

“Unitorriality”: Trademarks, Territory and Sovereignty in the 21st Century

*The subject of trade-marks is not one of local, but of common, interest to all commercial nations. Their operation and the benefits derived from their use are not confined to particular localities, States, or countries. They not only admit, but in order to their efficiency require, uniformity of regulation.**

Professor Doris Estelle Long**

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Trademarks¹ suffer from an increasing case of identity-schizophrenia as the demands of the global digital economy place new stresses on their dichotomous nature. Do they represent valuable investment properties to be protected against any type of unauthorized commercial use? Or are trademarks merely protected to the extent necessary to secure their information signification properties for consumers? Is the determination of the scope of protection granted any particular trademark the province solely of the sovereign within whose territory the mark is being used or are their universal standards against which trademark protection should be measured? It seems indisputable that the information-signifying function of trademarks remains one of the most critical roles that trademarks play in the global economy, yet the basis and scope for protecting this function remains unsettled. Trademarks are neither wholly creatures of market regulation, nor of property; they are also neither wholly territorial nor universal in nature. Yet while scholars have spent a great deal of time debating the first dichotomy of trademark protection, the second dichotomous nature is almost completely ignored, with

* The Trademark Cases, 100 US 872, 882 (1879).

** Professor of Law and Chair of the Intellectual Property, Information Technology and Privacy Group at The John Marshall Law School, in Chicago, Illinois. Portions of this Article build on earlier research and analysis contained in my article “Unitorrial Marks and the Global Economy” which first appeared in 1 J. Marshall Rev. Intell. Prop. L 191 (2002).

¹ I am using the term “trademarks” in its broad, non-technical sense to refer to any term, phrase, device, symbol, logo or sign that serves to distinguish one undertaking’s goods and/or services from those of another. See generally Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Art. 15 [hereinafter “TRIPS”](defining trademarks as “any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings”); 15 USC §1127 (defining a trademark as “any word, name, symbol, or device, or any combination thereof ... to identify and distinguish, his or her goods...”).

what could prove to be disastrous consequences for the development of a rational trademark regime for the global digital marketplace of the 21st Century.

In this Article, I analyze the historical dichotomies of market regulation versus property protection, and territoriality versus universality for trademark protection and contend that a new approach should be developed based on the “unitorrial” nature of trademarks in today’s global digital market. This unitorrial nature recognizes the territorial nature of certain aspects of trademarks, such as registration prerogatives, while giving appropriate weight to their growing role as universal authenticators for particular goods and services. It combines the identified dichotomies in ways that reject dogmatic application of out-dated rules in favor of a new approach that acknowledges the changing nature of trademarks and, hopefully, provides analytic tools with which to re-examine and reconfigure present trademark regimes to meet the demands of the 21st Century market.

I. The Market Regulation Goals of Trademark Protection

Back in the “early days,” when trademarks were perceived as simple identifiers of the maker or distributor of a particular good or service,² trademark protection appeared to form part of a growing legal regime designed to regulate the market, rooted in growing efforts to define what qualified as “unfair” conduct from a competition point of view.³ Scholars continue to debate whether it was the protection of the consumer⁴ or the mark holder (producer)⁵ that lay behind the

² Trademarks, or at least source identifiers, date from at least the international trading days of Mesopotamia. David Held et al., *GLOBAL TRANSFORMATIONS: POLITICS, ECONOMICS AND CULTURE* 152 (1999); *see also* William Henry Browne, *A TREATISE ON THE LAW OF TRADE-MARKS* 1 (2d ed. 1885); Frank Schechter, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 20 (1925).

³ See, e.g., Oliver R. Mitchell, *Unfair Competition*, 10 *Harv. L. Rev.* 275, 275 (1896) (“Logically speaking, the fact is that Unfair Competition is properly a generic title, of which trade mark is a specific division.”); *G. & C. Merriam Co. v. Saalfield*, 198 F. 369, 373 (6th Cir. 1912) (“The entire substantive law of trade-marks ... is a branch of the broader law of unfair competition. The ultimate offense always is that defendant has passed off his goods as and for those of the complainant.”); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412-13 (1916) (“The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another... . This essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trademark infringement. In fact, the common law of trade-marks is but a part of the broader law of unfair competition.”). Accord *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (“Traditional trademark infringement law is part of the broader law of unfair competition ... that has its sources in English common law ...”).

⁴ See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *Yale L.J.* 1687, 1695-96 (1999) (stating that the single purpose of trademark law is “to enable the public to identify easily a particular product from a particular source”); Nicholas S. Economides, *The Economics of Trademarks*, 78 *Trademark Rep.* 523, 525-27 (1988) (suggesting that trademarks primarily exist to enhance consumer decisions and to create incentives for firms to produce desirable products).

