE BEERS [is] one of the most famous brands in the world and—in the minds of American consumers, who were exposed to the ‘A Diamond Is Forever’ advertising campaign featuring the name DE BEERS—is inextricably linked to *diamonds*.”<sup>135</sup> The court next looked for evidence of consumer activity,

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131. See MCCARTHY, *supra* note 4, § 15:30.

132. See *Grupo Gigante*, 391 F.3d at 1098; *Empresa Cubana del Tabaco v. Culbro Corp.*, 587 F. Supp. 2d 622 (S.D.N.Y. 2008), *rev'd*, No. 08-58-78cv, 2010 WL 2759416 (2d. Cir. July 14, 2010); *All Eng. Lawn Tennis Club (Wimbledon) Ltd. v. Creations Aromatiques, Inc.*, 220 U.S.P.Q. (BNA) 1069 (T.T.A.B. 1983); *Starbucks Corp. v. Shanghai Xingbake Coffee Corp.*, *as reported in* Yin Ping, *Judge Rules for Starbucks in Copyright Violation Case*, CHINA DAILY, Jan. 2, 2006, available at [http://www.china.org.cn/archive/2006-01/02/content\\_1153945.htm](http://www.china.org.cn/archive/2006-01/02/content_1153945.htm); Chen, *supra* note 130, at 4–140 (citing *Proctor & Gamble v. Shanghai Chengxuan Intelligent Tech. Develop't Ltd.*, *as reported in* ST. INTELLECTUAL PROP. OFFICE, 2001/2002 CHINA INTELLECTUAL PROPERTY ANNUAL REPORT 420 (Intellectual Prop. Press, 2002)); *id.* at 4–142 (citing *E.I. Dupont de Nemours & Co. v. Beijing Cinet Info. Ltd.*, *as reported in* ST. INTELLECTUAL PROP. OFFICE, 2001/2002 CHINA INTELLECTUAL PROPERTY ANNUAL REPORT 435 (Intellectual Prop. Press, 2002)).

133. 440 F. Supp. 2d 249 (S.D.N.Y. 2006).

134. *Id.* at 269.

135. *Id.* at 255 (emphasis added).

either in the U.S. or abroad,<sup>136</sup> but the only evidence of potential consumer activity presented was the availability of DE BEERS diamonds at trade shows.<sup>137</sup> The court viewed this evidence as insufficient to prove the potential for consumer activity; namely, that American consumers would recognize DE BEERS as well known for diamond jewelry.<sup>138</sup>

Likewise in *London Regional Transport v. The William A. Berdan & Edward C. Goetz, III Partnership*, the operator of the London Underground lost to its opposition in a decision issued by the Trademark Tribunal and Appeal Board (TTAB).<sup>139</sup> The American applicant had attempted to register the trademark "LONDON UNDERGROUND" for clothing items.<sup>140</sup> The British opposer based its opposition on the well-known marks doctrine, which the TTAB acknowledged could apply.<sup>141</sup> However, in assessing the evidence of exposure and consumer activity, the TTAB discounted the evidence proffered by the opposer that approximately 70 million Americans had visited London over the course of forty-six years.<sup>142</sup> The court doubted that the evidence showed either actual or potential consumer activity and effective exposure: "[W]hile this may constitute evidence that 70 million Americans have purchased opposer's railway services, opposer has provided no evidence of the circumstances under which these purchasers would encounter the mark LONDON UNDERGROUND in connection with the services."<sup>143</sup> Even if all 70 million Americans had associated this mark with subway services, the court remained unconvinced: "In any event, that figure represents, at best, less than 25% of the U.S. population and this number is not sufficient, in itself, to prove that the mark is famous to a substantial percentage of the American public."<sup>144</sup> In addition, the evidence of exposure and

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136. *Id.* at 271.

137. *Id.*

138. *Id.* at 271-72.

139. No. 91106031, 2006 TTAB LEXIS 272 (T.T.A.B. June 20, 2006) (not citable as precedent).

140. *Id.* at \*1. Although the applicant argued that the opposers' trademark was invalid because it is a generic term, the TTAB did not find for the applicant on these grounds, but rather on the opposers' well-known marks argument. *See id.* at \*25.

141. *Id.* at \*9.

142. *Id.* at \*38 ("Mr. Ellis estimates that between 25 and 30 million people visit London each year. This estimate is apparently based on a chart prepared by the London Tourist Board which shows the total number of visitors to London for each year from 1950 to 2002. Mr. Ellis contends that 20% of visitors to London are from the United States and that 92% of tourists in London ride the London Underground, stating that it is the 'easiest' and 'the most famous' way to get around the city.").

143. *Id.*

144. *Id.* at \*41.

potential consumer activity in the United States consisted only of product catalogs and the means for Americans to purchase tickets for the London Underground while in the U.S.<sup>145</sup> As the opposer failed to show any connection between these materials and American consumers, the court also rejected this evidence.<sup>146</sup>

The interactional theory also explains many Chinese cases.<sup>147</sup> In *Starbucks Corp. v. Shanghai Xingbake Coffee Corp.*, Starbucks sued a Chinese entity, Shanghai Xingbake Coffee Corporation.<sup>148</sup> Starbucks had registered STARBUCKS and its other various design marks in China in 1996, but not its Chinese-character equivalent, XINGBAKE.<sup>149</sup> The defendant had registered “Xingbake” as its business name before Starbucks registered the trademark XINGBAKE.<sup>150</sup> In China’s first-to-file jurisdiction,<sup>151</sup> Starbucks had to rely on the well-known marks doctrine to claim priority. In *Starbucks*, the court applied the well-known marks doctrine as found in the Chinese Trademark Law, and placed specific emphasis on the extensive exposure of the Starbucks’ mark XINGBAKE in China.<sup>152</sup> Prior to defendant’s application to register the mark, Starbucks had “launched massive advertising campaigns” using both STARBUCKS

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145. *Id.* at \*17, \*26–27.

146. *Id.* at \*42 (“There is also no evidence of any sales of LONDON UNDERGROUND merchandise to American consumers, whether through the museum shop or other outlets, let alone any evidence of the quantity of any such sales. Nor is there evidence of the amount of sales generated by opposer’s ticket offices located in the United States or how long the offices have been operating at those locations.”).

147. As many of the well-known marks cases are not officially published, WEI LUO, CHINESE LAW AND LEGAL RESEARCH 248 (2005) (“Although more and more publications of Chinese cases and judgments have become available, China still lacks a comprehensive official or unofficial reporting system in which all appellate cases that have precedent value would be reported and published.”), the decisions of Chinese courts are gathered from transcripts of the decisions issued (if available) or reports of the cases, which are available from time to time on the courts’ websites. *See, e.g., Beijing Court System*, CHINACOURT.ORG, <http://bjgy.chinacourt.org/bjfy/> (last visited Nov. 17, 2010) (translation on file with author).

148. *See* Janet Adamy, *Eyeing a Billion Tea Drinkers, Starbucks Pours it on in China*, WALL ST. J., Nov. 29, 2006, available at <http://English.cri.cn/2946/2006/11/29/199@168770.htm>; David Eimer, *China’s Fake ‘Starbucks’ is Banned from Using Name*, THE INDEPENDENT (London), Jan. 3, 2006, at 22; Yin Ping, *Judge Rules for Starbucks in Copyright Violation Case*, CHINA DAILY, Jan. 2, 2006, available at [http://www.china.org.cn/archive/2006-01/02/content\\_1153945.htm](http://www.china.org.cn/archive/2006-01/02/content_1153945.htm); Gao Yuan, *Starbucks Dispute Dust Down, Shanghai Xingbake Lost Suit*, CHINA COURT NETWORK, Jan. 4, 2007 (translation on file with author).

149. *See* Hu, *supra* note 9, at 62 (stating that Starbucks registered “STARBUCKS” and the design logo in 1996, and XINGBEKE in 1999).

150. *See* Jing “Brad” Luo & Shubha Ghosh, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, 7 NW. J. TECH. & INTELL. PROP. 119, 147–48 (2009).

