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Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement

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Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement

Paul J. Heald*

ABSTRACT

Professor Heald focuses upon the trademark provisions of TRIPS, which have received less attention than the patent and copyright provisions. He closely examines TRIPS' substantive trademark provisions, including the definition of trademark, eligibility for registration, rights of registrants, and assignments/licensing. Professor Heald then considers geographical indications of products' origins, particularly the unique issues raised by the wine and spirits industry. He also discusses enforcement issues, absence of use requirements, dispute resolution, and the U.S. domestic implementing legislation before closing with a general assessment of the pluses and minuses TRIPS offers in the area of trademark protection.

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Although none of the many recent articles¹ addressing the implications of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement or Agreement)² have

1. See, e.g., J. H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under the TRIPS Component of the WTO Agreement*, 29 INT'L LAW. 345, 361-65 (1995); Paul Edward Geller, *Intellectual Property in the Global Marketplace: Impact of TRIPS Dispute Settlements*, 29 INT'L LAW. 99 (1995); Marco C.E.J. Bronckers, *The Impact of TRIPS: Intellectual Property Protection in Developing Countries*, 31 COMMON MKT. L. REV. 1245, 1265-69 (1994); Ralph Oman, *Intellectual Property After the Uruguay Round*, 42 J. COPYRIGHT SOC'Y 18 (1994); John F. Sweeney et al., *Using U.S. Courts and International Treaties to Protect Against Infringement Abroad, and at Home*, in GLOBAL TRADEMARK AND COPYRIGHT 9, 85-88 (1994); Bruce W. Schwab, *The New Era in Trademark Treaties and Multinational Agreements*, in GLOBAL TRADEMARK AND COPYRIGHT 169, 169-78 (1994); Monique L. Cordray, *GATT v. WIPO*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 121, 127-29 (1994); James L. Bikoff & David I. Wilson, *Multilateralization of Intellectual Property Protection Under the NAFTA and the TRIPS and the Future of U.S. Bilateral Intellectual Property Initiatives*, 7 INT'L Q. 1, 9-11 (1994); Jeffrey M. Samuels & Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 GEO. WASH. J. INT'L L. & ECON. 433, 435-37 (1993-94); Daniel R. Bereskin, *A Comparison of the Trademark Provisions of NAFTA and TRIPS*, 83 TRADEMARK REP. 1 (1993); Eleanor K. Meltzer, *TRIPS and Trademarks, or—GATT Got Your Tongue?*, 83 TRADEMARK REP. 18 (1993).

2. Marrakesh Agreement Establishing the World Trade Organization, Annex 1C; Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994 [hereinafter TRIPS], reprinted in THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS—THE LEGAL TEXTS 6-19, 365-403 (GATT Secretariat ed., 1994). The establishment of the World Trade Organization (WTO), the TRIPS Agreement, and the rest of the GATT (General Agreement on Tariffs and Trade), was approved by Congress on December 8, 1994. See Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

completely ignored Sections 2 and 3 dealing with trademarks and geographical indications,³ one gets the feeling from these articles that the patent and copyright sections⁴ must have greater "sex appeal" than the trademark sections. Perhaps the travails of authors and inventors are intrinsically more interesting than the struggles of businesses trying to identify their goods in the market. Or maybe commentators assume that the consumer protection aspects of trademark law provide incentives for every government, regardless of the health of its economy, to provide at least a minimum of protection even in the absence of international pressure. Nonetheless, the trademark sections of the TRIPS Agreement merit more careful scrutiny than they have received thus far.

Although close examination reveals that TRIPS' effect on the United States internal regulation of trademarks should not be substantial, the agreement does bear the stamp of the French wine industry's push for enhanced protection of geographical indications. This may generate some interesting conflicts between U.S. and European interests. In addition, examination of recent U.S. legislation implementing the TRIPS Agreement exposes several defects that may be cause for concern. In general, however, the most substantial changes in trademark protection will occur outside the United States, brought about by augmented substantive standards and vastly improved enforcement procedures. The TRIPS trademark sections could go further to ensure the free flow of goods and services, but, overall, U.S. businesses and consumers should be pleased.

I. A COMPREHENSIVE LOOK AT THE TRADEMARK SECTIONS OF THE TRIPS AGREEMENT

Understanding the effect of the TRIPS Agreement on international and domestic trademark law requires an examination of the general principles for the protection of intellectual property found in Part I of the Agreement, the minimum substantive standards for trademarks and geographical indications found in Sections 2 and 3 of Part II of the Agreement,

3. The TRIPS Agreement does not use the term "appellations of origin," which was used in prior international agreements. For all practical purposes, the older term can be used interchangeably with "geographical indications." Compare TRIPS, *supra* note 2, art. 22(1) (defining "geographical indication"), with G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 22 (1968) (defining "appellation of origin").

4. See TRIPS, *supra* note 2, arts. 9-14 (Copyrights), 27-32 (Patents).

the critical enforcement provisions found in Part III, and recent Lanham Act⁵ amendments.

A. General Provisions

Part I of the TRIPS Agreement requires members of the World Trade Organization (WTO) to adopt the minimum standards of protection⁶ detailed in the Paris Convention and Part II of the Agreement.⁷ It also allows member states to implement trademark protection beyond the minimum standards,⁸ but requires that each member state must extend the same augmented rights to non-nationals of other member states as to its nationals.⁹ This most-favored-nation provision not only prevents a member from preferring its own citizens over non-nationals from other member states but also generally prohibits discrimination between nationals of different member states.¹⁰ Therefore, with some exceptions, any advantage granted "by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members."¹¹

Interestingly, Part I carefully sidesteps issues raised by gray market imports¹² (or the first sale doctrine), stating that "nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."¹³ Presumably, the TRIPS Agreement does not require a member to reject or accept the importation of legitimately trademarked goods that are intended to be sold without the permission of the trademark's local owner. Whether this stance is consistent with the agreement's stated goal to advance "the transfer and dissemination of technology, to the mutual advantage of

5. The Lanham Act provides for the registration and protection of trademarks used in interstate commerce. See 15 U.S.C. §§ 1051-1127 (1994) (establishing substantive requirements for registration and providing federal causes of action for the infringement of registered and unregistered marks).

6. See TRIPS, *supra* note 2, art. 1.

7. *Id.* art. 2. See also Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as last revised July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention]; Reichman, *supra* note 1, at 347.

8. See TRIPS, *supra* note 2, art. 1.

9. *Id.* art. 3 (subject to any exceptions contained in the Paris Convention). See also Cordray, *supra* note 1, at 125. The Lanham Act already provides this protection in the United States for foreign nationals. See 15 U.S.C. § 1126(b) (1994).

10. See TRIPS, *supra* note 2, art. 4 (excepting some international agreements).

11. *Id.*

12. See Bronckers, *supra* note 1, at 1265-69.

13. TRIPS, *supra* note 2, art. 6.

producers and users . . . in a manner conducive to social and economic welfare" is highly debatable and will be explored *infra*.¹⁴

B. Substantive Trademark Protection: TRIPS, the Paris Convention, and the Lanham Act

The incorporation of Articles 1-12 and 19 of the Paris Convention into the TRIPS Agreement¹⁵ complicates the task of delineating the new scope of protection and makes it necessary to discuss both treaties simultaneously.