⁵ Keith M. Stolte, *How Early Did Anglo-American Trademark Law Begin? An Answer To Schechter's Conundrum*, 8 *Fordham Intell. Prop. Media & Ent. L.J.* 505, 541-43 (1988) (analyzing the interplay of the commercial rise of the merchant-adventurers with the demands of protection of the trade value of certain marks in the 16th and 17th Centuries with the diminishing role of the

early development of trademark protection. There is no question that courts often did not clearly indicate the basis on which protection was granted. For example, in *Amoskeag Manufacturing Co. v. Spear*,⁶ an early state trademark case in the United States, the court described the following reasons for granting protection to plaintiff's trademark:

[C]onsidering the nature of the harm that is committed when the right *property* in a trade-mark is invaded... he who affixes to his own goods an imitation of an original trade-mark, by which those of another are distinguished and known, seeks, by *deceiving the public*, to divert and appropriate to his own use, the profits to which the superior skill and enterprise of the other had given him a prior and exclusive title. He endeavors, by a false representation, to effect a dishonest purpose; he commits a fraud upon the public and upon the true owner of the trade-mark. The *purchaser has imposed upon him an article that he never meant to buy*, and the owner is *robbed of the fruits of the reputation* that he had successfully labored to earn.⁷

This combination of a concern with protecting producers' and consumers' interests is all too prevalent in early US and international case law and forms part of the on-going debate over the potentially dichotomous nature of trademarks today, and their appropriate scope of protection in today's global, digital economy.

The rationale for trademark protection in the early days of doctrinal development appears to have evolved from one focused on prohibiting the intentionally misleading (fraudulent) uses of similar marks⁸ to those more firmly rooted in protection of the source signifying role of trademarks⁹ that remains at the heart of trademark protection today.¹⁰ Regardless of the language used by the

guilds in regulating the use of marks in England); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 *Notre Dame L. Rev.* 1839, 1848 (2007)(describing "'traditional' American trademark law" as "unapologetically producer-oriented."); Adam Mossoff, *What is Property? Putting the Pieces Back Together*, 45 *Ariz. L. Rev.* 371, 419 -422 (2003)(describing early trademark cases as defining the property entitlements of businessmen whose use of certain marks created a valuable property interest to be protected).

⁶ 2 *Sand.* 599 (N.Y. Super. Ct. 1849).

⁷ *Id.* at 605 (emphasis added).

⁸ In the earliest reported US trademark case, involving a claim for relief for the violation of plaintiff's rights in its thread spool marks, the court in *Taylor v. Carpenter*, 23 *F. Cas.* 742, 1844 *US App. LEXIS* 445, 445 (CC Mass. 1844), described the basis for its grant of injunctive relief as necessitated by the "unmitigated and designed infringement of the rights of plaintiffs, *for the purpose of defrauding the public* and taking from the plaintiffs the fair earnings of their skill, labor and enterprise." (emphasis added). The earliest reported trademark case from England, *Sandforth's Case*, was similarly based on an action for deceit. See Keith M. Stolte, *supra* note 5 at 541-43(describing the case and its impact on the development of early English trademark law).

⁹ See, e.g., generally Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 *HARV. L. REV.* 813, 830-31 (1927).

¹⁰ See, e.g., Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, *supra* note 4.

courts, and whether the focus was on protecting the public interest or the producer's valuable business asset, the general method that evolved for protecting trademarks in its earliest days seems most firmly rooted in the evolving unfair competition and market regulation (trade protection) regimes.¹¹ This does not mean that language regarding the property nature of the right to be protected under trademark law was not also prevalent in early court decisions. To the contrary, as demonstrated by *Amoskeag Spear*,¹² language regarding the property nature of the right to be protected appeared with increasing frequency in early cases,¹³ and forms the second half of the first dichotomous (and schizophrenic) nature of trademarks.¹⁴ But despite frequent reference to the property nature of trademarks in early cases,¹⁵ the method of relief which evolved for protecting trademarks was based on a test that focused primarily on the protection of the public or consumer interest over any exclusive *property right*¹⁶ of the trademark owner.¹⁷

¹¹ See note 5 supra. See also Adam Mossoff, supra note 5 at 423 (describing the transformation of trademark law into a "derivative form of commercial and trade law doctrine").

¹² 2 Sand. 599 (N.Y. Super. Ct. 1849).

¹³ See, e.g., *The Trademark Cases*, 100 US 82, 93 (1879) ("The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. *It is a property right* for the violation of which damages may be recovered in an action at law, and the continued violation of it will be enjoined by a court of equity, with compensation for past infringement.") (emphasis added).

¹⁴ See discussion infra at Part II.

¹⁵ See notes 25 to 34 (discussing the development of the property rationale for protection of trademarks under early UK and US law).

¹⁶ There are countless definitions of "property" and raging debates over the nature of a property right, including the critical questions of whether property rights are bundles of rights or simply represent a single exclusive right to be enjoyed by the property holder. See, e.g., J.E. Penner, *The "Bundle of Rights" Picture of Property*, 43 UCLA L. Rev. 711 (1996) (discussing and criticizing the bundle theory) with Thomas W. Merrill, *Property and the Right to Exclude*, 77 Neb. L. Rev. 730, 730 (1998) ("The right to exclude others is more than just "one of the most essential" constituents of property - it is the sine qua non."). For purposes of this discussion, I am using the narrow definition of "property" rights as the right to exclude others from the use or enjoyment of a given property. I have selected this definition because it sets up the easiest dichotomy between trademarks, whose boundaries of protection have historically included considerations of consumer confusion and other trade regulation concerns, see discussion infra at Part I, and copyrights and patents, whose boundaries at least in the initial liability phases have not been similarly constrained. For example, under US copyright law, protection is granted when a work is confusingly similar to another's. See, e.g. *Sid & Marty Krofft Television Productions Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977) (granting rights based on substantial similarity between plaintiff's characters in children's television shows and certain characters used to advertise defendant's fast food). The question of public interest is not raised, except in the nature of the remedies being sought or in the defenses raised to a challenged infringement, such as under fair use doctrines. Unlike trademarks, the initial determination of potential infringement is made separate from any consideration of public harm. I offer no opinion in this Article as to which of the many competing theories of "property rights" may be correct for purposes of analyzing intellectual property cases generally, or trademark cases specifically.