151. *See* INTELLECTUAL PROPERTY LAW GUIDEBOOK: CHINA 58 (2007)

152. *See* Alexander, *supra* note 11, at 907; Luo & Ghosh, *supra* note 150, at 148.



and XINGBAKE as its trademarks.<sup>153</sup> The Shanghai court found evidence of “wide use, publicity and reputation,” so that XINGBAKE had indeed achieved well-known status, unfortunately, though, the court neglected to explain whether the opening of the Beijing outlet factored into its decision.<sup>154</sup>

Starbucks opened its first retail outlet in Beijing soon after launching the marketing campaign in 1999.<sup>155</sup> With this opening, the Shanghai court might well have found ample evidence of consumer activity. However, since the relevant time period for Starbucks to establish XINGBAKE as a well-known mark preceded the store opening (and the cities of Beijing and Shanghai are quite far apart), the Shanghai court probably concluded that the extensive advertising campaign led to a high probability of consumer activity. The success of the Starbucks retail store in Beijing likely satisfied the court that this probability had become a reality.<sup>156</sup>

In *Pfizer Inc. v. Great Beijing Health New Concept Pharmacy*, however, a case with similar facts to *Starbucks*, the court issued a different ruling.<sup>157</sup> Pfizer, an American pharmaceutical company, brought suit against Guangzhou Wellman (“Wellman”), a Chinese pharmaceutical company, for its registration and use of the mark “WEIGE.”<sup>158</sup> Although Pfizer had registered WEIGE in Hong Kong and Taiwan, it had neglected to register the mark in China at the same time.<sup>159</sup> Pfizer’s later application to register WEIGE failed because Wellman had already registered and begun branding WEIGE for an impotence medication—similar to Pfizer’s VIAGRA—shortly after Pfizer’s global launch of the drug in 1998.<sup>160</sup> Pfizer, attempting to demonstrate that WEIGE had achieved the status of a well-known mark in China, produced evidence to show that since its global launch in 1998, Chinese consumers had always associated WEIGE with

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153. Luo & Ghosh, *supra* note 150, at 147.

154. See Yuan, *supra* note 148; Hu, *supra* note 9, at 62; Ping, *supra* note 132.

155. See Luo & Ghosh, *supra* note 150, at 147; Adamy, *supra* note 148.

156. Although expansion was slow, Starbucks opened a second store in Beijing in 2000, and by the time of filing the lawsuit against the defendant in 2003, Starbucks had at least over 100 stores in Hong Kong and China. See Adamy, *supra* note 148.

157. Pfizer Transcript, *supra* note 9; Li Fangchao, *Pfizer Plea Against Viagra Court Ruling*, CHINA DAILY, Feb. 8, 2007, available at [http://english.peopledaily.com.cn/200702/08/eng20070208\\_348555.html](http://english.peopledaily.com.cn/200702/08/eng20070208_348555.html); *Pfizer Appeals after Losing Battle for Chinese Name of Viagra*, CHINA.ORG.CN, Feb. 7, 2007, [http://www.china.org.cn/health/2007-02/07/content\\_1199268.htm](http://www.china.org.cn/health/2007-02/07/content_1199268.htm); *Pfizer Loses Viagra Trademark Suit in China*, CHINA BUSINESS NEWS, Jan. 19, 2007, available at 1/19/07 CHINABUSNWSW 09:11:05.

158. See *Pfizer Appeals after Losing Battle for Chinese Name of Viagra*, *supra* note 157.

159. See Pfizer Transcript, *supra* note 9.

160. See Hu, *supra* note 147, at 48.

VIAGRA.<sup>161</sup> As in the *Starbucks* decision, the court in *Pfizer* applied the Chinese Trademark Law and specifically emphasized effective exposure and potential for consumer activity of the claimed mark to Chinese consumers.<sup>162</sup> However, the court held that Pfizer had not *actually* exposed Chinese consumers to the WEIGE mark in connection with Pfizer's Viagra product.<sup>163</sup> Pfizer attempted to prove effective exposure of its claimed mark through unsolicited media reports, but the court deemed this an insufficient showing that consumers had come to recognize WEIGE as Pfizer's mark.<sup>164</sup> In addition, Pfizer provided no evidence of consumer activity—either in Pfizer's own advertising or from consumers seeking VIAGRA at pharmacies or doctor's offices, for example.

The burden of proving the elements of Article 6bis differs based on whether the interactional theory or the passive perception theory is applied. Whereas the passive perception theory relies heavily on the consumer recognition of the foreign trademark *outside* of the Member nation, the interactional theory instead depends on consumer recognition *within* the Member nation. Of course, the interactional theory does not completely ignore the well-known status a foreign mark has achieved outside of the Member nation when it washes ashore through spillover advertising. Rather, evidence of such consumer exposure is unlikely to be found effective if the foreign litigant has no additional evidence that the advertising actually reached consumers. For example, a federal district court, in *Maruti.com v. Maruti Udyog Ltd.*, deemed one *Wall Street Journal* article and several foreign publications insufficient to prove exposure to the foreign trademark.<sup>165</sup> In China, as discussed above, Pfizer's attempt to prove consumer recognition of WEIGE solely through unsolicited media coverage did not provide the necessary link to Chinese consumers.<sup>166</sup>

Under the interactional theory, foreign well-known trademark owners bear an extremely heavy burden to acquire protection. In this manner, the interactional theory limits the well-known marks obligation to its intended purpose: a safety valve to an overly rigorous

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161. See Fangchao, *supra* note 157 (quoting Pfizer as arguing that “[f]or almost 10 years Wei Ge has been directly linked to Viagra in China and is recognized as a Pfizer trademark in other Asian countries”).

162. See Pfizer Transcript, *supra* note 9.

163. See *id.*

164. See *id.*

165. 447 F. Supp. 2d 494, 501 (D. Md. 2006).

166. See Jerker Hellstrom, *Pfizer Appeals Against Viagra Trademark Ruling in China*, REUTERS, Feb. 7, 2007, <http://www.reuters.com/article/health-SP/idUSSHA32646120070207>.

application of territoriality.<sup>167</sup> When a court denies protection to a foreign well-known trademark, scholars, commentators, and litigants should carefully examine the evidence before jumping to the conclusion of noncompliance.

### III. COMPLIANCE VIEWED THROUGH THE TWO THEORIES OF CONSUMER RECOGNITION

The question of compliance by the U.S. and China is serious, because the U.S. is one of the largest exporters—and China one of the largest importers—of intellectual property.<sup>168</sup> Both nations should worry about allegations of noncompliance, because such assertions damage the international intellectual property system.

As one of the largest exporters of intellectual property, the U.S. rigorously polices its rights in other Member nations.<sup>169</sup> In particular, the U.S. pays close attention to intellectual property protection in China.<sup>170</sup> Through its Special 301 review process<sup>171</sup> and, more recently, the WTO dispute resolution process, the U.S. has worked to raise enforcement levels of intellectual property protection in China

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167. See *supra* Part I.C.

168. See *Rockwell Graphics Sys. v. DEV Indus.*, 925 F.2d 174, 180 (7th Cir. 1991) (“The future of the nation depends in no small part on the efficiency of industry, and the efficiency of industry depends in no small part on the protection of intellectual property.”); see also Alan Story, *Burn Berne: Why the Leading International Copyright Convention Must Be Repealed*, 40 HOUS. L. REV. 763, 769–70 (2003) (“Overall, the U.S. net surplus in its intellectual property trade with other countries was more than \$23 billion.”); Antony S. Taubman, *TRIPS Goes East: China’s Interests and International Trade in Intellectual Property*, in CHINA AND THE WORLD TRADING SYSTEM 345, 354 (Deborah C. Cass et al., eds. 2003) (“China currently receives modest levels of royalty and license fees from the exploitation of its [intellectual property rights] overseas—receiving \$75 million in 1999 . . . By contrast, China paid \$792 million in foreign royalties and license fees.”).

169. See Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 AM. U. L. REV. 131, 132 (2000) (“To protect its economic interests, the United States has been very aggressive in pushing for a universal intellectual property regime, which offers information and high-technology goods uniform protection throughout the world.”); Story, *supra* note 168, at 770–71 (“[T]here is a very large financial incentive for corporate interests in rich countries, especially the United States, to try to require countries of the South to provide the strongest possible protection to copyright-protected products within their own borders: the products protected will primarily be of U.S. origin and ownership.”).

170. See Leah Chan Grinvald, *Making Much Ado About Theory: The Chinese Trademark Law*, 15 MICH. TELECOMM. & TECH. L. REV. 53, 55 n.5–6 (2008) (providing a brief chronology of the United States efforts in China).

