

Client Alert

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Foreign Trademarks Are Capable of Protection Under New York Law Unfair Competition Under Theory of Misappropriation

The interesting question of whether a trademark used only abroad can be the basis of an unfair competition claim under New York law was decided on December 13, 2007, by New York's highest court, the New York Court of Appeals. *ITC Limited v. Punchgini, et al.*, USCOA 2 No. 165 (N.Y. December 13, 2007). The case was certified by the United States Court of Appeals for the Second Circuit, which asked the New York Court of Appeals to resolve two questions regarding New York common law claims for unfair competition, namely, (1) whether New York common law permits the owner of a famous mark to assert rights in the mark by virtue of the owner's prior use in a foreign country; and (2) how famous must a foreign mark be to permit its owner to sue for unfair competition. The New York Court of Appeals concluded that New York law "recognizes common law unfair competition claims, but not the 'famous' or 'well-known' marks doctrine." Although the Court technically rejected the famous/well-known marks doctrine, the Court's ultimate holding rests on the

premise that the mark in question is known by consumers in New York:

when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this State, that goodwill is protected from misappropriation under New York unfair competition law. That is so whether the business is domestic or foreign.

To better understand the Court's holding, a brief summary of the case facts is helpful. Since 1977, Plaintiff ITC has operated a five-star restaurant in New Delhi, India, called "Bukhara" named after a city in Uzbekistan located on the famous Silk Road between China and the West. The Bukhara restaurant in New Delhi has "attained some measure of renown among those with an avid interest in fine cuisine." With mixed results, ITC sought over time to capitalize on the restaurant's prestige in opening nine additional Bukhara restaurants in various parts of the world, including the United States. Only four besides the New Delhi restaurant remain in business and the two United States versions that opened in the late 1980's were closed in 1991 and 1997 respectively. In 1999 former employees of Bukhara New Delhi opened a Bukhara restaurant in Manhattan and added a second Manhattan location in 2001. There is no dispute that Defendants designed the Manhattan Bukhara restaurants as versions of the New Delhi Bukhara, apparently believing that Plaintiff had abandoned its rights in the Bukhara mark in the United States. In the federal district court action it was determined that the Plaintiff had legally abandoned the Bukhara trademark in the United States.¹

¹ The United States is a signatory to the Paris Convention, Article 6bis of which prohibits the use of a mark that is likely to cause confusion with a "well-known" mark owned by any person or entity that is also protected by the Paris Convention (theoretically regardless of whether the mark is in use in the United States). This is frequently referred to as the "famous marks doctrine" or "well-known marks doctrine." In the federal case, the District Court (noting that the famous marks doctrine has been applied infrequently) held that in order for a mark to be considered well-known or famous it must be "established in the relevant American market." *ITC Ltd. v. Punchgini, Inc.*, 373 F. Supp. 2d 275, 288 (S.D.N.Y. 2005). The District Court held that the plaintiff had failed to establish a triable issue under that standard. All of the plaintiff's federal claims, including its claims under the famous marks doctrine, were dismissed. The New York Court of Appeals then addressed the issue of the famous marks doctrine under New York law.

The issue for the Second Circuit on appeal was whether one who owns trademark rights **outside** the United States can bring an action for unfair competition under New York law against a defendant that uses that trademark in New York for the same goods and services as the foreign trademark owner. The Second Circuit, in turn, looked to the New York Court of Appeals for the answer.

The New York Court of Appeals set a standard requiring that “at a minimum, consumers of the good or service provided under a certain mark by a defendant in New York must primarily associate the mark with the foreign plaintiff.” That determination the Court explained, will “vary with the facts of each case.” The Court specifically declined to provide an exhaustive list of factors relevant to the inquiry, but stated that the relevant factors would include defendant’s intent to associate its goods with the foreign plaintiff; direct evidence, such as consumer surveys; and evidence of actual overlap between consumers of the New York defendant and the foreign plaintiff.

Lastly, the Court articulated two basic elements to the claim. First, the plaintiff must make a prerequisite showing that defendant deliberately copied plaintiff’s mark. Second, plaintiff must establish that the relevant consumer market for plaintiff’s goods or service associates defendant’s goods or services with the foreign business.

Under U.S. trademark law, trademark rights are territorial and limited by the geographic scope. However, it is now clear that under state law, a mark with renown but that has not actually been used in New York can be protected under the misappropriation prong of unfair competition.

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