1. Definition of "Trademark"

Unlike the Paris Convention, Article 15(1) of the TRIPS Agreement begins its trademark provisions with a broad definition of "protectable subject matter" that includes "[a]ny sign . . . capable of distinguishing . . . goods or services of one undertaking from those of other undertakings . . ." ¹⁶ The definition of "signs" includes not only word marks but also "personal names, letters, numerals, figurative elements, and combinations of colors."¹⁷ The requirement that a mark be "capable of distinguishing" goods clearly excludes generic "marks" from the definition. Unfortunately for those seeking protection for their trade dress, Article 15 does not include product shape or packaging in its definition,¹⁸ although some protection may be available through the incorporation of the unfair competition principles of the Paris Convention.¹⁹

2. Eligibility for Registration

Article 15 also makes "signs," as therein defined, *prima facie* eligible for trademark registration.²⁰ Member states may, however, condition registration of descriptive marks²¹ upon proof

14. See *infra* notes 146-56 and accompanying text.

15. See TRIPS, *supra* note 2, art 2(1).

16. *Id.* art. 15(1). See Meltzer, *supra* note 1, at 24-25.

17. TRIPS, *supra* note 2, art. 15(1).

18. See Bikoff & Wilson, *supra* note 1, at 9 (noting that NAFTA, North America Free Trade Agreement Implementation Act, Pub. L. No. 103-82, 107 Stat. 2057 (1993), art. 1708(1), does include product shape and packaging in its definition of trademark).

19. See Paris Convention, *supra* note 7, art. 10bis(3)(1) (prohibiting the creation of "confusion by any means whatever with . . . the goods . . . of a competitor").

20. TRIPS, *supra* note 2, art. 15(1).

21. See *id.* ("[W]here signs are not inherently capable of distinguishing the relevant goods and services . . .").

of secondary meaning,²² and they may require that a mark be "visually perceptible."²³ Article 15 also requires other factors relevant under the Paris Convention to be considered in the decision to register.²⁴ Therefore, registration of certain flags and emblems is prohibited,²⁵ and member states may deny registration to deceptive marks,²⁶ to those confusingly similar to marks already properly registered by another,²⁷ and to those that "designate the kind, quality, intended purpose, value, [and] place of origin of the goods."²⁸ A member state may also provide that a trademark will be canceled or registration denied on the grounds of abandonment, defined as "an uninterrupted period of at least three years of non-use."²⁹ No Lanham Act registration requirement or prohibition³⁰ seems to conflict with these provisions, with the possible exception of its abandonment provision,³¹ which permits immediate cancellation upon proof of the owner's intent to abandon its mark.

The term of registration required by member states must be at least seven years, renewable indefinitely.³² Member states may condition registration or renewal on actual use of the mark in commerce; use may not be required at the time of application.³³ An applicant must be given at least three years to make any required use of the mark before the application can be rejected for non-use.³⁴ Currently, the Lanham Act requires an applicant to verify its use of the trademark in commerce within six months of filing.³⁵ A six-month extension is available to an applicant as a matter of right, but further extensions are only available for cause

22. See *id.* (Member states may require "distinctiveness acquired through use.").

23. *Id.* The Lanham Act contains no such requirement. See *Qualitex Co. v. Jacobson Prod. Co.*, 115 S.Ct. 1300, 1307 (1995) (suggesting that scents and sounds may be registered).

24. See TRIPS, *supra* note 2, art. 15(2).

25. See Paris Convention, *supra* note 7, art. 6*ter*.

26. See *id.* art. 6*quinquies*(B)(3).

27. See *id.* arts. 6*quinquies*(B)(3), 10*bis*(3).

28. *Id.* art. 6*quinquies*(B)(2).

29. See TRIPS, *supra* note 2, art. 19(1).

30. See 15 U.S.C. § 1052 (1994) (denying registration to (a) immoral or scandalous marks; (b) flags or coats of arms; (c) the names of living individuals without their permission; (d) marks confusingly similar to those already properly registered; or (e) marks that are deceptively misdescriptive, primarily geographically descriptive, primarily geographically misdescriptive, or primarily merely surnames).

31. See 15 U.S.C. § 1127 (1994).

32. Compare 15 U.S.C. § 1058 (1994) (providing for a ten-year term, renewable indefinitely) with TRIPS, *supra* note 2, art. 18.

33. TRIPS, *supra* note 2, art. 15(3).

34. *Id.*

35. See 15 U.S.C. § 1051(d)(1) (1994).

and may not aggregate more than twenty-four months.³⁶ This falls short of the three-year grace period required by the TRIPS Agreement, and recent legislation³⁷ implementing TRIPS did not contain the necessary amendment.

The final two sections of Article 15 are quite consistent with, although not identical to, U.S. domestic law. They provide that the nature of trademarked goods is irrelevant to registration³⁸ and require trademarks to be published either before registration or shortly thereafter.³⁹ All members must afford a "reasonable opportunity for petitions to cancel," but need not allow preregistration opposition proceedings.⁴⁰

3. Rights of Registrants

Article 16 grants the owner of a registered mark the right to prevent confusing uses of an identical or similar mark on identical or similar goods.⁴¹ As under U.S. law, a presumption of confusion arises when identical marks are used on identical goods.⁴² Unlike under the Paris Convention, however, TRIPS service marks receive protection equal to that of marks affixed to goods or trade names.⁴³

Owners of "well-known" marks obtain additional protection against certain uses of their marks on dissimilar goods.⁴⁴ Unfortunately, "well-known" is defined in neither the TRIPS Agreement nor the Paris Convention. Although TRIPS provides

36. See 15 U.S.C. § 1051(d)(2) (1994).

37. See S. 2368, 103d Cong., 2d Sess. (1994).

38. See TRIPS, *supra* note 2, art. 15(4). *But see In re Mavety Media Group, Ltd.*, 33 F.3d 1367 (Fed. Cir. 1994) (discussing registrability of "Black Tail" for adult magazine). The nature of the goods to which the trademark is applied is relevant to the issue of registration. The U.S. Patent and Trademark Office (PTO) would find nothing scandalous about "Black Tail" as the trademark for a magazine for the formal wear industry. As a trademark for a magazine featuring photos of African-American women, however, the PTO denied registration. *See id.* (remanding for further consideration).

39. See TRIPS, *supra* note 2, art. 15(5). The Lanham Act requires publication before registration. See 15 U.S.C. § 1062 (1994).

40. Cf. 15 U.S.C. § 1063 (1995) (opposition proceedings may be brought within 30 days of publication by any party potentially damaged by the registration).

41. See TRIPS, *supra* note 2, art. 16(1).

42. See *Crown Indust. Prod. Co. v. Crown Central Petroleum Corp.*, 440 F.2d 446, 448 (C.C.P.A. 1971).

43. See TRIPS, *supra* note 2, art. 16(2). *But see Paris Convention, supra* note 7, art. 6*sexies* (protection of service marks not required by registration of marks).