171. Since the late 1980s, the United States has reviewed other nations’ compliance with international intellectual property obligations (or with bilateral agreements entered into with the United States). See Mertha, *supra* note 25, at 39–40. Nations that fail to comply with these obligations are placed on one of three lists, with the highest list of noncompliant nations labeled as the “priority watch list.” See 2010 SPECIAL 301 REPORT, *supra* note 27 (listing the different categories). Through the use of this Special 301 review process, the United States hopes to increase intellectual property protection in other nations. See Mertha, *supra* note 25, at 40.

over the past three decades.<sup>172</sup> Some of the emphasis on policing stems from the high standards for enforcement of intellectual property rights in the United States.<sup>173</sup> Currently, China takes seriously any accusation that China fails to adhere to an intellectual property treaty obligation.<sup>174</sup> However, this may change if the U.S. appears noncompliant with the very same obligations.<sup>175</sup>

As one of the largest importers of intellectual property and a newcomer to the international intellectual property system, China has furiously worked to reform its laws and policies to conform with international property norms.<sup>176</sup> With these efforts, China has enjoyed an increase in economic opportunities,<sup>177</sup> including its 2001 accession to the WTO and its hosting of the 2008 Olympics in Beijing and the 2010 World Expo in Shanghai.<sup>178</sup> Yet the U.S. continuously ranks China atop its list of noncompliant nations, and China faced recent WTO dispute resolution actions, all of which harm its

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172. See Mertha, *supra* note 25, at 55 n.6 (“[T]he United States re-initiated its activism in the late 1980s.”).

173. See Robert Denicola, *Mostly Dead? Copyright Law in the New Millennium*, 47 J. COPYRIGHT SOC’Y 193, 204–05 (2000) (“Promoting strong protection abroad is simply good business, and strong protection at home [in the United States] is a necessary prerequisite to success.”).

174. See generally *U.S. Piracy Complaints Against China Will Seriously Damage Cooperation*, *supra* note 30.

175. This was true in the copyright area, as commentators cite the lack of membership in the Berne Convention prior to 1989 as a factor in the low levels of copyright protection for the United States in foreign nations. See Dawn M. Larsen, Note, *The Effect of the Berne Implementation Act of 1988 on Copyright Protection for Architectural Structures*, 1990 U. ILL. L. REV. 151, 158 (“Our reluctance to sign the Berne treaty hampered attempts to secure stronger protection in foreign countries for United States copyright holders. During trade and intellectual property negotiations, the United States has repeatedly heard that its failure to join Berne indicates that it is not fully committed to the international protection of copyrights.”).

176. See generally, Peter K. Yu, *The Sweet and Sour Story of Chinese Intellectual Property Rights*, in *TECHNOLOGY, PROGRESS AND PROSPERITY: A HISTORY OF INTELLECTUAL PROPERTY AND DEVELOPMENT* (Graham Dutfield & Uma Suthersanen eds., forthcoming 2010), available at [www.peteryu.com/sweetsour.pdf](http://www.peteryu.com/sweetsour.pdf) (tracking China’s efforts at reform).

177. See Daniel Chow, *The Role of Intellectual Property in Promoting International Trade and Foreign Direct Investment*, in *INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE* 187, 199 (Peter K. Yu, ed., 2007); Taubman, *supra* note 168, at 355 (“China’s [intellectual property] trade interests are steadily increasing, as domestic [intellectual property] use grows, its rights holders look increasingly overseas. . . . Benefits from TRIPs Agreement implementation should therefore flow increasingly to Chinese interests over time.”). Some commentators question this linkage. See generally Peter K. Yu, *Intellectual Property, Economic Development, and the China Puzzle*, in *INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS-PLUS ERA* 190 (Daniel J. Gervais ed., Oxford Univ. Press 2007).

178. See Jere Longman, *OLYMPICS; Beijing Wins Bid for 2008 Olympic Games*, N.Y. TIMES, July 14, 2001, <http://www.nytimes.com/2001/07/14/sports/olympics-beijing-wins-bid-for-2008-olympic-games.html>; *Shanghai Wins Bid for World Expo 2010*, XINHUA NEWS AGENCY, Feb. 26, 2003, [http://news.xinhuanet.com/english/2003-02/26/content\\_746980.htm](http://news.xinhuanet.com/english/2003-02/26/content_746980.htm).

projection as an enforcer of intellectual property rights, as well as its future economic opportunities.

A perception of noncompliance raises tensions among Member nations, in particular, between the U.S. and China, which has already resulted in WTO dispute resolutions.<sup>179</sup> Since the international intellectual property system depends in large part on cooperation among its members (particularly its two largest members), these conflicts damage the proper functioning of the system.<sup>180</sup>

The answer to the compliance question changes, depending on the theoretical perspective by which to measure consumer recognition in well-known marks cases. This Part examines two recent cases, one from the U.S. and one from China, that illustrate this point.

#### A. Viewing Compliance in the United States: ITC Limited

In 2007, the U.S. Court of Appeals for the Second Circuit decided *ITC Limited v. Punchgini, Inc.*,<sup>181</sup> which drew the ire of the international community.<sup>182</sup> The court found against the India-based plaintiffs, and commentators cite this decision as an example of noncompliance by the United States with the well-known marks obligation.<sup>183</sup>

The controversy in *ITC Limited* involved New York-based defendants using the foreign plaintiffs' mark, "BUKHARA," for restaurant services.<sup>184</sup> The defendants, former employees of the

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179. See Grinvald, *supra* note 170, at 97–103; see also *supra* notes 29, 30 and accompanying text.

180. See sources cited *supra* note 26 and accompanying text.

181. 482 F.3d 135 (2d Cir. 2007).

182. See sources cited *supra* note 21 and accompanying text.

183. See Tashia A. Bunch, *Well-Known Marks Doctrine: Where Do We Go From Here?*, 90 J. PAT. & TRADEMARK OFF. SOC'Y 227, 237 (2008) (concluding that "the doctrine currently has no basis in federal trademark law and courts should not apply the doctrine until Congress adds it to the Act."); Anne Gilson LaLonde, *Don't I Know You From Somewhere? Protection In The United States of Foreign Trademarks That Are Well Known But Not Used There*, 98 TRADEMARK REP. 1379, 1381 (2008) (advocating for an amendment to the federal trademark law in order to become compliant); Jeffrey M. Reichard & Sam Sneed, *The Famous Marks Doctrine: A Call for American Courts to Grant Trademark Rights to Famous Foreign Marks*, 9 WAKE FOREST INTELL. PROP. L.J. 85, 85 (2009) (arguing that the Second Circuit's decision "altered the landscape for the foreign famous marks doctrine."); James Faris, Note, *The Famous Marks Exception to the Territoriality Principle in American Trademark Law*, 59 CASE W. RES. L. REV. 451, 476–77 (2009) ("The principle of comity among nations demands that the United States also honor its treaty obligations under the Paris Convention and TRIPS and codify the famous marks exception into federal trademark law.").

184. *ITC Ltd. v. Punchgini, Inc.*, 373 F. Supp. 2d 275, 276–78 (S.D.N.Y. 2005), *aff'd*, 518 F.3d 159 (2d Cir. 2008). In contrast to *Grupo Gigante*, however, plaintiffs had actually operated "BUKHARA" restaurants in New York and Chicago, and had acquired a federal registration for

plaintiffs, opened their first restaurant, Bukhara Grill, in 1999, and their second, Bukhara Grill II, in 2001.<sup>185</sup> Both of defendants' restaurants remarkably resembled those of plaintiffs.<sup>186</sup> The plaintiffs sent defendants cease-and-desist letters in 2000 and 2002 (but did not engage defendants in discussions on either occasion), and filed suit in 2003.<sup>187</sup> In part, the plaintiffs argued the well-known marks doctrine afforded them priority to BUKHARA over defendants' use in the U.S.<sup>188</sup> Both the district court and the court of appeals held that the well-known marks doctrine did not benefit the foreign plaintiffs because BUKHARA was not a well-known trademark among New York consumers.<sup>189</sup>

### 1. Noncompliance as Viewed Through the Passive Perception Lens

Viewing *ITC Limited* through the lens of the passive perception theory, BUKHARA met all of the requirements for protection under the well-known marks doctrine. BUKHARA was well known internationally, satisfying the first major premise of the passive perception theory. Media and restaurateurs consider the BUKHARA restaurant in India "famous."<sup>190</sup> Established in 1977,<sup>191</sup> the restaurant currently resides inside the ITC Maurya Sheraton Hotel & Towers complex in New Delhi, India, which caters to visiting foreign dignitaries and executives.<sup>192</sup> In 2006, *Restaurant Magazine* named BUKHARA one of the "The Top 50 Best Restaurants in the World"

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the service mark, but closed the restaurants in 1997 and subsequently abandoned the service mark. *Id.* at 277.