¹⁷ See, e.g., *Stahly Inc. v. MH Jacobs Co.*, 183 F.2d 914, 910-911 (7th Cir. 1950) ("It must be remembered that the trade-mark laws and the law of unfair competition are concerned not alone with the protection of a property right existing in an individual, but also with the protection of the

Whether the early protection granted trademarks was based on concerns over protecting consumer or producer interests, courts consistently cited the source signification role of marks in granting relief. In fact, early cases demonstrate that *despite an arguable intent to trade on another's reputation* in a mark, courts would *decline* to provide the protected relief where it found that the mark in question failed to fulfill the necessary source designation function. Thus, for example, in an early case involving the intentional use of identical gold and black labels for spools of thread, the court in *Coats v. Merrick Thread Co.*,¹⁸ declined to provide the requested relief, in part because plaintiff's black and gold label had lost whatever source designating significance it might have had for the consumer:

In answer to the question whether the defendants have been guilty of a fraudulent imitation of the plaintiffs' marks and symbols, it is also pertinent to consider to what extent the black and gold label, which constitutes an important feature of this device, had been used by others with their consent, and to what extent it has become recognized as a means of identifying the best six-cord thread... Regarding it, then, as established that other manufacturers had by long practice, and with the acquiescence of the plaintiffs, acquired the right to make use of the black and gold label, it is difficult to see how the defendants could have advertised more clearly the fact that it was their own thread, or better accentuated the distinction between its own and Coats' than it did by the alleged infringing label.¹⁹

This information-signifying function remains one of the most critical roles that trademarks play in the global economy.²⁰ While the nature of the information

public from fraud and deceit, and it is obvious that the right of the public to be so protected is a right which transcends the rights of the individual trade-mark owner and is beyond his power to waive."(citations omitted).

¹⁸ 149 U.S. 562 (1893)

¹⁹ *Id.* at 570 - 571 (citations omitted). The label referred to by the court consisted of the challenged black and gold label along with the words "Merrick Thread Company" or "Star Thread" which the court found served the true information signifying function, thereby eliminating plaintiff's claim for relief. See also *Canal Co. v. Clark*, 80 U.S. 11 (1872)(declining to prohibit defendant's truthful use of the term "Lackawanna" to describe its coal because the term Lackawanna "does not point to its origin or ownership, nor indicate in the slightest degree the person, natural or artificial, who mined the coal or brought it to market.").

²⁰ See, e.g., Doris Estelle Long, *Is Fame All There Is?: Beating Global Monopolists at Their Own Marketing Game*, 40 *Geo. Washington Int'l L. Rev.* 123 (2008). In fact in the latter decades of the 20th Century, this information signification role took on new normative meaning as the information value of marks served as the basis of presumed cost efficiencies which supported an arguably different theoretical basis for trademark protection – that of economic efficiency. See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 *J.L. & Econ.* 265, 265-66 (1987) ("Our overall conclusion is that trademark law, like tort law in general (trademark law is part of the branch of tort law known as unfair competition), can best be explained on the hypothesis that the law is trying to promote economic efficiency."); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 *Hous. L. Rev.* 777, 778 (2004) (arguing that the historical goal of trademark law was to foster the flow of information in markets, reducing consumer search costs). But see Chad J. Doellinger, *A New*

which mark owners may seek to imbed in a given brand may have changed,²¹ the protection of consumers' ability to rely upon such information-signification remains at the core of domestic and international trademark protection. Thus, for example, Article 16 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) – still the most significant international intellectual property treaty governing trademarks today²²--unequivocally requires Member Countries to grant trademark owners “the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods and services which are identical or similar to those in respect of which the trademark is registered where such use would result in a *likelihood of confusion*.”²³ This emphasis on the need to protect *consumers* from likely confusion underscores not only the critical role of information signification in protecting marks internationally, but also the market governance role of trademarks. Because regardless of whether the purpose behind early trademark protection was to protect producers or consumers, the chief method which was eventually established for determining the scope of such protection focused primarily on the extent of harm to *consumers*.²⁴ Trademarks were only protected

Theory of Trademarks, 111 Penn. St. L. Rev. 823, 835 (2007) (“The central problem with the economic theory is that it has become normative, and, in the process, has jettisoned trademark philosophy from its true normative underpinning.”); Mark P. McKenna, The Normative Foundations of Trademark Law, 82 Notre Dame L. Rev. 1839, 1840- 1841 (2007)(“Trademark law was not traditionally intended to protect consumers. Instead, trademark law, like all unfair competition law, sought to protect producers from illegitimate diversions of their trade by competitors.”).

²¹ From simple information about the quality of the good based on its source, to emotional images about brand lifestyles meanings with which marks are embedded, the types of information which trademark owners may embed have varied, but not their fundamental information signifying function. See Long, *Is Fame All There Is?*, supra note 20 (describing the development of branding, including the increasing emphasis on emotional meanings embedded in famous marks).

²² Despite the harsh criticism that has often been directed toward the TRIPS Agreement, it remains the basis for at least the *beginning* of any discussion regarding the scope of protection for covered intellectual property rights, such as trademarks, due to both the depth of its coverage as well as the fact that over 150 countries to date have agreed to be bound by its provisions.