44. See TRIPS, *supra* note 2, art. 15(2) (incorporating Paris Convention, *supra* note 7, art. 6*bis* (protecting unregistered "well-known" trademarks from unauthorized confusing uses on identical or similar goods)).

that "the knowledge of the trademark in the relevant sector of the public, including knowledge in that member obtained as a result of the promotion of the trademark"⁴⁵ shall be taken into account, no further guidance is given. Prior discussion and litigation of the definition of well-known⁴⁶ merely emphasizes the uncertain protection of marks when used on unrelated goods. Under the Lanham Act,⁴⁷ a trademark owner is protected from confusing uses of its mark on dissimilar goods irrespective of the relative fame of the mark.⁴⁸

TRIPS protection of well-known marks against uses on dissimilar goods appears limited to situations involving what the Lanham Act describes as "confusion . . . as to . . . sponsorship."⁴⁹ In a false sponsorship case, the trademark owner must prove that consumers are likely to believe that the infringing goods are authorized, licensed, or officially approved by the trademark owner.⁵⁰ This differs from state law causes of action for trademark dilution, which do not require confusion or mistaken belief,⁵¹ but purport to provide a remedy for the "tarnishment" or "dilution" of the trademark's intrinsic value.⁵² Article 16 of TRIPS requires that a dissimilar use "indicate a connection between [the infringing] goods or services and the owner of the registered trademark."⁵³ The requirement of a mistaken belief in a

45. See TRIPS, *supra* note 2, art. 16(2).

46. See 2 STEPHEN LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION § 681 at 1253-54 (1975) ("The meaning of 'well-known' (*notoirement connue*) is rather elusive. Certainly, it means something more than merely 'known.'").

47. 15 U.S.C. § 1125(a) (1995) (any false designation of origin likely to cause confusion is actionable).

48. See *McGregor-Doniger, Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979) (setting out eight-factor test to determine infringement in cases involving non-competing goods). The fame of a mark, however, is a component in the test used to judge likelihood of confusion.

49. 15 U.S.C. § 1125(a)(1)(A) (1995).

50. See *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980) (finding no confusion as to sponsorship caused by independent jewelers placement of fraternal emblem on rings).

51. See, for example, N.Y. GEN. BUS. LAW. § 368-d (1988), which states:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief . . . notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

52. See *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989) (defining dilution "as either the blurring of a mark's product identification or the tarnishment of the affirmative associations a mark has come to convey"). Junior uses may blur a mark's product identification or they may tarnish the affirmative associations a mark has come to convey. *Id.* at 1034 (Sweet, J., concurring).

53. TRIPS, *supra* note 2, art. 16(3).

"connection between those goods" seems much closer to the traditional Lanham Act false sponsorship cause of action than to a cause of action for dilution.⁵⁴

Several important exceptions limit the rights granted to trademark owners in Article 16. A member state may permit a fair use of a mark that consists of descriptive terms.⁵⁵ And, descriptive marks that have not acquired "distinctiveness" through use need not be protected at all.⁵⁶

Other limitations apply through the incorporation of the Paris Convention. For example, a registered trademark can be subject to preexisting rights established by another entity in the country in which protection is claimed.⁵⁷ This is consistent with the Lanham Act provision that if a business has used a mark in good faith in the United States, then the rights acquired by a subsequent registration of the mark by another entity are subject to the prior use.⁵⁸ This result is permitted by the TRIPS Agreement but not dictated by it—a member state may establish a strict first-to-file system. Member states may also deny registration to a mark that is "of such a nature as to deceive the public."⁵⁹

4. Assignments and Licensing

Unlike the Paris Convention and the Lanham Act, the TRIPS Agreement unequivocally grants trademark owners the right to assign their trademarks "with or without the transfer of the business to which the trademark belongs."⁶⁰ In some cases, Article 21 could be interpreted to allow the assignment of a trademark without its attendant goodwill; under the Lanham Act

54. For further discussion of whether Article 16 of TRIPS requires Congress to enact a federal dilution statute, see *infra* notes 133-40.

55. See TRIPS, *supra* note 2, art. 17. Cf. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir. 1983) (trademark use of "fish fry" not infringement, even though the owner of "Fish Fry" mark proved secondary meaning in the relevant market).

56. See TRIPS, *supra* note 2, art. 15(1). Cf. 15 U.S.C. § 1052(f) (1995) (providing for registration of descriptive marks that have "become distinctive of the applicant's goods in commerce").

57. See Paris Convention, *supra* note 7, art. 6*quinqutes*(B)(1).

58. See *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968) (allowing user of unregistered mark "Burger King" to prevail over owner of federally registered mark "Burger King" in limited geographic area).

59. Paris Convention, *supra* note 7, art. 6*quinqutes*(B)(3). Cf. *id.* art. 10*bis*(3)(3) (misleading public in the course of trade constitutes unfair competition).

60. TRIPS, *supra* note 2, art. 21. *But see* Paris Convention, *supra* note 7, art. 6*quater*(1) (requiring "transfer of the business or goodwill to which the mark belongs").

and at common law, this transaction would result in the abandonment of the mark.⁶¹ For example, the owner of the mark "Mondo-Choc Cookies" might sell its mark without transferring the cookie recipe (a trade secret), the unique machines necessary to make the cookies, or any other of its assets (*i.e.*, all the things that constitute the owner's "business"). In this scenario, the goodwill attendant to the trademark has not been transferred by the owner; the assignment of the mark, therefore, is void as against public policy and the mark is abandoned.⁶² Article 21 of the TRIPS Agreement may suggest a different result.⁶³ Congress has not amended the Lanham Act to provide for such assignments.⁶⁴

Finally, the TRIPS Agreement prohibits compulsory licensing of trademarks,⁶⁵ something that has never been allowed under U.S. domestic law,⁶⁶ but which was permissible under the Paris Convention.⁶⁷ Members are also prohibited from requiring a foreign trademark to be tied to a domestic mark in order to be registered.⁶⁸

C. Substantive Levels of Protection for Geographical Indications

In the TRIPS Agreement, protection for geographical indications of goods are provided separately from trademark protection.⁶⁹ Pressure from certain member states, especially France,⁷⁰ resulted in a different set of rules to protect products that are inextricably linked to a particular locale.

61. See *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 842 (9th Cir. 1969).

62. See *id.*

63. One could argue, however, that Article 21 of the TRIPS Agreement only negates the Paris Convention requirement of the transfer of "the business," leaving intact the disjunctive requirement of the transfer of "the goodwill." See Paris Convention, *supra* note 7, art. 6*quater*(1). This interpretation would strongly reinforce the prior clear need to assign the goodwill along with the trademark.

64. Apparently the U.S. representative saw no need for an amendment. See Schwab, *supra* note 1, at 176.

65. See TRIPS, *supra* note 2, art. 21.

66. See *Jack Walters & Sons Corp. v. Morton Bldg., Inc.*, 737 F.2d 698, 704 (7th Cir. 1984) (calling the notion of compulsory licensing "absurd").