185. *Id.*

186. *Id.*

187. *Id.* at 277–78.

188. *Id.* at 286.

189. *Id.* at 288; *ITC Ltd. v. Punchgini, Inc* 518 F.3d 159 (2d Cir. 2008). The Second Circuit previously held that the foreign plaintiffs were not entitled to well-known trademark protection. *See ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 164–65 (2d Cir. 2007). This previous decision was based on the Second Circuit's finding that the well-known marks doctrine was not incorporated into federal law, and as such, the foreign plaintiffs could not maintain a cause of action under the doctrine. *Id.* at 163–65. However, in *ITC Ltd. I*, the Second Circuit certified to the New York Court of Appeals the question of whether New York state law recognized the well-known marks doctrine. *See id.* at 166. After the New York Court of Appeals affirmed that New York so recognized the doctrine, the Second Circuit examined the merits of the foreign plaintiffs' well-known trademark argument and held against the plaintiffs. *See ITC Ltd.*, 518 F.3d at 163–64.

190. *ITC Ltd.*, 373 F. Supp. 2d at 290.

191. *Id.* at 276.

192. *See* INDIA, FODORS TRAVEL GUIDE 66 (6th ed. 2008) ("A favorite with executives and dignitaries, the Maurya works hard to style itself as the swankest hotel in Delhi, and the whole place has the buzz of importance.").

and the “Finest Restaurant in Asia.”<sup>193</sup> BUKHARA also made “The Top 50” list from 2002 to 2004.<sup>194</sup> In addition, almost all media reports and reviews of the restaurant refer to BUKHARA as “famous.”<sup>195</sup>

Because of its international well-known status, Bukhara merely needed to present evidence of global use and that global advertising would have filtered into New York. The plaintiffs did just that; since BUKHARA had been in business since 1977,<sup>196</sup> plaintiffs fulfilled the “long historical use” component of the passive perception theory. In addition, they provided evidence of various BUKHARA outlets in Ajman, Bangkok, Hong Kong, Kathmandu, Montreal, and Singapore.<sup>197</sup> For global advertising, plaintiffs proffered evidence of articles and advertising from a variety of international sources.<sup>198</sup> While not required under the passive perception theory, the plaintiffs also provided evidence of promotion in the U.S. from various sources, including *Time* magazine and the *New York Times*, the latter of which mentioned President Bill Clinton’s meal at BUKHARA.<sup>199</sup> Moreover, the plaintiffs provided fourteen comment cards by various dignitaries and executives, including Bill Gates, to show that a large number of high-powered and influential Americans had knowledge of BUKHARA.<sup>200</sup> Notwithstanding all of this evidence, the Second Circuit denied BUKHARA protection under the well-known marks doctrine.<sup>201</sup>

As seen from this perspective, the Second Circuit’s failure to grant plaintiffs trademark rights to BUKHARA in the U.S. casts doubt on American compliance with its international well-known marks obligation. The international media echoed such sentiment, with newspaper headlines like “Trademark Wars: Court’s Failure to Uphold Famous Marks Doctrine Jeopardizes U.S. Interests

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193. Restaurant Magazine, *2006 Award Winners*, BEST RESTAURANT AWARDS 2006: THE WORLD’S 50 BEST RESTAURANTS, <http://www.theworlds50best.com/past-winners/2006> (last visited Sept. 30, 2010).

194. Restaurant Magazine, *2004 Award Winners*, BEST RESTAURANT AWARDS 2004: THE WORLD’S 50 BEST RESTAURANTS, <http://www.theworlds50best.com/past-winners/2004> (last visited Oct. 1, 2010); 2003 *Award Winners*, BEST RESTAURANT AWARDS 2003: THE WORLD’S 50 BEST RESTAURANTS, <http://www.theworlds50best.com/past-winners/2003> (last visited Oct. 1, 2010); 2002 *Award Winners*, BEST RESTAURANT AWARDS 2002: THE WORLD’S 50 BEST RESTAURANTS, <http://www.theworlds50best.com/past-winners/2002> (last visited Oct. 1, 2010).

195. *ITC Ltd.*, 373 F. Supp. 2d at 290.

196. *Id.*

197. *Id.* at 277.

198. *Id.* at 289.

199. *Id.* at 284 n.9, 290.

200. *Id.* at 289.

201. *ITC Ltd.*, 518 F.3d at 163–64.

Overseas.”<sup>202</sup> Analyzing the case under the interactional theory, however, results in a different conclusion.

## 2. Compliance as Viewed Through the Interactional Lens

Viewing *ITC Limited* through the lens of the interactional theory, the plaintiffs failed to satisfy either element—exposure or consumer activity. First, the court deemed ineffective the evidence plaintiffs provided in support of exposure. Based almost entirely on foreign sources, the exposure evidence was inadequate because no additional evidence showed the extent to which these sources would have “spilled-over”. While the plaintiffs did provide evidence of their partnership with the Starwood hotel brand, an American corporation with at least thirteen properties in New York, this evidence supported an entirely different argument.<sup>203</sup> Moreover, the evidence failed to prove filtration to New York consumers.<sup>204</sup>

Second, the plaintiffs did not prove consumer activity. Although they presented fourteen comment cards from dignitaries and executives that could have demonstrated consumer activity, New Yorkers did not write any of them.<sup>205</sup> In addition, plaintiffs failed to submit evidence of migration between New York and India, which would have substantiated their contention that New York customers of defendants’ restaurants were Indian and “well-traveled.”<sup>206</sup> Further, plaintiffs did not provide any evidence that New Yorkers stayed at the Sheraton Hotel in India where BUKHARA was based.

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202. Steven Seidenberg, *Trademark Wars: Court's Failure to Uphold Famous Marks Doctrine Jeopardizes U.S. Interests Overseas*, INSIDE COUNSEL July 1, 2007, <http://www.insidecounsel.com/Issues/2007/July%202007/Pages/Trademark-Wars.aspx?k=trademark+wars#>; see also Horwitz & Wasserman, *supra* note 21; Kenyon & Kenyon LLP Announces Second Circuit Rejects 'Famous Marks Doctrine' for Foreign Trademark Owners—New York Restaurant Chain Prevails on All Federal Claims in Closely Watched Trademark Case, BUSINESS WIRE, Mar. 30, 2007, available at 3/30/07 Bus. Wire 16:57:00; Tiffini Smith, *The Name May Be Famous Somewhere, but Not in U.S.*, MONDAQ BUSINESS BRIEFING, May 16, 2007, available at 2007 WLNR 9243834.

203. *ITC Ltd.*, 373 F. Supp. 2d at 282–83.

204. *ITC Ltd.*, 518 F.3d at 163.

205. President Clinton’s meal at BUKHARA was during his tenure as President of the United States. *Hillary Gets Her Own Platter Alongside Bill and Chelsea*, BOMBAY NEWS NET, (Jul. 20, 2009), <http://www.bombaynews.net/story/521117> (describing President Clinton’s visit in 2000 while he was still President of the United States). President Bill Clinton did not move to New York until after his presidency term ended in 2000, even though he purchased a home with Hillary Clinton in 1999. See Adam Nagourney, *With Some Help, Clintons Purchase a White House*, N.Y. TIMES, Sept. 3, 1999, at A1.

206. In addition, there is a large population of India-born immigrants living in New York City. See ASIAN AM. FED’N OF N. Y., PROFILE OF NEW YORK CITY’S INDIAN AMERICANS: 2005–2007 (2009), available at <http://www.aafny.org/cic/briefs/indian2009.pdf> (showing that 73% of New York City’s Indian American population is foreign-born).



Therefore, the court rejected this argument, because the plaintiffs failed to provide any link between New York customers of defendants' restaurants and the plaintiffs' New Delhi restaurant.<sup>207</sup>

Because the plaintiffs failed to show either effective exposure or a likelihood of consumer activity, the likelihood of New Yorkers recognizing BUKHARA was slim. As such, the court found no basis upon which to grant trademark rights to the plaintiffs, so it did not proceed to a likelihood of confusion analysis, which could have enjoined the defendants.