²³ TRIPS, Article 16 (emphasis added). I do not mean to suggest, however, that likely confusion is the only basis on which relief must be granted. To the contrary, and in accordance with the dichotomous nature of trademarks as unfair competition regulators and manifestations of exclusive property rights, Article 16 of TRIPS also requires the protection of well known marks in certain situations “provided that the interests of the owner of the registered trademark are likely to be damaged by such use.” TRIPS, Art. 16(3). See also EC Trademark Harmonization Directive, Art 5(2) (providing for the protection of marks with “a reputation” where the unauthorized use of such mark “takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark”). But the test of likely confusion is so firmly established in international regimes that TRIPS establishes a mandatory presumption of relief in the event of the use of identical marks on identical goods. TRIPS, Art. 16 (1)(“ In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.”).

²⁴ See, e.g., Doris E. Long, UNFAIR COMPETITION AND THE LANHAM ACT §§2.4, 2.5 (BNA Books 1993)(hereinafter, “Unfair Competition”)(discussing the requirement of likely confusion before protection for trademark infringement attaches). See generally *Polaroid Corp. v. Polarad Electronics Corp*, 287 F.2d 492 (2d Cir), cert. denied, 368 US 820 (1961)(establishing an eight factor test of deciding likely confusion). Thus, regardless of language in some US cases regarding the “psychological function” of marks and their role as business assets, see, e.g., *Mishawaka*

to the extent that their unauthorized use caused some form of *competitive harm*, and this competitive harm remains fundamentally one that is judged from the point of view of consumer confusion.

II. The Evolving Nature of "Propertized" Trademarks

At the same time that trademarks appear firmly rooted within the arena of market regulation (unfair competition), their dichotomous nature also places them firmly within the legal regimes which govern the rights of property owners.²⁵ In *Millington v. Fox*,²⁶ one of the earliest reported cases, arising from the Industrial Revolution when global trade became even more strongly focused on consumer

Rubber & Woolen Mfg. Co. v. S.S. Kresge, 316 US 203, 205 (1942), relief under traditional trademark doctrines was not available absent some potential public confusion. In today's global digital environment, there are undoubtedly different types of likely confusion that may arise in a trademark context, including confusion as to source, sponsorship and association. See, e.g., *Wagamama v. City Centre Restaurants PLC*, [1995] FSR 713 (Chancery Division, UK 1995)(describing the differences between classis and associational confusion under trademark law); *Halliburton Co. v. Halliburton Pipe and Steel Co.*, 207 USPQ 318, 320 (S.D. Tex. 1980)(describing same under US law). See generally Long, *Unfair Competition* at §2.4. Additionally points of confusion may include the point of purchase, initial interest confusion or even post-sale confusion. See *Brookfield Communications Inc. v. West Coast Entertainment*, 174 F.3d 1036, 1064 (9th Cir. 1999)(describing the various points of confusion actionable under US trademark law). Nevertheless, the focus for determining the extent of any such confusion remains potential consumers. See, e.g., *McDonald's Corp. v. Joburgers Drive-Inn Restaurant Pty*, Case No. 54/95 (Supreme Court, South Africa 1996).

²⁵ As demonstrated more completely below, this "property" value of trademarks is not completely analogous to other forms of intellectual *property* such as copyrights or patents. To the contrary, because of trademarks unique role as an information signifier regarding the goods or services to which it is connected, courts generally link the "property value" of a mark to its goodwill. See *Hanover Star Milling Co. v. Metcalf*, 240 US 403, 413 (1916)(recognizing that trademarks qualified as property "but only in the sense that a man's right to the continued enjoyment of this trade reputation and the goodwill that flows from it, free from unwarranted interference by others is a property right."). See also *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918)("There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed . . . the right to a particular mark grows out of its use, not its mere adoption, its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his..."). This connection of a property value in a trademark to its reputation or goodwill, however, does not necessarily require that trademark protection be limited to uses which result in public confusion. To the contrary, reputational value may arguably be protected when it is being harmed by uses that tarnish or unjustifiably trade off the brand value of a mark, even if public confusion about the source of the goods in question is not an issue. See, e.g., *Deere & Company v. MTD Products, Inc.*, 41 F.3d 39, 45 (2d Cir. 1994)(prohibiting the use of parody of plaintiff's logo to promote a competing product where such use "risk[s] the possibility that consumers will come to attribute unfavorable characteristics to a mark and ultimately associate the marks with inferior goods and services."); *Markenverunglimpfung I*, BHG GRUR 1994, 808 (use of advertising slogan for Mars candy bar on joke condoms prohibited); *Laugh It Off Promotions CC v South African Breweries International* (242/2003) [2004] ZASCA 76 (16 September 2004)(use of Black Label, White Guilt logo prohibited as tarnishing). It should be noted, however, that despite what appears to be a property basis for protection of this extended value of a trademark in the US, other countries, such as Germany, provide such protection under expanded unfair competition theories, further demonstrating the continuing dichotomous nature of trademark protection internationally.