67. See Paris Convention, *supra* note 7, art. 5(c). See also Reichman, *supra* note 1, at 361.

68. See TRIPS, *supra* note 2, art. 20. See Cordray, *supra* note 1, at 128 (noting India's former practice).

69. See Reichman, *supra* note 1, at 363-64.

70. See Cordray, *supra* note 1, at 131 n.62.

1. Definition

A "geographical indication" identifies goods that originate from a particular place "where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin."⁷¹ Examples include "Calvados"⁷² apple brandy, "Vidalia" onions, and "Roquefort"⁷³ dressing, but not "Vienna"⁷⁴ sausages, eau de "Cologne,"⁷⁵ "New York" cheesecake, or "Dijon" mustard.⁷⁶

2. Remedies

Member states are required to provide the mechanisms that enable interested parties to prevent untruthful and misleading uses of geographical indications.⁷⁷ In other words, onion growers in Arkansas may not call their onions "Vidalia," even if they are genetically identical to onions grown in Vidalia, Georgia. In addition, literal truth is not a defense if the use of the geographical indication misleads the public.⁷⁸ Therefore, onion growers in Vidalia, Vermont, may not market their onions as "Vidalia" onions. Member states whose legislation would otherwise permit this use must refuse to register or cancel registrations of misleading geographical indications. None of these provisions creates any conflict within U.S. trademark law.⁷⁹

71. TRIPS, *supra* note 2, art. 22(1).

72. *Cf.* 3 LADAS, *supra* note 46, § 865 at 1611 (noting an exchange of letters between the French Minister of Foreign Affairs and the U.S. Ambassador to France, through which the parties agreed, apparently on behalf of their governments, that "Calvados" would be protected as a geographical indication in the United States and "Bourbon" would be protected as a geographical indication in France).

73. *See* Community of Roquefort v. William Faehndrich, Inc., 303 F.2d 494 (2d Cir. 1962) ("Roquefort" was protected as a collective mark owned by cheesemakers in and around Roquefort, France.).

74. Friedrich-Karl Beier, *The Protection of Indications of Geographical Origin in the Federal Republic of Germany* in PROTECTION OF GEOGRAPHIC DENOMINATIONS OF GOODS AND SERVICES 21 (Herman Cohen Jehoram ed., 1980) [hereinafter PROTECTION OF DENOMINATIONS] ("Vienna sausages" is a generic term.).

75. *See* 3 LADAS, *supra* note 46, § 842 at 1575 (suggesting "eau de Cologne" is generic).

76. *See id.* (suggesting "Dijon mustard" is generic).

77. *See* Cordray, *supra* note 1, at 128-29.

78. *See* TRIPS, *supra* note 2, art. 22(4).

79. *See* 15 U.S.C. §§ 1052(e), 1054 (1995). *See also* *In re* Loew's Theatres, Inc., 769 F.2d 764, 767 (Fed. Cir. 1985) (denying registration to "Durango" for chewing tobacco as "primarily geographically deceptively misdescriptive"); *In re* Nantucket, Inc., 677 F.2d 95 (C.C.P.A. 1982); *In re* House of Windsor, 221 U.S.P.Q. (BNA) 53 (T.T.A.B. 1983).

3. Special Provisions for Wines and Spirits

Articles 23 and 24 provide broader protection for geographical indications for wines and spirits than for other products. An interested party need not prove that the public has been misled by the use of the indication in order to obtain relief. Even if the public is not misled by an advertisement for "St. Emillion-style Bourdeaux," "imitation Calvados," or "Nuits St. Georges quality wine," such a use violates Article 23.⁸⁰ A grandfather clause, however, permits continuing uses of indications initiated more than ten years preceding the end of the Uruguay Round or any good faith use initiated before that date.⁸¹ In addition, until a geographical indication is protected in its country of origin, rights acquired in good faith through use or registration of a trademark incorporating the indication are immune from attack.⁸²

On their face, Articles 23 and 24 should not upset the commercial expectations of U.S. vintners and wine merchants. Although the requirement of consumer deception or confusion is omitted, Article 23 protects only "geographical indications," a defined term that includes only words that "identify a good as originating in the territory of a Member . . . where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin."⁸³ Within the borders of the United States, this definition would appear to exclude terms such as "champagne," which has ceased to describe a product that only originates in the former French province of the same name,⁸⁴ or "chablis," which similarly indicates a variety of wine rather than a

80. See TRIPS, *supra* note 2, art 23(1) (prohibiting geographical indications on "wines not originating in the place indicated by the geographical indication . . . even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as 'kind,' 'type,' 'style,' 'imitation,' or the like').

81. See *id.* art. 24(4).

82. *Id.* art. 24(5).

83. *Id.* art. 22(1).

84. See Robin Jacob, *The Protection of Geographical Indications of Origin in the United Kingdom*, in PROTECTION OF DENOMINATIONS, *supra* note 74, at 135, 139 (Champagne "probably means no more than [sparkling wine] in the [United States] now."). Cf. 27 C.F.R. § 4.24(b)(2) (1995) (declaring "champagne" to be "semi-generic" and available for use on wines originating outside of Champagne, France, as long as the true geographical origin of the wine is indicated on the product). See Council Regulation 823/87 of Mar. 16, 1987, art. 15(2)(b), 1987 O.J. (L84) 59, 65 (providing for the protection of Champagne indication throughout the European Community). See also Jacob, *supra*, at 138-39 (noting that champagne was protected in England before the EC agreement of geographic indications for wines); Beier, *supra* note 74, at 33-34 (same in Germany).

beverage that comes primarily from a particular location.⁸⁵ Presumably, similar, predominately generic uses of such terms in other countries would result in their unprotected status there.⁸⁶

To emphasize the lack of protection for generic geographic indications, Article 24 expressly preserves the right to use geographical indications that are "identical with the term customary in common language as the common name for such goods."⁸⁷ "Burgundy," "rhine," and "chablis" for wine would seem to fall into this category within the borders of the United States, as certainly would "champagne."⁸⁸ Although the French have worked hard to deter the generic use of "champagne" on naturally carbonated, sparkling, white wine beverages that do not originate in the region surrounding Rheims, France, they have failed in the United States to influence the "common language" in which "champagne" is the "common name" for sparkling wine rather than a source indicator. Imprecise U.S. nationals⁸⁹ routinely and virtually universally refer to Freixnet (from Spain), Korbel (from California), Tott's (from California), and similar products as "champagne."⁹⁰ Arguments against protection would not apply, however, in countries where consumers expect that all "burgundy" and "champagne" come from France.

85. See *Institut National des Appellations D'Origine v. Vintners Int'l Co.*, 958 F.2d 1574, 1581 (Fed. Cir. 1992) ("Being generic and, therefore, in the public domain, 'Chablis' does not function as a trademark to indicate origin."); cf. 27 C.F.R. § 4.24(b)(2) (1995) (declaring "chablis" to be "semi-generic" and available for use on wines originating outside of Chablis, France, as long as the true geographical origin of the wine is indicated on the product). See Council Regulation 823/87 of Mar. 16, 1987, 1987 O.J. (L84) 59, 65 (providing for the protection of geographic indications for wine; "Chablis" is protected under IIA.2.3.1. on list contained in the regulation).

86. See *Beier*, *supra* note 74, at 34 (stating that "Pilsner" is generic in Germany). But see *Francois Dessemontet, Protection of Geographic Denominations Under Swiss Law*, in PROTECTION OF DENOMINATIONS, *supra* note 74, at 110 ("Pilsner" remains a protected geographic indication under Swiss law.). Cf. L. Hoeth, *Protection of Geographic Denominations in the Netherlands*, in PROTECTION OF DENOMINATIONS, *supra* note 74, at 81 ("Cologne" is generic in the Netherlands). See 2 LADAS, *supra* note 46, § 851 at 1590 (In decisions rendered before EC regulations were implemented, "Camembert" was held to be generic in France, but not in Germany; "Vichy" was held to be generic in Italy, but not in France; "Munich" was held to be generic in Belgium, but not in Germany.).