Viewed from the perspective of the interactional theory, as compared to the passive perception theory, the answer to the compliance question is more nuanced. The Second Circuit did not necessarily disregard the dictates of the well-known marks doctrine,<sup>208</sup> but found lacking any evidence that would tie the relevant consumer population—New Yorkers—to the BUKHARA mark. From this perspective, the plaintiffs' evidence indeed failed to meet the burden of proving consumer recognition.

### *B. Viewing Compliance in China: Ferrari*

In 2007, the same year that the Second Circuit decided *ITC Limited*, the Beijing First Intermediate People's Court issued its decision in *Ferrari v. Jiajian*.<sup>209</sup> In this case, the Beijing court decided in favor of the local defendant, finding that Ferrari's "Prancing Horse Design" had not achieved well-known status.<sup>210</sup> While this case drew limited publicity as an unpublished decision, commentators acknowledged that finding the Prancing Horse Design not well-known appears shocking at first, given the wide recognition of that mark in the West.<sup>211</sup>

Ferrari's history in China began in 1993 when Ferrari sold its first car there. It registered FERRARI and the Prancing Horse Design as a combination trademark.<sup>212</sup> In 1995, the Chinese defendant, a

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207. *ITC Ltd.*, 518 F.3d at 163.

208. While the Second Circuit decision under federal law rejected the applicability of the well-known marks doctrine, under New York law, the Second Circuit applied the doctrine after the New York Court of Appeals clarified the standards. *See id.* An in-depth analysis of whether this uneven approach fully satisfies the Paris Convention or the TRIPS Agreement, or whether state law incorporation of an international obligation is sufficient to satisfy either treaty, is beyond the scope of this article.

209. Jing-Xia, *supra* note 9.

210. *Id.*; Luo & Ghosh, *supra* note 150, at 141.

211. *See* Luo & Ghosh, *supra* note 150, at 143.

212. *Id.* A "combination trademark" is one that combines two trademarks into one trademark. For example, the trademark "FERRARI" is shown in combination with the Prancing Horse Design, but both the FERRARI trademark and the Prancing Horse Design are two

department store, applied for registration of the Prancing Horse Design for clothing.<sup>213</sup> Ferrari brought a timely opposition and lost a number of administrative proceedings prior to bringing an action in the Beijing court.<sup>214</sup> Because Ferrari had not registered its Prancing Horse Design separately, Ferrari needed to rely on the well-known marks doctrine to obtain the rights to its trademark in China.<sup>215</sup>

### 1. Noncompliance as Viewed Through the Passive Perception Lens

Viewing *Ferrari* through the lens of the passive perception theory, the Prancing Horse Design meets all the requirements for protection under the well-known marks doctrine. That the “Prancing Horse Design” is well known internationally as a mark of Ferrari understates its fame. In the U.S., judicial notice has been taken that the design, located on all of Ferrari’s cars, is well known.<sup>216</sup> As one court aptly averred, “Ferrari is the world famous designer and manufacturer of racing automobiles and upscale sports cars.”<sup>217</sup>

Based on this international well-known status, Ferrari only needed to present evidence of historical use and spillover advertising, which it did. Ferrari provided evidence of its international registrations,<sup>218</sup> and its advertising, in China and abroad, through product catalogs.<sup>219</sup> Notwithstanding this evidence, the Beijing court found no basis upon which to deem the “Prancing Horse Design” mark well known in China.<sup>220</sup>

Therefore, the Beijing court’s failure to grant trademark rights to Ferrari’s Prancing Horse Design in China ostensibly violates its obligation under the international well-known marks doctrine, at least from the perspective of the passive perception theory. Commentators tout FERRARI as the paradigm of how a trademark can be well known simply by means of promotion and historical international

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separate trademarks of Ferrari. See FERRARI, U.S. Patent & Trademark Office Trademark Registration No. 3089498 (“The mark consists of a representation of a prancing horse above the word “Ferrari” in stylized lettering enclosed by a rectangular border having three stripes at the top.”); FERRARI, U.S. Patent & Trademark Office Trademark Registration No. 0874164 (“FERRARI” registered separately); FERRARI, U.S. Patent & Trademark Office Trademark Registration No. 0863434 (horse design registered separately).

213. See Jing-Xia, *supra* note 9.

214. See Luo & Ghosh, *supra* note 150, at 142.

215. Jing-Xia, *supra* note 9; Luo & Ghosh, *supra* note 150, at 142.

216. See Ferrari S.P.A. *Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1237 (6th Cir. 1991).

217. *Id.*

218. Jing-Xia, *supra* note 9.

219. *Id.*

220. *Id.*; Luo & Ghosh, *supra* note 150, at 142–43.

use.<sup>221</sup> However, the *Ferrari* decision, when viewed from the alternative theoretical perspective, may well comply with international law.

## 2. Compliance as Viewed Through the Interactional Lens

Viewing *Ferrari* through the lens of the interactional theory, China appears compliant with the international obligation, because the plaintiffs failed to provide sufficient evidence of either exposure or consumer activity. First, Ferrari presented little to no evidence of exposure to Chinese consumers. Ferrari relied on its use of the “Prancing Horse Design” in combination with FERRARI.<sup>222</sup> Therefore, almost all of the evidence showed the Prancing Horse Design in combination with FERRARI. The Beijing court deemed this an ineffective showing of exposure to the “Prancing Horse Design” mark alone.<sup>223</sup> Similar to the owners of BUKHARA, Ferrari failed to demonstrate the grounds upon which Chinese consumers would recognize the Prancing Horse Design as that of Ferrari’s.

Second, Ferrari did not prove consumer activity. Ferrari sold its first car in China in 1993 and needed to prove that its Prancing Horse Design had become well known before the defendant’s application in 1995. Ferrari, however, did not open a dealership in China until 2004.<sup>224</sup> This lag time most likely indicated low sales; indeed, Ferrari did not provide evidence of sales in China prior to 1995.<sup>225</sup> In addition, although the company made its product catalog available in China, Ferrari introduced no evidence as to the nature of its distribution.<sup>226</sup> Ferrari also failed to introduce any evidence showing the extent to which Chinese consumers would have interacted with the Prancing Horse Design, either outside or inside China.<sup>227</sup>

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221. See e.g., Brief for INTA in *Prefel*, *supra* note 15, at 4.

222. See Luo & Ghosh, *supra* note 150, at 142 (“Ferrari averred that since the ‘Ferrari’ word mark was already a well-known mark recognized by the China Trademark Office, and since the ‘Ferrari & Prancing Horse Design’ combination mark was already registered in China, the prancing horse design mark should automatically be a well-known mark.”).

223. Jing-Xia, *supra* note 9; Luo & Ghosh, *supra* note 150, at 143.

224. *Ferrari and China*, FERRARI.COM, [http://www.ferrari.com/English/GT\\_Sport%20Cars/CurrentRange/Ferrari\\_599\\_GTB/Pages/Ferrari\\_and\\_China.aspx](http://www.ferrari.com/English/GT_Sport%20Cars/CurrentRange/Ferrari_599_GTB/Pages/Ferrari_and_China.aspx) (last visited Sept. 30, 2010).

225. Jing-Xia, *supra* note 9.

226. *Id.*

227. For example, Ferrari has a number of dealerships in other parts of Asia, such as Korea and Japan. See, e.g., CORNES MOTOR, <http://www.cornesmotor.com/> (last visited Oct. 1, 2010) (Japan dealership); FMK CORP, <http://www.ferrari.co.kr/> (last visited Oct. 1, 2010) (South Korea dealership). These countries are travel destinations for a large number of Chinese citizens.

Since Ferrari could show neither effective exposure nor consumer activity, the likelihood of Chinese consumers recognizing the Prancing Horse Design—divorced from FERRARI—was slim. As such, the court had no basis upon which to grant trademark rights to Ferrari. However, the decision in *Ferrari* does not necessarily imply noncompliance. From the perspective of the interactional theory, the Beijing court could be viewed as attempting to ensure that the Prancing Horse Design only receive protection where its fame warrants, namely where Chinese consumers recognize the mark. Indeed, the interactional perspective may provide a more appropriate lens through which to view compliance.