²⁶ 3 My & Cr 338, 40 Eng. Rep. 956 (Ch. 1838).

goods as the source of economic growth,²⁷ the English court in dicta indicated that marks were a form of property and granted injunctive relief against the unauthorized use of plaintiff's mark even if no fraudulent intent in adopting the mark was evident.²⁸ This concept of marks as a form of property was continually reiterated in early UK and US trademark cases,²⁹ reaching one of its clearest articulations under US law by the Supreme Court in 1879 in the infamous³⁰ *Trademark Cases* where the court stated (also in dicta):

The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of use by all other persons, has been long recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. *It is a property right* for the violation of which damages may be recovered in an action at law, and the continued violation of it will be enjoined by a court of equity, with compensation for past infringement.³¹

The language regarding the nature of trademarks as a “property” based right has been a constant in both national and international debates over the role of

²⁷ The role of trademarks as potential competitive levers skyrocketed in the days of the Industrial Revolution when, for the first time in industrial history, advances in technology resulted in increased consumer income that triggered a demand for consumer goods that has yet to diminish. See, e.g., Paul Kennedy, *THE RISE AND FALL OF THE GREAT POWERS: ECONOMIC CHANGE AND MILITARY CONFLICT FROM 1500 TO 2000* 146 (1987); David S. Landes, *THE UNBOUND PROMETHEUS: TECHNOLOGICAL CHANGES AND INDUSTRIAL DEVELOPMENT IN WESTERN EUROPE FROM 1750 TO THE PRESENT* 41 (2d ed. 2003). See also Long, *Is Fame All There Is?*, supra note 20.

²⁸ See Robert P. Merges, *One Hundred Years of Solitude: Intellectual Property Law, 1900 – 2000*, 88 *Calif. L. Rev.* 2187, 2208n.92 (2000) (describing the property dicta of *Millington* and its impact on US trademark law); Cesar Ramirez-Montes, *A Re-Examination of the Original Foundations of Anglo-American Trademark Law*, 14 *Marq. Intell. Prop. L. Rev.* 91, 109-110 (2010) (describing same).

²⁹ See Mossoff, supra note 5; McKenna, supra note 5.

³⁰ I refer to this case as “infamous” because it established the second class nature of trademarks by denying Congress the power to enact a federal trademark law under Article 1, Section 8, Clause 8 of the US Constitution, which gives Congress the authority to enact federal copyright and patent laws in order to “promote the progress of science and the useful arts.” The Supreme Court held that trademarks lacked the necessary intellectual creativity to fall within the scope of the Constitutional grant, stating: “The ordinary trademark has no necessary relation to invention or discovery. ... The trademark may be, and generally is, the adoption of something already in existence as the distinctive symbol of the party using it.” *The Trademark Cases*, 100 US 872, 892 (1879). The rejection of any intellectual basis for trademark protection not only slowed the development of a comprehensive federal trademark system, it placed trademarks on a separate, non-property basis of protection, contributing to the schizophrenic nature of trademarks that still interferes with the development of a rational protection system in today's digital environment.

³¹ *Id.* at 892 (emphasis added). See also *Scandinavia Betting Co. v. Asbestos & Rubber Works of America, Inc.*, 257 F. 937, 941 (2d Cir. 1919) (“The right of property in trademarks has come to be recognized as of immense and incalculable value”); *College Savings Bank v. Florida Pre-paid Post-Secondary Education Expense Board*, 529 U.S. 666, 673 (1999) (“[t]he Lanham Act may well contain provisions that protect constitutionally cognizable property interests”). See also, Mossoff, supra note 5 and the cases discussed therein. See also McKenna, supra note 5.

trademarks and shows no sign of disappearing. In fact it is the perceived nature of trademarks as property that has led to increasing criticism of strong trademark protection in the last decade of the 20th Century,³² leading some commentators in the United States to advocate for a re-conceptualization of trademark law that would severely reduce the ability of mark owners to challenge even unauthorized, potentially competitive uses.³³ This new conceptualization of the property basis for the protection of trademarks has the potential to alter significantly the scope of protection trademarks receive in the global marketplace and is most clearly understood in the growing debate over the desirability and scope of protection of marks against the “dilution” of their reputational value.³⁴

In the United States, until 1996, trademark dilution doctrines were developed under state trademark regimes.³⁵ In 1996, the US enacted the first federal trademark dilution statute.³⁶ Subsequently amended in 2006,³⁷ the present federal statute protects “famous” marks³⁸ against the unauthorized use of a mark or trade

³² See, e.g., Mark Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *Yale L.J.* 1687 (1999); Glynn S. Lunney, *The Trademark Monopolies*, 48 *Emory L.J.* 367 (1999).

³³ Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 *Yale L.J.* 1717 (1999).

³⁴ The right of trademark owners’ to challenge bad faith third party registration and use of domain names confusingly similar to their marks under the doctrine of cybersquatting is another notable alteration in the scope of marks globally based on the new property basis conceptualization of trademarks. See generally Uniform Dispute Resolution Policy (establishing private contractual basis for relief against bad faith use and registration of confusingly similar marks as domain names). See also 15 USC §1125(d)(establishing relief under US law for bad faith use or registration of the same).

³⁵ Unlike copyright and patent which are purely creatures of federal legislation, trademarks in the United States are governed by both federal trademark law, represented by the Lanham Act, enacted originally in 1948, and frequently amended, 15 USC §§1050, et seq., and state trademark regimes. State trademark laws generally model the Lanham Act and state courts apply the same legal standards of protection. Long, *Unfair Competition* at §9.2. The development of dilution doctrines to protect marks against “dilution of the distinctive quality of a mark or trade name,” see, e.g., NY Gen. Bus. Law §360-1, was a notable exception to this identity of protection. The first state dilution statute was enacted in 1947 by Massachusetts. At the time that the original federal trademark dilution statute was adopted in 1996 over 25 states had anti-dilution statutes.