87. TRIPS, *supra* note 2, art. 24(6).

88. See 27 C.F.R. § 4.21(b)(2) (1995) (defining "Champagne" as "a type of sparkling light wine"). At least one commentator disagrees without explanation. See *Oman*, *supra* note 1, at 30 (The uses of " 'champagne-style' sparkling wine or 'California Port' are no longer permitted. . . ."). Cf. *Bereskin*, *supra* note 1, at 12.

89. As a former resident of Spain, the author can witness to similar generic uses of the term there.

90. See *Meltzer*, *supra* note 1, at 32 n.70 (noting the U.S. "tendency to use geographic names as the generic names of goods").

In spite of the express language of Articles 24 and 25, the United States can expect the European Community (EC) to be very aggressive in seeking to monopolize valuable terms. EC regulations protect many words⁹¹ even though they may be generic within the borders of some of its member states. Use of these terms for wine produced outside the indicated region is prohibited under EC law, even if the term is generic, and even if consumers are not confused. Similarly, at least two international agreements, the Madrid Arrangement and the Lisbon Arrangement on Appellations of Origin, eliminate the genericness defense to the registered terms.⁹² The French have worked for almost 100 years to attain unassailable protection for terms like "champagne" and "chablis,"⁹³ and they can be expected to challenge any argument that the TRIPS Agreement has not finally given them the protection they have long sought.

The champagne war should eventually find its way to the WTO for resolution. In the absence of express protection for generic geographic indications for wines, such as those provided in the Madrid Arrangement,⁹⁴ the WTO is likely to rule that generic geographic indications need not be protected by member states under the TRIPS Agreement.⁹⁵ Nonetheless, a huge question remains: Under what standard will questions of genericness be judged? Under U.S. law, the focus is squarely on consumer perception,⁹⁶ and courts are frequently willing to find marks generic.⁹⁷ Some European commentators suggest a narrower objective standard,⁹⁸ and, in general, European courts

91. These include Pinot Noir, Champagne, Burgundy, Chablis, Hock, Sherry, Port, Claret, Cognac, Sauternes, and Chianti.

92. The United States has acceded to neither of these agreements. See 3 LADAS, *supra* note 46, § 865 at 1607. The Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 389, *reprinted in* MARSHALL LEAFLE, INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 229 (1990); Text of Act of Nice, Madrid Agreement, Ratified Dec. 15, 1964, 55 Trademark Rep. (BNA) 758 (1965); Lisbon Arrangement for the Protection of Appellations of Origin and Their International Registration, Oct. 31, 1958, *reprinted in* LEAFLE, *supra*, at 278 [hereinafter Lisbon Arrangement].

93. See 3 LADAS, *supra* note 46, at 1578-1605.

94. See Lisbon Arrangement, *supra* note 92, art. 4.

95. Prior to the relevant EC regulations, most countries in Europe did not protect generic geographic indications. See PROTECTION OF DENOMINATIONS, *supra* note 74. Presumably, generic indications not registered with the EC will remain unprotected.

96. See A.J. Canfield Co. v. Honickman, 808 F.2d 291 (3d Cir. 1986) ("chocolate fudge" generic for diet sodas).

97. See, e.g., Institut National Des Appellations D'Origine v. Vintners Int'l Co., Inc., 958 F.2d 1574 (Fed. Cir. 1992) (holding "Chablis" to be generic).

98. See Beier, *supra* note 74, at 27 (discussing a German case wherein the judge noted that "many members of the public improperly understand 'Cognac' to

seem very hesitant to declare a geographical indication unprotected. In Germany, the "majority of writers have consistently urged that one must view with suspicion the defense that an indication of origin has been transformed into a generic name. As long as some appreciable section of the trade regards the description as an indication of origin, it must be protectable as such."⁹⁹ In Switzerland, "a geographic name must have been used for decades to describe a material quality, and must still be understood as such by all interested persons in order to be deemed generic."¹⁰⁰ For the time being, member states must live with some uncertainty over the standards that can be expected to be applied to arguably generic geographical indications.

Given the uncertainty created by the definition of "geographic indication" and the express exception for "common language" terms, perhaps the best French hope for increased protection of its products around the world lies in the issue-specific negotiations required by Articles 23 and 24,¹⁰¹ and the requirement that no member state diminish protections that predate the establishment of the WTO.

D. Enforcement Provisions

Several commentators have noted that the enforcement provisions of the TRIPS Agreement are the most promising sections in the Agreement.¹⁰² Under the Paris Convention, a country was under no obligation to enact legislation permitting seizure or prohibiting importation of infringing goods.¹⁰³ Part Three of the TRIPS Agreement mandates that "Members shall ensure that enforcement procedures . . . permit effective action against any act of infringement . . . covered by this

be a generic term for brandy"). Neither Beier nor the court explain what standard should be used to evaluate whether the public's perception is "proper" or not.

99. *Id.* at 21.

100. See Dessemondet, *supra* note 86, at 110 ("With these severe standards, it is no wonder that denominations like *Pilsner* and *Münchener Bier* remain geographic denominations.").

101. See TRIPS, *supra* note 2, art. 23(4) ("[N]egotiations shall be undertaken in the Council for Trade-Related Aspects of Intellectual Property Rights concerning the establishment of a multilateral system of notification and registration of geographical indications for wines."); *id.* art. 24(1) (Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23.). See also *id.* art. 24(2).

102. See, e.g., Reichman, *supra* note 1, at 364-65.

103. See Paris Convention, *supra* note 7, art. 9(6). Cf. Mladen Singer, *How Trademark Practitioners Perceive the Availability of Provisional Remedies for Infringement: A World-Wide Survey*, 36 IDEA 67 (1995) (surveying the availability of remedies for trademark infringement in the pre-TRIPS context).

Agreement,"¹⁰⁴ including injunctive relief,¹⁰⁵ money damages,¹⁰⁶ and strong border control measures.¹⁰⁷ Members must also provide for criminal prosecution—including seizure, forfeiture, and destruction of infringing goods—in cases of willful trademark counterfeiting.¹⁰⁸ The procedures and safeguards for stopping infringing goods at the border are spelled out in detail and should greatly improve a trademark owner's ability to stop the flow of infringing goods in international commerce.¹⁰⁹

E. *Dispute Resolution Between Members*

The real genius of TRIPS lies in its provisions establishing a system of dispute resolution between member states.¹¹⁰ The contours of the process have been described at length elsewhere,¹¹¹ but, in short, a forum now exists in which disgruntled members can attempt to coerce other members into compliance with the substantive provisions of the TRIPS Agreement. The WTO was established to mediate and adjudicate disagreements between members over interpretative and enforcement issues. Of course, the WTO's success depends entirely upon the willingness of its members to play within its rules.¹¹² If adverse decisions are routinely ignored by the losing party, then the TRIPS regime will not constitute much of an improvement over the Paris Convention. Nonetheless, for the first time there is real hope for multilateral enforcement of a major international intellectual property convention.

F. *Implementing Legislation in the United States*

The U.S. Congress responded to the adoption of the TRIPS Agreement with two Lanham Act amendments designed to harmonize domestic and international trademark law. Congress,

104. See TRIPS, *supra* note 2, art. 41(1).

105. *Id.* art. 44.

106. *Id.* art. 45.

107. *Id.* arts. 51-60.

108. *Id.* art. 61.

109. *Id.* arts. 51-60 (including the destruction of infringing goods). See Bereskin, *supra* note 1, at 15-16.