#### IV. THE TWO THEORIES AND A NORMATIVE SELECTION

The creation of trademark law has traditionally been an exercise of turning social, commercial norms first into soft, legal norms, and then eventually into positive law. In essence, trademark law is reactive. But such reactivity is a choice the legal community has made and, therefore, warrants examination.<sup>228</sup> As Professor Graeme Dinwoodie has reminded the community, “should trademark law reflect social norms or aspire to create them?”<sup>229</sup> This question is also appropriate when considering the normative basis from which to view Member nations’ compliance with the well-known marks doctrine. Both an accurate mirroring of actual norms and the fostering of desired norms cast doubt on the appropriateness of determining acquisition of well-known status with consumers through the passive perception theory. In fact, both the mirroring of actual norms (reactiveness) and the fostering of desired norms (proactiveness) favor the interactional theory.

##### *A. Does Existing Law Accurately Mirror Current Social Norms?*

Social norms have supported the evolution of the well-known marks doctrine, which has broadened protection without regard to

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See Do Je-hae & Kwon Mee-yoo, *Report: Many Chinese tourists less than satisfied with Korea*, ETURBONNEWS (Feb. 4, 2010), <http://www.eturbonews.com/14236/report-many-chinese-tourists-less-satisfied-korea> (“Chinese tourists currently make up one of the largest groups of foreign tourists in Korea after those from Japan. A total of 1.3 million Chinese people visited Korea last year, represent some 17 percent of the total number of foreign visitors.”). Therefore the dealerships arguably have a presence within China, as shown by website hits, trade show attendance, etc.

228. Dinwoodie, *supra* note 61, at 962.

229. *Id.*

territoriality of use or consumer recognition.<sup>230</sup> A reactive approach, therefore, supports expansion of trademark rights where sufficient consumer recognition warrants the added protection. This reactive approach, however, depends on the assumption that the purportedly reactive theory does in fact mirror the reality of consumer recognition. Modern cognitive science casts doubt on the accuracy of the passive perception theory.

### 1. Cognitive Studies Cast Doubt on the Passive Perception Theory

In the early part of the twentieth century, a shift in advertising occurred. Rather than merely providing product information, advertising began to emphasize the emotional draw of the brand and its product.<sup>231</sup> Cigarette advertising illustrates this shift.<sup>232</sup> Whereas in the late nineteenth century cigarette ads focused on the “taste, smell, and price,”<sup>233</sup> in 1915, the same type of advertisement emphasized the consumer’s “desire for romance, adventure, and sophistication.”<sup>234</sup> The success of this manner of advertising led to the assumption that advertising alone could increase consumer recognition and, as a result, product sales. An early twentieth century treatise famously stated that “the money invested in advertising was as important as money invested in buildings or machinery . . .”<sup>235</sup> Trademark owners assumed that consumers paid attention to such advertising, an assumption that has dominated modern trademark law in its construction of the average consumer.<sup>236</sup>

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230. *Id.* at 900 (stating that extension of trademark protection is due to practices rooted in social and commercial norms).

231. See STUART EWEN, CAPTAINS OF CONSCIOUSNESS: ADVERTISING AND THE SOCIAL ROOTS OF THE CONSUMER CULTURE 46-48 (1976); ROLAND MARCHAND, ADVERTISING THE AMERICAN DREAM: MAKING WAY FOR MODERNITY, 1920-1940, at 10 (1983) (“To induce consumers to read advertising copy that was often long and argumentative, the advertiser-as-salesman was encouraged to use imagination and a ‘human-interest’ approach to appeal to their emotions.”).

232. See Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 581 (2006) (“Consider an advertisement for cigarettes that appeared in a 1915 issue of Harper’s Weekly. It featured an attractive and elegant woman in a stylish convertible on a moonlit drive accompanied by a well-dressed man smoking a Mogul Egyptian cigarette, with the line ‘Just like being in Cairo.’”).

233. *Id.*

234. *Id.*

235. HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS § 14 (2d ed. 1917).

236. Austin, *supra* note 71, at 829 (arguing that “[t]he law assumes that the ordinarily prudent consumer unthinkingly accepts the messages trademark proprietors seek to enforce through their branding strategies”); see also *Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 F. 73, 75 (2d Cir. 1910) (“The law is not made for the protection of experts, but for the public—that vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions.”).

Perhaps this assumption bore some truth in the early twentieth century when many types of modern media, such as television, movies, and billboards, were still nascent.<sup>237</sup> However, in the twenty-first century, this assumption seems untenable. Unlike the early twentieth century, advances in multimedia outlets have created a society where advertisements are ubiquitous. “Consumers are inundated with ads, not just in traditional media but in bathroom stalls, sidewalk decals, even ads covering the paint strips in parking lots.”<sup>238</sup> The need to capture the erstwhile attention of an audience immunized to commercials has spawned newer and more creative methods of advertising.<sup>239</sup> Empirical accounts show that consumers are no longer paying attention because of “information overload.” Studies using magnetic resonance imaging to measure the amount of brain activity during commercial viewings have shown that “a third to a half of commercials do not generate any brain reaction at all.”<sup>240</sup> From this, it follows that “[n]ot all attempts to appropriate consumers’ mental real estate succeed; labor alone does not create neural value.”<sup>241</sup>

In addition, psychological studies demonstrate that the physical presence of a product increases the cognitive response more intensely than when a consumer visually perceives the product.<sup>242</sup> The purchase or use of the product may not be necessary; rather, the contextual details that the physical presence of the product provides add to the cognitive response.<sup>243</sup> If a consumer uses the product and initiates a direct experience, the cognitive response increases.<sup>244</sup> These studies also suggest that the physical presence of a competing brand affects memory recall of an absent brand at the time of selection

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237. Televisions were invented in the early twentieth century, with televisions being available commercially in the late 1920s. See DAVID E. FISHER & MARSHALL FISHER, *TUBE: THE INVENTION OF TELEVISION* (1996). Movies and movie theatres gained in popularity in the 1910s. See Ben Singer & Charlie Keil, *Introduction: Movies and the 1910s, in AMERICAN CINEMA OF THE 1910S: THEMES AND VARIATIONS* 18 (C. Keil & B. Singer, eds. 2009).

238. Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 511 (2007).

239. *Id.* at 512 (“With all that clutter, it’s hard to catch a consumer’s attention.”).

240. Kenneth Chang, *Enlisting Science’s Lessons to Entice More Shoppers to Spend More*, N.Y. TIMES, Sept. 19, 2006, at F3.

241. Tushnet, *supra* note 238, at 547.

242. See Frank R. Kardes et al., *Construal-Level Effects on Preference Stability, Preference-Behavior Correspondence, and the Suppression of Competing Brands*, 16 J. CONSUMER PSYCHOL. 135, 136 (2006) (“More intense affective, cognitive and behavioral responses are likely when an object is physically present.”).

243. *Id.*

244. *Id.* at 137 (citing three previous studies) (“Prior research has shown that direct (vs. indirect) experiences with an object are likely to lead to the spontaneous formation of strong attitudes that are highly accessible in memory.”).

by the consumer. For example, when a consumer purchases ice cream, a grocery store display of BEN & JERRY'S brand of ice cream inhibits the consumer's recall of other brands, such as HÄAGEN-DAZS.<sup>245</sup> Indeed, earlier research suggested that the physical presence of products "may also stimulate the generation of narratives and use up cognitive resources, contributing to the inhibition of absent brands."<sup>246</sup>

While these studies do not necessarily invalidate the passive perception theory, the results should raise doubts about relying on a theory that bases the creation of consumer recognition on the potential for visual exposure to advertising. While some consumer recognition through visual exposure may be possible, the threshold level of consumer recognition necessary for an application of the well-known marks doctrine is less likely. This is especially true where spillover advertising is the only way in which consumers would see the foreign trademark. In addition, these studies suggest that any memory of a mark, and hence its source, created through advertising alone may not withstand the assault created by the physical presence of a competing product at the point of sale.<sup>247</sup> This significantly weakens the argument that visual exposure to a foreign trademark can alone cause consumers to be confused at the point of sale by a similar mark for a similar product.

On the contrary, these studies support the interactional theory. The more sensory-related experience a consumer has with a trademarked product, the more likely the consumer will recall, and even prefer, that brand in the future. This lends some support to the heavy burden courts in the U.S. and China place on foreign trademark owners to provide a link between the foreign trademark and the consumers in their respective nations.

## 2. "Glocalization" Further Casts Doubt on the Passive Perception Theory

Glocalization, as a business model, is "the simultaneous promotion of what is, in one sense, a standardized product, for particular markets, in particular flavors."<sup>248</sup> The phenomenon of "glocalization" has arisen in reaction to globalization,<sup>249</sup> and in a way,

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245. *Id.* at 141–42 (stating that "the mere presence of a set of target brands during choice inhibits the retrieval of competing brands").