³⁶ See The Federal Trademark Dilution Act, codified at 15 USC §§1125(c) & 1127, which protected “famous and distinctive” marks against unauthorized uses that “cause[] dilution of the distinctive quality of the mark.” Relief was available “regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.” *Id.* at 1127 ((defining “dilution” as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of ... competition between the owner of the famous mark and the other parties; or ... likelihood of confusion, mistake or deception”).

³⁷ The Revised Trademark Dilution Act, codified at 15 USC §§1125(c).

³⁸ One of the critical changes between the two federal dilution statutes did not deal with the issue of competitive harm, per se, but with the scope of marks which could be protected under dilution doctrines. In the original statute, fame was largely a reflection of the extent of use of a mark, including its use in advertising and the amount of goods sold bearing the mark. *See, e.g.*, 15 USC § 1125(c)(establishing an eight factor test for fame and distinctiveness that requires consideration of, inter alia, the duration and extent of the use of the mark and of advertising and publicity for the mark at issue). The most recent amendment has significantly altered the number of marks that may qualify as “famous.” Under the present statute, only a mark which “is widely

name in commerce “that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, *regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.*”³⁹ This absence of any need for likely confusion – the fundamental test for delimiting the scope of trademark protection historically -- is reflected in Article 16 of TRIPS which requires the protection of a “well known” mark against unauthorized use in connection with dissimilar goods and services “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.”⁴⁰ Similarly, Article 5 of the EU Trademark Harmonization Directive permits member states to prohibit the unauthorized use of identical or similar marks on goods and services dissimilar from those registered⁴¹ by the mark owner where such mark “has a *reputation* in the Member State and where use of that sign without due cause *takes unfair advantage* of, or is *detrimental* to, the distinctive character or the repute of the trade mark.”⁴²

In the United States, the theory of protecting trademarks from potential dilution of their distinctive quality in the United States was first posited by Frank Schechter in 1927 in his seminal article *The Rational Basis of Trademark Protection*.⁴³ In this article Schechter urged protection against the “gradual whittling away or dispersion of the identity and hold upon the public mind of [a]

recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner” qualifies as famous. 15 USC §1125(c)(2).

³⁹ 15 USC §1125(c)(2)(emphasis added).

⁴⁰ TRIPS, Art. 16(3)(emphasis added).

⁴¹ Under TRIPS Article 16 countries may generally chose to limit protection to marks which are registered with the country in question. TRIPS, Art. 16 (exclusive rights are conferred on “the owner of a *registered* trademark”) (emphasis added) (detailing the rights which must be granted to owners of “a registered trademark”). Significantly, however, registration may not be required in the case of “well-known” marks. See Paris Convention for the Protection of Industrial Property, Art. 6bis (requiring member countries 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 . . . use to be well known in that country *as being already the mark of a person entitled to the benefits of this Convention,*” in other words, regardless of whether such mark has registered). In addition, several countries, including the United States protect marks without the need for registration, even if the mark is *not* “well-known” or “famous.” See, e.g., 15 USC §1125(a)(1)(A)(providing relief for unauthorized use of “any word, term, name, symbol, or device, or any combination thereof... which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.”).

⁴² European Communities Directive To Approximate The Laws Of The Member States Relating To Trade Marks 89/104 EEC, replaced by Directive 2008/95/EC on November 2008) at Art. 5(2)(the revised Directive did not alter the relevant language of Article 5). See also Council Regulation ECNo 207/2009 of 26 February 2009 on the Community Trademark at Art. 9 (1)(c)(language similar to Article 5(2) of the Trademark Harmonization Directive).

⁴³ 40 Harv. L. Rev. 813 (1927).

mark or name by its use upon noncompeting goods.”⁴⁴ The legislative history of both federal dilution statutes continues this emphasis on the protection of the distinctiveness of a given mark, without regard to the “traditional” concern of likely confusion.⁴⁵ More significantly for purposes of this Article, such legislative history also establishes that part of the reason for the expansion of trademark dilution into a federally recognized statute was the perceived obligation to establish such protection under international trademark standards. In defending the need for the dilution statute, the House Report stated:

Moreover, the recently concluded Agreement on Trade-Related Aspects of Intellectual Property Rights, include Trade in Counterfeit Goods (“TRIPS”) which was part of the Uruguay Round of the GATT agreement includes a provision *designed to provide dilution protection to famous marks. Thus, enactment of this bill will be consistent with terms of the agreement, as well as the Paris Convention, of which the U.S. is also a member.* Passage of a federal dilution statute would also assist the executive branch in its bilateral and multilateral negotiations with other countries to secure greater protection for the famous marks owned by U.S. companies. Foreign countries are reluctant to change their laws to protect famous U.S. marks if the U.S. itself does not afford special protection for such marks.⁴⁶

⁴⁴*Id.* at 825. It should be noted, however, that the focus of Schechter's concern was on unique and coined marks. In supporting his contention for stronger protection for these marks, Schechter stated: "The rule that arbitrary, coined or fanciful marks or names should be given a much broader degree of protection than symbols, words or phrases in common use would appear to be entirely sound." *Id.* at 828. Examples of marks that Schechter stated should be protected from diluting uses included "Kodak," "Mazda" and "Blue Goose" (for fruit). *Id.* at 830. Schechter goes on to state: "This entirely arbitrary symbol would soon lose its arresting uniqueness and hence its selling power if it could also be used on pianos, shaving cream, and fountain pens." *Id.* These coined and fanciful marks arguably have a much clearer distinctive nature than non-coined marks. Neither version of the federal trademark dilution act, however, limited its protection to such unique marks. See, e.g., 15 USC §1125(c)(specifying that both inherently distinctive and those which acquire distinctiveness may be protected so long as they reach the appropriate level of fame).