110. See generally Geller, *supra* note 1.

111. *Id.*; Reichman, *supra* note 1, at 385-88; Cordray, *supra* note 1, at 133-34; Bronckers, *supra* note 1, at 1274-78; Oman, *supra* note 1, at 27-28.

112. In particular, some worry that the United States will not be willing to accept adverse decisions rendered by the WTO. The recently settled conflict with Japan over auto imports demonstrates the U.S. government's continued willingness to threaten to pursue unilateral measures.

however, may have more work to do to bring federal law into compliance with the TRIPS Agreement.

1. Geographic Indications for Wines and Spirits

In response to Articles 23 and 24 of the TRIPS Agreement, Congress amended the Lanham Act to prohibit registration of "a geographical indication which, when used in connection with wines or spirits, identifies a place other than the origin of the goods."¹¹³ The amendment expressly insulates marks used by an applicant in the first year after the WTO Agreement enters into force in the United States.¹¹⁴ The amendment does not comply with the TRIPS Agreement and introduces a serious element of confusion into domestic law.

Article 23 of the TRIPS Agreement requires that member states provide a remedy for the unauthorized use of a geographical indication used for wines and spirits, even when the use does not cause confusion among consumers.¹¹⁵ Although the revised Section 1052(a) prevents registration of unauthorized geographical indications, nothing in the Lanham Act currently provides any remedy for a nonconfusing use of a trademark or geographical indication.¹¹⁶ The American Bar Association supported the amendments precisely because the confusion requirement was retained.¹¹⁷ Foreign wine merchants will be sorely disappointed when they seek to enjoin nonconfusing uses of their geographical indications in U.S. courts. Of course, an infringement action to enjoin a misleading, deceptive, or confusing use of such an indication is clearly authorized by the Lanham Act.¹¹⁸

The amendment's grandfather clause is also problematic. Article 24 of the TRIPS Agreement does not restrict a merchant

113. 15 U.S.C. § 1052(a) (Supp. 1995).

114. *Id.*

115. See TRIPS, *supra* note 2, art 23(1). See also Cordray, *supra* note 1, at 128-29.

116. See 15 U.S.C. §§ 1114(1)(b) (1995) (Action for the infringement of a registered mark requires proof of a likelihood of consumer confusion.) and 1125(a)(1)(b) (1994) (Action for the infringement of an unregistered mark requires proof of a likelihood of consumer confusion.).

117. See Letter from Thomas E. Smith, Chair, American Bar Association, Section of Intellectual Property Law, to Hon. Dennis DeConcini (Sept. 15, 1994) ("In 1979 the Section went on record as opposing any prohibition on the use of geographical indications or their registration as trademarks except where such geographical indications would mislead the public as to the true country of origin. We believe that these conditions are met in Section 7 of S.2368 and therefore support this section."), *reprinted in* House Committee on the Judiciary Serial No. 90 (1995).

118. See 15 U.S.C. § 1125(a) (Supp. 1995).

from using a geographical indication that it has employed continuously for at least ten years or that was adopted in good faith before the conclusion of GATT's Uruguay Round.¹¹⁹ Instead of adopting verbatim the TRIPS grandfather principles, the amendment permits the registration of a mark comprising a geographical indication that was adopted before the United States had been a member of the WTO for one year.¹²⁰ The amendment permits the registration of indications adopted with notice of other's claims to the indication, and also permits some marks that were adopted after the conclusion of the Uruguay Round. French wine makers, the force behind Articles 23 and 24 of the TRIPS Agreement, once again have good reason to be worried about whether they have really gained any ground in protecting their regional appellations in the United States.

One omission by the U.S. Congress, however, may work to the benefit of the foreign wine and spirit industry. When it prohibited the registration of unauthorized geographical indications for wine and spirits adopted after the relevant cut-off date, Congress failed to define "geographical indication." As noted above, the definition of "geographical indication" in Article 22 of the TRIPS Agreement precludes the protection of terms that do not "identify a good as originating in the territory of a Member . . . where a given quality . . . is essentially attributable to its geographical origin."¹²¹ Without this restrictive definition in the Lanham Act, the argument could be made that any mark containing a word that has a geographic connotation, such as "Champagne"¹²² or "Scotch," is unregistrable or subject to cancellation when applied to goods coming from outside the indicated region. A court sensitive to the legislative history of the amendments may well look to the TRIPS definition for guidance,¹²³ but Congress could have avoided the possibility of confusion by directly importing the TRIPS definition.

2. Presumption of Abandonment

Article 19 of the TRIPS Agreement states that when "use is required to maintain a registration, the registration may be canceled only after an uninterrupted period of at least three years

119. See TRIPS, *supra* note 2, art. 24(4).

120. See 15 U.S.C. § 1052 (Supp. 1995).

121. TRIPS, *supra* note 2, art. 22(1).

122. See discussion at notes 88-90 and accompanying text.

123. See TRIPS, *supra* note 2, art. 22. The North American Free Trade Agreement (NAFTA), Dec. 17, 1992, U.S.-Mex.-Can., art. 1721, 32 I.L.M. 605, 698 (entered into force Jan. 1, 1994), also defines geographical indications in much the same way as the TRIPS Agreement.

of non-use."¹²⁴ In response to Article 19, Congress raised the presumptive period of non-use constituting abandonment from two to three years.¹²⁵ This certainly moves the United States toward TRIPS compliance, but the amendment retains an intent element, providing that abandonment occurs when "use has been discontinued with intent not to resume such use."¹²⁶ Under the Lanham Act, a trademark owner can abandon a mark at any time simply by publicizing the abandonment¹²⁷ or otherwise manifesting the requisite intent,¹²⁸ thereby rendering it amenable to cancellation proceedings or adoption by another. In other words, cancellation can theoretically be accomplished well inside the three-year minimum set forth in the TRIPS Agreement. Given that most cancellations for abandonment proceed under the statutory presumption rather than after proof of intent to abandon, this incongruence between TRIPS and U.S. federal law may not prove particularly troublesome.

3. Other Conflicts and Omissions

In addition to the problems this Article discusses *supra*, at least two other amendments may be necessary to harmonize the Lanham Act with the TRIPS Agreement. As already noted, Article 21 grants trademark owners the right to assign a mark without assigning "the business to which the trademark belongs."¹²⁹ To the extent that this authorizes an assignment of a trademark without its attendant goodwill (assuming a case where goodwill is inextricably tied to the business) it may be at odds with U.S. domestic law.¹³⁰ Finally, Article 15 provides that an application to register a mark may not be refused on the grounds of non-use until the passage of three years.¹³¹ Currently, the U.S. Patent and Trademark Office (PTO) can only defer the expiration of an application for an unused mark for two years.¹³² The TRIPS Agreement makes it necessary to pass an amendment extending that period to three years.

124. TRIPS, *supra* note 2, art. 19.

125. See 15 U.S.C. § 1127 (1994).

126. *Id.*

127. See *Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd.*, 627 F.2d 628, 629 & n.1 (2d Cir. 1980) (discussing General Mills' intentional abandonment of its "Kimberly" mark on women's apparel).