246. *Id.* at 143 (citing R. Adaval & R.S. Weyer, *The Role of Narratives in Consumer Information Processing*, 7 J. CONSUMER PSYCHOL. 207 (1998)).

247. *Id.* at 136.

248. Robertson, *supra* note 249.

249. See Anupam Chander, *Trade 2.0*, 34 YALE J. INT'L L. 281, 310 (2009) (citing Roland Robertson, *Comments on the "Global Triad" and "Glocalization,"* in GLOBALIZATION AND

glocalization is a rejection of the homogeneity that globalization tends to foster.<sup>250</sup> In the past, glocalization meant that multinational companies would “develop great products at home and then distribute them worldwide, with some adaptations to local conditions.”<sup>251</sup> For example, CNN introduced its news broadcasts in national languages, and MTV created local stations staffed with local VJs.<sup>252</sup> However, certain business sectors, such as marketing, still emanated from the home jurisdiction of the multinational corporation,<sup>253</sup> akin to a “hub-and-spoke” bicycle wheel. Companies typically employed similar trademarks and marketing campaigns in each market.<sup>254</sup>

More recently, a new model of glocalization has emerged. Instead of the hub-and-spoke model, multinational companies are adapting a “node” model, in which local outposts of the multinational company possess greater control over product creation and marketing responsibilities.<sup>255</sup> A recent *Harvard Business Review* article cites GE as a case study for this new glocalization model.<sup>256</sup> A hub-and-spoke model at GE could not properly adapt its ultrasound machine to places like China and India. To reach larger portions of their populations,

INDIGENOUS CULTURE (Inoue Nobutaka ed., 1997), available at <http://www2.kokugakuin.ac.jp/ijcc/wp/global/15robertson.html>).

250. See MARIEKE K. DE MOOIJ, CONSUMER BEHAVIOR AND CULTURE: CONSEQUENCES FOR GLOBAL MARKETING AND ADVERTISING 4 (2004) (observing that “[g]lobalization is largely visualized as a few ubiquitous global brands such as Coca-Cola, McDonald’s and Nike”).

251. Jeffrey R. Immelt et al, *How GE Is Disrupting Itself*, HARV. BUS. REV., Oct. 2009, at 56, available at [http://files.gereports.com/wp-content/uploads/2009/09/hbr\\_how\\_ge\\_is\\_disrupting\\_itself.pdf](http://files.gereports.com/wp-content/uploads/2009/09/hbr_how_ge_is_disrupting_itself.pdf).

252. See de Mooij, *supra* note 250, at 3 (quoting HENRY ASSAEL, CONSUMER BEHAVIOR AND MARKETING ACTION 499 (6th ed. 1998)).

253. See Immelt, et al., *supra* note 251 at 60 (“Power and P&L responsibility were concentrated in global business units headquartered in the developed world. The major business functions—including R&D, manufacturing, and marketing—were centralized at headquarters.”).

254. An example from another glocalized industry, golf, is Taylor Made Golf Company, Inc., headquartered in Carlsbad, California. See *TaylorMade –adidas Golf: The Beast Campaign*, ADIDAS GROUP ONLINE ANNUAL REPORT 2007, <http://adidas-group.corporate-publications.com/2007/gb/en/adidas-group/taylormade-adidas-golf.html> (move mouse over second gray square in left corner of ad) (last visited Oct. 4, 2010) (“TaylorMade’s ‘Beast’ advertising campaign for the new Tour Burner® driver utilizes muscular language to convey the club’s function: extreme power fueled by innovation. The campaign is designed to convey the club’s persona: brash, powerful and in-your-face.”).

255. See Immelt et al., *supra* note 251, at 63 (discussing the evolution of local growth teams, which are independent reporting units, into a high-level global manager).

256. *Id.* at 63–65 (describing the five principles the local growth teams are centered around). The authors of this *Harvard Business Review* article do not refer to this process as a new form of glocalization, but rather as “reverse innovation.” See *id.* However, reverse innovation can be seen as a form of glocalization, utilizing Roland Robertson’s definition of glocalization as “the interpenetration of the universalization of particularism and the particularization of universalism.” See ROLAND ROBERTSON, GLOBALIZATION: SOCIAL THEORY AND GLOBAL CULTURE 100 (1992).



many parts of these countries needed to share the bulky machines, which proved difficult to transport.<sup>257</sup> Granting responsibility for product development to the local outposts generated a new “localized” product: the compact, handheld ultrasound machine.<sup>258</sup> Building on this success, GE decentralized its management, with certain business sectors, like marketing, now operating at the local level.<sup>259</sup> While universal ideas, specifically basic concepts for new products and services, will still exist, glocalization will widen differences, at the local level, among trademarks and marketing campaigns—important factors that impact consumer recognition.

Glocalization challenges the assumptions of consumer recognition under the passive perception theory, casting doubt on the effectiveness of spillover advertising. The passive perception theory assumes that spillover advertising will affect consumers in neighboring jurisdictions, in addition to those targeted by the marketing campaign.<sup>260</sup> With a decentralized corporate governance structure, local marketing departments likely will gear marketing campaigns toward their particular jurisdictions. Where glocalization results in more localized marketing campaigns, even if advertising intended for one jurisdiction spills over into another, the likelihood that it will carry any meaning for consumers there is low. As discussed above, psychological studies demonstrate that the greater the level of contextual detail triggering a cognitive response—such as emotion—the higher the level of recognition.<sup>261</sup> The emotional triggers for one culture may differ dramatically from those of another, and advertising not intended for a consumer base likely will lack the contextual details needed to trigger a cognitive response in those consumers.<sup>262</sup> Therefore, glocalization weakens the argument that Chinese or American consumers can come to recognize an Italian sports car trademark or an Indian restaurant service mark through spillover advertising.

Cognitive studies and the glocalization phenomenon rightly cast doubt on the assumptions underlying the passive perception

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257. Immelt et al., *supra* note 251, at 62–63.

258. *Id.* at 63.

259. *Id.* at 64 (“Tang and Koo constructed a business unit that managed a complete value chain: product development, sourcing, manufacturing, marketing, sales, and service.”).

260. *See* sources cited *supra* note 103.

261. *See supra* notes 223–227 and accompanying text.

262. *See de Mooij, supra* note 250, at 18 (“Anglo-American values . . . do not necessarily fit the cultural values of all the other people in the world.”). McDonald’s is cited as a company that has been successful on a global basis because its products and its marketing appeal to the local consumer. *See id.* (“In 2001, for example, advertising for McDonald’s in France tied into ‘Asterisk and Obelisk,’ the most famous historical cartoon of the nation.”).

theory. Creating consumer recognition that withstands the test of sensory, temporal, and cultural distances is complicated, and only some level of consumer activity can create this recognition. Before the pendulum swings the other way, the legal community should realize that no single theory fully explains consumer recognition.<sup>263</sup> Therefore, a comprehensive view requires a proactive approach.

### *B. Crafting Laws to Advance Desired Norms*

As many scholars have noted, lawyers and judges analyze consumer recognition from a legal perspective, but with no background in cognitive psychology, they largely ignore the scientific evidence.<sup>264</sup> While some scholars are working to remedy this gap in the law, mainly by citing cognitive science to bolster justifications for expanding trademark law,<sup>265</sup> others are more leery. For example, Professor Rebecca Tushnet cautions against a wholesale importation of cognitive science to justify an expansionist view of trademark law: “[T]here are significant empirical uncertainties, as well as normative problems with treating consumers’ mental images of marks as things that can be owned by other entities. We should therefore hesitate to adopt the cognitive model as legal truth.”<sup>266</sup> In the quest to mirror a reactive model, the legal community too easily assumes that the “legal truth” of trademarks must fully reflect the “scientific truth.” To this end, this section examines whether an interactional theory or a passive perception theory should serve as the framework within which consumer recognition is legally acknowledged. This examination should begin with the policy goal underlying the international trademark system.

To foster an atmosphere conducive to free trade, the international system has made registration of trademarks a priority. However, financial burdens disincentivize registration, the process of which can cost upwards of \$30,000 for one trademark application in

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263. Austin, *supra* note 71, at 905 (“[T]rademark law’s knowledge of the ‘ordinarily prudent consumer’ can only ever be incomplete, partly apprehended by empirical evidence and partly determined by normative construction.”).