⁴⁵For example, Senator Orrin Hatch in his introductory remarks to the bill which became the original federal trademark dilution statute stated: “[T]his bill is designed to protect famous trademarks from ‘subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion ... The concept of dilution dates as far back as 1927 when the Harvard Law Review published an article by Frank I. Schechter in which it was argued that coined or unique trademarks should be protected from the ‘gradual whittling away or dispersion of the identity and hold upon the public mind’ of the mark by its use on noncompeting goods.” Schechter, *supra* note 43. See also H. Rep. 109-23 at 4 (“Dilution does not rely upon the standard test of infringement, that is, the likelihood of confusion, deception, or mistake. Rather, dilution occurs when the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular. In other words, dilution can result in the loss of the mark’s distinctiveness and, in worst-case scenarios, the owner’s rights in it.”)(footnote omitted).

⁴⁶H. Rep. 104-374 at 4 (emphasis added).

Internationally, protection of the *reputational* value of a mark (as opposed to protection against public confusion arising from unauthorized uses of similar marks) has a long history. In fact, Schechter developed his theory of dilution protection from earlier German trademark cases, including significantly the *Odol*⁴⁷ case where the German court granted the mark owner the right to prevent registration of an identical mark on unrelated goods to protect the owner's mark from dilution ("verwässerung").⁴⁸ By the time the first federal dilution statute was enacted in the United States, several countries had already adopted laws protecting the reputational value of a mark beyond the limited scope of likely confusion prohibitions, including the previously discussed European Union Trademark Harmonization Directive. Yet despite the recognition that the commercial value of a mark should be protected due to the investment in labor and money which a brand represents⁴⁹ - a property based concern⁵⁰ -- these reputation based remedies are not completely divorced from competition concerns. Thus, for example, cases in the United States continue to rely on analogues to likelihood of confusion in determining the scope of protection for "famous" marks,⁵¹ while the European Union has established a linking requirement to establish reputational harm that includes likelihood of confusion as a factor in determining whether such an

⁴⁷ *Odol*, Reichsgericht (NJW 1925, 264).

⁴⁸ See Schechter, *supra* note 43 at 832 (quoting a German federal court which held that "complainant has 'the utmost interest in seeing that its mark is not diluted: it would lose in selling power if everyone used it as the designation of his goods'"). For a discussion of early German cases, interestingly enough based on unfair competition principles, in which the dilution doctrine developed, see Mathias Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context*, 10 *Fordham Intell. Prop. Media & Ent. L.J.* 375 (2000).

⁴⁹ See, e.g., *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge*, 316, US 203, 205 (1942) ("The protection of trade-marks is the law's recognition of the psychological function of symbols. ... A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same -- to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress."). This brand recognition value lies at the heart of the trademark owners expanding attempts to leverage trademark reputation achieved in one market into other, often unrelated markets. See generally, Long, *Is Fame All There Is?*, *supra* note 20.

⁵⁰ While divorcing trademark protection from public confusion appears premised on the nature of trademarks as property rights based on the labor and expenditure of the mark owner, see, e.g., Mossoff, *supra* note 5, it should be noted that many countries have resolved this dichotomy by relying on competition based theories to provide such an expanded scope of protection to trademarks. See, e.g., Mathias Strasser, *supra* note 48. This reliance on such competition theories I do not believe wholly resolves the dichotomous nature of trademarks. It simply ignores that such dichotomy exists.

⁵¹ See, e.g., *Nabisco Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (relying on a 10-factor test for likely dilution under the 1996 Act that closely resembled traditional likely confusion tests); *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009) (relying on likelihood of confusion cases to determine if marks were sufficiently similar to qualify for dilution protection under the 2006 revision). See also 15 USC §1125(c)(2)(B)(vi) (specifying six non-exhaustive factors for determining presence of likely dilution by blurring including "any actual association between the mark ... and the famous mark" under the 2006 revision).

associational link between the contested marks exists.⁵² Neither of these developments is undertaken in a clearly articulated attempt to reject or delimit the property nature of trademarks. Yet until this property value is actually acknowledged and more importantly dealt with, and the schizophrenic nature of trademarks “cured,” efforts to determine the rights of trademark owners to control the use of their marks in such new markets, as internet advertising,⁵³ will remain unpredictable, and ultimately philosophically unstable.

III. "Territoriality" Re-Examined

The instability in trademark protection to meet the new challenges of the digital marketplace is further exacerbated by the second dichotomous nature of trademarks -- the schizophrenia that delineates present debates over the impact of territoriality on the protection of trademarks internationally. Just as trademarks are neither wholly creatures of market regulation, nor of property, they are also neither wholly territorial nor universal in nature. Yet this second dichotomous nature is almost completely ignored, with what could prove to be disastrous consequences for the development of a rational trademark regime for the emerging global digital marketplace of the 21st Century. Like the schizophrenia of market regulation versus property values, this second schizophrenic nature leaves trademark regimes without a rational basis for dealing with the new challenges of the 21st Century market.