128. See 15 U.S.C. § 1127 (1994) ("Intent not to resume may be inferred from circumstances.")

129. TRIPS, *supra* note 2, art. 21.

130. See 15 U.S.C. § 1060 (1994).

131. See TRIPS, *supra* note 2, art. 15(3).

132. See 15 U.S.C. § 1051(d) (1994).

Although some recent commentary suggests TRIPS may require the passage of a federal dilution statute,¹³³ Article 16¹³⁴ need not be read so broadly. At least two credible arguments can be made against the need to amend. First, Article 16 requires that consumers perceive a "connection" between the use of the owner's trademark and the dissimilar goods on which the offending use has been made. Traditional dilution doctrine in the United States does not require that consumers perceive any "connection."¹³⁵ For example, a chestnut example of the dilution doctrine posits the prohibition of the use of "Rolls Royce" by a peanut vendor in the Bowery.¹³⁶ No one believes Rolls Royce autos have any connection to peanuts; Rolls Royce merely wants to maintain control over what is a valuable part of its industrial property. The "connection" requirement is better understood to establish a cause of action for false sponsorship or association, remedies for which are already found in the Lanham Act.¹³⁷

Second, Article 16 incorporates Article 6*bis* of the Paris Convention, which prohibits reproductions, imitations, and translations of well-known marks from uses on *identical* or similar goods that are "liable to create confusion."¹³⁸ After stating that Article 6*bis* shall apply *mutatis mutandis* to *dissimilar* goods and services, thereby expanding the existing level of protection, Article 16 of the TRIPS Agreement adds the "connection" qualifier discussed *supra*. Article 16 might plausibly be read to retain fully the confusion element of Article 6*bis*,¹³⁹ thereby requiring that consumers be confused by the perceived connection between the infringer's use of another's trademark. So understood, no amendment to the Lanham Act is necessary to create a cause of action independent of confusion. No federal cause of action for

133. See Reichman, *supra* note 1, at 363.

134. Article 16 states:

Article 6*bis* of the Paris Convention (1967) [protecting well-known marks from confusing uses on identical goods] 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

See TRIPS, *supra* note 2, art. 16(3).

135. See, e.g., N.Y. GEN. BUS. LAW § 368-d (1984); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION LAW § 25 (1995).

136. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 306 (1987).

137. See 15 U.S.C. § 1125(a) (1994).

138. Paris Convention, *supra* note 7, art. 6*bis*(1).

139. See BODENHAUSEN, *supra* note 3, at 90 (Article 6*bis* requires proof of confusion.).

dilution is necessary to harmonize domestic law with the TRIPS Agreement.¹⁴⁰

II. A NORMATIVE CRITIQUE OF THE TRIPS AGREEMENT

No international agreement can be perfect, and the TRIPS accord is no exception. While some portions of the Agreement deserve applause, others are less satisfying.

A. Applause

The TRIPS Agreement is good news for trademark owners around the world. Under the Paris Convention, the substantive levels of protection were lower, enforcement procedures were not absolutely required, and no credible body existed to resolve inter-sovereign disputes. TRIPS establishes substantive levels of protection that are at least equal to those of the Lanham Act, and requires adequate enforcement mechanisms to be put in place in all member states. Best of all, the WTO monitors a dispute resolution process, providing a forum for the sanction and coercion of noncomplying nations.

One should not expect official noncompliance to be an overwhelming problem. The protection afforded trademarks under TRIPS does not merely benefit corporations in a few wealthy nations, but prevents marketplace confusion that is detrimental to interests of consumers in every nation. People who buy jeans in Brazil, Thailand, and Poland, for example, should all benefit from increased honesty in labeling. Even a country that exports significant amounts of counterfeit goods has incentives to comply, given the benefit of increased protection for its own consumers. Unlike copyright and patent protection, which impose high, short-term costs on consumers, trademark law increases consumer wealth by improving consumer information.¹⁴¹ The myth that trademark protection under a

140. Ladas' discussion of failed attempts to amend the Paris Convention to provide international antidilution protection for "marks of great reputation" (not merely well-known marks) is quite illuminating. See 2 LADAS, *supra* note 46, at 1258-63. Unadopted draft agreements exhibit language that is not found in the TRIPS Agreement. For example, one resolution adopted by the Berlin Congress provided disjunctively that marks of "higher reputation" be protected from uses that were likely "to mislead the public or be harmful to the proprietor of the mark." *Id.* at 1262. Article 16 of the TRIPS Agreement conjunctively prohibits uses that "indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner . . . are likely to be damaged by such use." TRIPS, *supra* note 2, art. 16(3).

141. See Landes & Posner, *supra* note 136, at 268-73.

confusion rationale results in higher prices (or other monopolistic practices to the detriment of consumers) was convincingly exploded long ago.¹⁴² Of course, corruption of officials by traders in counterfeit goods may be a problem,¹⁴³ and locales that remain unreasonably dubious about the benefits of protection may resist.¹⁴⁴ Finally, the increased protection of geographic indications should provide incentives for underdeveloped member states to develop local industries and market agricultural products worldwide under an exclusive indication of source.¹⁴⁵

B. Selected Grumblings

1. Gray Market Goods

The TRIPS Agreement specifically sidesteps the issue of the propriety of importing gray market goods.¹⁴⁶ In most circumstances, gray market goods are legitimately trademarked genuine goods bought in nation A and transported for sale to nation B without the consent of the trademark owner in nation B.¹⁴⁷ For example, large U.S. merchandisers frequently buy consumer goods in Asia and import them for resale in their domestic stores without the permission of the trademark's U.S. owner. This generally creates price competition with limited or exclusive dealerships in the United States supported by the U.S.

142. *Id.* at 273-75; EDMUND W. KITCH & HARVEY S. PERLMAN, *LEGAL REGULATION OF THE COMPETITIVE PROCESS* 65-73 (4th ed. 1991) and sources cited therein.

143. See J. H. Reichman, *The TRIPS Component of the GATT's Uruguay Round: Competitive Prospects for Intellectual Property Owners in an Integrated World Market*, 4 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 171, 210-15 (1993) (noting that some developing countries have substantial counterfeiting industries).

144. *Id.* (noting traditional suspicions about trademark law).

145. The success of "Maipo Valley" Chilean wines is a good example. The TRIPS Agreement assures that the value of this indication remains with Chilean producers.

146. See TRIPS, *supra* note 2, art. 6 ("[N]othing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."); *id.* art. 51 n.13 ("It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder. . . ."); see also Bronckers, *supra* note 1, at 1265.

147. See generally, James E. Inman, *Gray Marketing of Imported Trademarked Goods: Tariff and Trademark Issues*, 31 *AM. BUS. L.J.* 59 (1993); Richard M. Andrade, Comment, *The Parallel Importation of Unauthorized Genuine Goods: Analysis and Observations of the Gray Market*, 14 *U. PA. J. INT'L BUS. L.* 409 (1993); Brian W. Peterman, Note, *The Gray Market Solution: An Allocation of Economic Rights*, 28 *TEX. INT'L L.J.* 159 (1993); Steven M. Auvil, *Gray Market Goods Produced by Foreign Affiliates of the U.S. Trademark Owner: Should the Lanham Act Provide a Remedy?*, 28 *AKRON L. REV.* 437 (1995).

trademark owner. In the United States, the legality of such imports depends on the nature of the relationship between the domestic trademark owner and the foreign manufacturer.¹⁴⁸ Although the extent to which a gray market should be fostered is debated in many nations,¹⁴⁹ the negotiators of the GATT Uruguay Round should have been able to find common ground regarding genuine gray market goods.¹⁵⁰

Within any particular nation, one can understand why a debate over the legitimacy of gray market goods may rage. In the United States, for example, consumers benefit from the downward pressure on prices caused by an active gray market.¹⁵¹ Some individuals worry, however, that U.S. corporate trademark owners, and therefore their employees and stockholders, will suffer when they are unable to control the local availability and prices of goods manufactured for them overseas.¹⁵² Within a

148. See *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988). In the EC, genuine gray market goods may be imported as long as they were initially sold with the consent of the owner. See Bronckers, *supra* note 1, at 1265-66.