264. See, e.g., Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1014 (2001) (“Though United States trademark law focuses on mental states and processes, those who provide counsel, litigate or adjudicate cases in this area of law, for the most part, have little or no formal training in the social sciences, particularly in psychology and its most relevant sub-disciplines, cognitive and consumer psychology.”).

265. See generally Jerre B. Swann, *An Interdisciplinary Strength to Brand Strength*, 96 TRADEMARK REP. 943 (2006) (discussing cognitive psychology in order to defend the expanded protection afforded to strong trademarks).

266. Tushnet, *supra* note 238, at 511.

eighty nations.<sup>267</sup> Large business entities typically use multiple trademarks at once, which mean multiple payments of \$30,000.<sup>268</sup> In addition to the registration costs, the introduction of a new trademark requires substantial resources.<sup>269</sup> A business entity may spend upwards of \$40,000 in the first year to launch a new trademark.<sup>270</sup> Because businesses seek to maximize profits, these upfront costs do not serve this interest unless a countervailing reason exists. A business entity may choose to defer registering its trademarks in a large number of Member nations until the mark proves successful in its home nation,<sup>271</sup> which may justify international expansion and the expenses associated with multinational registration.

Of the two theoretical perspectives, the passive perception theory undermines the system of registration, since it provides a broad exception to the rule. Multinational entities can rely solely on their global advertising and promotional efforts to obtain rights in other Member nations. The passive perception theory protects an entity in Member nations even if the entity has not targeted the Member's consumers or had any interaction with them. The entity need show neither that promotional activity took place in any other jurisdiction, nor that any consumers of the Member nation were exposed to the promotional activity. By providing a broad exception, the passive perception theory creates a viable alternative to registration, because promotion in these Member nations is simpler and cheaper than registration. Although companies may incur long-term expenses litigating well-known marks cases in different Member nations, various incentives exist to delay this expense, such as the correlation to return on investment. If an entity waits to acquire trademark rights in a Member nation based on its well-known trademark status, it knows that the litigation expenses correlate to the potential return from product sales in that market. This correlation does not exist where product sales are uncertain.

In contrast, an interactional theory would cabin the application of the well-known marks doctrine to its original purpose as a safety valve, or a limited exception, to a strict territorial system. The

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267. See *International Application Simulator*, WORLD INTELL. PROP. ORG. [http://www.wipo.int/madrid/en/madrid\\_simulator/](http://www.wipo.int/madrid/en/madrid_simulator/) (last visited Oct. 1, 2010).

268. See generally Baroncelli et al., *supra* note 26 (providing examples of large automobile corporations).

269. See Parr, *supra* note 4, at 246 (“[L]arge-scale introduction of a new trademark carries enormous costs.”).

270. *Id.*

271. See WIPO Expert Committee, *supra* note 105, at 11 (“[E]ven the most famous marks [are] not used everywhere and it [is] not possible to register and maintain trademark registrations in all international classes in all jurisdictions.”).

interactional theory places a heavy burden on an entity to prove its well-known trademark status with the Member nation's consumers, which makes it more costly for an entity to rely on the doctrine as an alternative method of protection. To succeed on a well-known marks argument in litigation, the foreign owner would need to collect information on various consumer activities that arise within jurisdictions it has not yet targeted. Although technological advances, such as a system that automatically captures Internet protocol addresses and their country of origin, can make this less burdensome, the initial investment in this type of information-collecting system may prove more expensive than multinational registration. In a cost comparison, registration may be the cheaper option, especially where expansion into particular regions is likely. This would incentivize participation in the multinational registration system.

*C. Interactional Theory of Consumer Recognition: An Appropriate Lens Through Which to View Compliance with the Well-Known Marks Doctrine*

The interactional theory is the more appropriate basis from which to view compliance with the well-known marks doctrine from an international perspective. Empirical evidence, the phenomenon of glocalization, and the need to encourage multinational registration suggest that the passive perception theory is not an appropriate ground on which to grant rights to the owner of a foreign well-known trademark. Therefore, the passive perception theory is a flawed metric for measuring compliance. In contrast, the interactional theory incentivizes multinational registration but also allows for correction of potential inequities. Under the interactional theory, determining compliance by a Member nation is more nuanced, as compared to a default presumption in favor of the foreign trademark owner.

International observers of the U.S. and China, including the media, commentators, and trademark owners, however, currently measure compliance under the passive perception theory, as indicated by the criticism of American and Chinese compliance with the well-known marks obligation in news and legal articles.<sup>272</sup> In addition, foreign trademark owners present their well-known marks cases in the U.S. and China based primarily on a passive perception theory.<sup>273</sup> Further, the language in Article 16(2) of the TRIPS Agreement and

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272. See, e.g., Alexander, *supra* note 11 (questioning China's progress on compliance); Faris, *supra* note 183 (questioning United States compliance).

273. See discussion *supra* Part III.A.1., B.1.

the WIPO Joint Recommendation seemingly condone, and perhaps even support, the passive perception theory.<sup>274</sup>

While the interactional theory may be the more appropriate lens through which to view the compliance question, altering the status quo is no easy task.<sup>275</sup> In the area of trademark law, determining the extent to which the perspective may be altered requires an additional investigation. This Article provides the first step toward altering perspectives by documenting the divergent theories of consumer recognition. Although this knowledge may not alter deeply ingrained beliefs, whether recognized consciously or not, exposing hidden perspectives engenders a more informed discussion of compliance with the well-known marks doctrine, as well as other trademark-related international obligations.

## V. CONCLUSION

The well-known marks doctrine should be available as a safety valve for those foreign trademarks that have become well known in foreign jurisdictions but without registration or use there. However, the doctrine should remain an exception to the rule.<sup>276</sup> Guitar Co. and Computer Co. should be deemed well known only where a high likelihood that consumer recognition exists in China and the U.S. Evidence of an interactional theory of consumer recognition best measures the requisite consumer memory, given the reliance on indirect and circumstantial evidence in trademark litigation. With the burgeoning music scene in China,<sup>277</sup> Guitar Co. can proffer evidence of industry reviews in China as proof that Chinese musicians have used its guitars outside of China or even purchased guitars while on trips to the U.S. Similarly, with high levels of consumer travel between the U.S. and China, Computer Co. may produce evidence of American consumer purchases of its computers in China, or widespread consumer reviews of its products.

Mirroring consumer recognition and crafting legal solutions to advance normative policy choices both support such evidence. Scientific studies suggest that consumers best acquire recognition

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274. See discussion *supra* Part II.A.

275. See Cynthia M. Ho, *Unveiling Competing Patent Perspectives*, 46 HOUS. L. REV. 1047, 1112 (2010) (asserting that “perspectives are not easily modified.”).

276. See Pretnar, *supra* note 23, at 25–26 (“[W]hat was clearly meant to be an exception in 1925, when Article 6bis was introduced into the Paris Convention, under recent additional criteria become a rule.”).

277. See Peter Foster, *Western Companies Use Rock Music to Tap into China’s Youth Market*, THE TELEGRAPH (U.K.), Nov. 20, 2009, <http://www.telegraph.co.uk/finance/china-business/6614587/Chinas-cultural-revolution-for-the-21st-century.html>.

through conscious activity, such as physically purchasing or using the product. In addition, a narrower application of the well-known marks doctrine supports the proactive international policy goal of an effective multinational registration system. By requiring both effective exposure and conscious consumer activity before finding a trademark well-known, courts will apply the doctrine only where truly warranted.

While legal commentators and trademark owners may continue to examine the compliance question under the passive perception theory, documenting the competing interactional theory is a first step to change perceptions of compliance. The implications stemming from perceptions of noncompliance touch all Member nations.<sup>278</sup> As the international intellectual property system depends in large part on cooperation among its members, perceptions of noncompliance damage the functionality of the system. Providing a more appropriate platform from which to view compliance will assist in fostering more productive discussions among nations, which in turn may reduce tensions and lead to fewer future conflicts. The answer to the compliance question should be nuanced, since ascertaining appropriate levels of consumer recognition is inherently difficult. The interactional theory provides this nuanced approach.

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278. For example, South Africa received censure from the United States when one of its lower courts ruled against McDonald's in a well-known marks case. *See Webster, supra* note 122, at 576 ("The extreme negative economic and political backlash suffered in South Africa after the unfavorable ruling of the Court a quo is also a warning to other jurisdictions which do not offer adequate protection to the proprietor of well-known foreign trademarks.").