149. See Bronckers, *supra* note 1, at 1265-69.

150. The author's argument in favor of gray market goods does not encompass those goods that are not identical to those sold with permission of the local trademark owners. Depending on the country of manufacture or intended sale, goods sometimes have different ingredients or formulas. When these goods find their way outside their intended market, a potential for confusion exists. Consumers may need protection from legitimately trademarked products that have the potential to cause confusion. See, e.g., *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 753 F. Supp. 1240, 1545-47 (D. N.J. 1991) (Imported "Tic Tacs" contained more calories than U.S. "Tic Tacs", causing confusion actionable under the Lanham Act.).

151. See Inman, *supra* note 147, at 110 ("Consumer prices are reduced by vigorous international price competition provided by importers of diverted goods."); Andrade, *supra* note 147, at 435.

152. Some individuals also worry that importers will "free ride" on advertising conducted by the local trademark owner. This argument, however, goes too far. Virtually all sellers benefit from the tastes created by the advertising of their competitors. When Chrysler's advertising convinced U.S. car buyers that the mini-van was a superior product, Ford and Chevrolet quickly took advantage of the new market created by Chrysler's advertising and marketed their own competing versions of the same product. Free riding is a time-honored, and probably efficient, business activity. See generally *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938). In response to Nabisco's complaint that Kellogg was benefiting from its massive advertising expenditures, Justice Brandeis stated:

Kellogg Company is undoubtedly sharing in the goodwill of the article known as "Shredded Wheat"; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. *Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.*

Id. at 122 (emphasis added).

nation, the empirical question of whether wealth is increased or decreased by the gray market may be difficult to answer.¹⁵³ From a global perspective, however, a strong argument can be made that the free movement of legitimately trademarked goods is supported by GATT principles.¹⁵⁴ The philosophy of the GATT is premised on the notion that global wealth and prosperity is tied to the free movement of goods. Tariffs, the quintessential impediment to free trade, are suspect because they slow the flow of goods and generally result in diminished competition, higher prices, and lower quality goods. Particular tariffs may benefit a particular country but, in theory, the global community as a whole is better off without them.

A legal rule that prohibits the importation of legitimately trademarked goods looks much like a tariff; it creates a barrier at the border that certain sorts of goods cannot cross. Given the nature of gray market goods, the barrier is difficult to justify. By definition, the goods are not counterfeit; the trademarks they bear are affixed with the authorization of the trademark owner. If for some reason the goods are defective, noxious, dangerous, or likely to cause confusion in the market, a ban on importation is easy to justify.¹⁵⁵ The vast majority of such goods, however, pose no threat to consumers. Gray market Nikon cameras sold by New York City mail order houses are real Nikons, identical to Nikons sold by authorized Nikon dealerships. No consumer protection rationale can justify a ban on these sorts of legitimately trademarked goods.¹⁵⁶

One can understand why Nikon management, employees, and stockholders might be upset by the price competition created by New York mail order houses, but they are hard-pressed to offer a rationale for banning imports that is consistent with GATT principles. Their essential claim is that they will lose profits if the government does not stop certain goods at the border. That may be true, but General Motors and Ford can make exactly the same claim: "We will lose profits if the government does not stop Hondas at the border, or impose a high tariff on Hondas." Protecting the profit margin of certain producers by stopping goods at the border is precisely the sort of activity that the GATT was meant to discourage. One can only hope that future

153. See Inman, *supra* note 147, at 110-16; Andrade, *supra* note 147, at 427-32; Petersman, *supra* note 147, at 171-76.

154. See Inman, *supra* note 147, at 110 ("[E]recting 'gray market' import bans" is "inconsistent" with treaties like GATT, which "seek to reduce tariffs and other barriers to international trade.").

155. Cf. Ferrero U.S.A., Inc. v. Ozak Trading, Inc., 753 F. Supp. 1240 (D.N.J. 1991).

156. See discussion, *supra* note 152.

negotiations will consider mandating the free movement of all legitimately trademarked goods.

2. Absence of Use Requirements

One other disappointing aspect of the TRIPS Agreement, and one that is unlikely to be changed, is the movement toward registration of trademarks without use. Although a member state is not required to permit registration of trademarks that have never been, and may never be, used in commerce, neither is it required to make use a prerequisite for registration.¹⁵⁷ The economic rationale for requiring use before registration is quite compelling. Without a use requirement, an incentive exists for entrepreneurs to register large numbers of trademarks and license them to others.¹⁵⁸ As Landes and Posner note, “[T]he ‘banking’ of trademarks in countries such as Japan that have a pure registration system does occur and has made it more costly to enter markets in those countries.”¹⁵⁹ As noted above, GATT is supposed to make the penetration of new goods into markets easier, not more difficult. Furthermore, basing the property right on use is consistent with the underlying social function of trademarks—identifying and distinguishing goods. When a good is not available for sale, the trademark cannot confer a benefit. “Thus, conditioning trademark rights on use is a way of limiting the use of scarce enforcement resources to situations in which the rights in question are likely to yield net social benefits.”¹⁶⁰ Requiring use before registration would probably generate an efficiency gain that would benefit international markets.

157. See TRIPS, *supra* note 2, art 15(3).

158. A firm allowed to register trademarks without using them might invest substantial resources in thinking up plausible new brand names. . . . [T]he ownership of a vast number of them, and the aggregate licensing revenues that such ownership would command, would be a magnet drawing resources into the activity of creating brand names, probably beyond the optimal level of such investment.

Landes & Posner, *supra* note 136, at 281.

159. *Id.*

160. *Id.* at 282. Landes and Posner note, however, that:

The solution is not ideal; it could lead to the premature development and marketing of goods by a firm eager to establish a right in a nifty trademark. But if the elasticity of supply of brand names is as high as we believe, very few individual trademarks will be so valuable apart from the products that they name that a firm will distort its marketing decisions in order to appropriate a particular name.

III. CONCLUSION

The TRIPS Agreement is a significant improvement over prior ineffectual regimes governing the international protection of intellectual property. Although TRIPS' sections on geographical indications create uncertainty and TRIPS fails to endorse gray market goods or to require that trademark registration be predicated on actual use in commerce, the Agreement mandates high substantive standards and effective enforcement that should foster both the development and movement of goods and technology. Although U.S. trademark law is still not quite in compliance with all of the mandates of the TRIPS Agreement,¹⁶¹ its deviations from the mandated standards are relatively unimportant. The fact that Congress felt it had to make only two minor amendments to the Lanham Act indicates the great extent to which the TRIPS Agreement mirrors U.S. federal law. As a result, in the next ten years,¹⁶² U.S. trademark owners doing business overseas will be encountering legal systems that look more and more like their own.

161. See *supra* notes 112-39 and accompanying text.

162. See TRIPS, *supra* note 2, art. 66 (least developed country members have up to ten years to comply with substantive TRIPS standards).