Marks have long been considered creatures of domestic origin. Local marks serve local consumers, and consequently their goodwill is arguably a matter of local concern. Yet this facile equation of marks with territorial control is more legend than reality. While potters' marks have been recorded since at least the days of the Mesopotamian civilization,⁵⁴ so too has international trade.⁵⁵ With such trade comes both the protectionist instincts that lie at the heart of the continual effort of sovereigns to exercise control over the marks within their borders (and concomitantly restrain competition from foreign goods with local

⁵² See *Adidas-Salomon v. Fitnessworld*, C-308/01 (ECJ 10.23.2003) at ¶¶ 29 & 30 (“The infringements referred to in Article 5(2) of the Directive [involving reputational harm], where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them...The existence of such a link must, just like a likelihood of confusion in the context of Article 5(1)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case.”); *Intel Corporation*, C-252/07 (ECJ 11.27.2008) at ¶¶ 42, 58 (expressly including “the existence of the likelihood of confusion on the part of the public” as a factor to be considered in establishing the necessary linking while stressing that protection did not require such likely confusion).

⁵³ Long, *Is Fame All There Is?*, supra note 20.

⁵⁴ See Frank Schechter, *HISTORIC FOUNDATIONS OF TRADEMARK LAWS* 20 (Columbia U. Press 1925). William Browne claims earlier uses dating back more than 4000 year ago on clothing and wares from such diverse places as China, India, Persia, Egypt, Rome and Greece. William H. Browne, *A TREATISE ON THE LAW OF TRADEMARKS* 1-14 (1885).

⁵⁵ David Held & Anthony McGrew, et al., *GLOBAL TRANSFORMATIONS: POLITICS, ECONOMICS AND CULTURE* 152 (1999).

products),⁵⁶ and a growing universality of meaning for the authenticating information function of a growing number of global brands. The evolving nature of trademarks as “uniterritorial” marks in today’s global, digital marketplace -- quasi-universal authenticator, quasi-territorial creature of local protection, quasi informational signifier, quasi commercial asset – requires a re-examination of the role of territoriality and its implications for the international protection of marks in the future to establish a meaningful platform in which the dichotomous natures of trademark can be resolved to achieve the twin (and not necessarily conflicting goals) of public protection and private investment development..

Territoriality appears to be firmly entrenched principle of international law. The Paris Convention on its face appears to treat trademarks primarily as territorial creatures. In addition to recognizing that trademarks could be subject to domestic registration requirements,⁵⁷ the Paris Convention specifically recognized the independence of rights derived from individual domestic registration. Article 6 required that 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." ⁵⁸ Similarly, Article 6quater of the Paris Convention upholds the legality of territorial assignments of goodwill. It provides:

When, in accordance with the law of a country of the Union, the assignment of mark is valid only if it takes place at the same time as the transfer of the business or goodwill to which the mark belongs, it shall suffice for the recognition of such validity that the portion of the business or goodwill located in the country be transferred to the assignee, together with the exclusive right to manufacture in the said country, or to sell therein, the goods bearing the mark assigned.⁵⁹

⁵⁶ See, e.g., *A. Bourjois & Co., Inc. v. Katzel*, 275 F. 539, 543 (2d Cir. 1921)(Hough, dissenting)(stating that the "primary function of the trademark is to protect this plaintiff's business in his own country."). Hough's views later predominated in the Supreme Court's decision reversing the Second Circuit and adopting territoriality as the new mode for analyzing trademark cases. 260 U.S. 689 (1923).

⁵⁷The Paris Convention assumes that countries could generally require the domestic registration of marks prior to their protection in a particular site. See, e.g., Paris Convention, Art. 6(1) (conditions for filing and registration of trademarks "shall be determined in each country of the Union by its domestic legislation"); Articles 6ter and 6quinquies (establishing the bases on which countries may deny applications to register trademarks; Article 6septies (permitting the cancellation of registrations obtained without the permission of the trademark owner).

⁵⁸ Paris Convention, Art. 6(3)(emphasis added). .

⁵⁹ Paris Convention, Art. 6quater(1). This business asset transfer obligation was expressly eliminated in Article 21 of TRIPS, a clear indication that even local registration requirements under the Paris Convention were being rewritten in the face of the continuing development of trademarks as global signifiers. TRIPS, Art. 21 (“[T]he owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.”)

These provisions, along with the national treatment requirement of Article 2,⁶⁰ have been relied upon by scholars as establishing territoriality as "a cornerstone of international trademark law."⁶¹ This territoriality appears to be carried forward in TRIPS, since Article 16 of TRIPS allows countries to premise protection for all but well-known marks upon domestic registration.⁶² Even some of the expansion in protection granted to well known marks under international conventions has been premised on the meaning of such marks within territorial boundaries. Thus, for example, while *use* of a trademark within a particular country is not determinative of the status of a particular mark as "well known," the reputation of the mark *within that country's domestic market* remains a critical consideration.⁶³

The strongest argument posed in support of territoriality of marks seems to be the recognition of territorial goodwill. This goodwill is apparent in the treatment of prior use rights in the United States and under the Community Trademark system, where prior users in geographically distinct areas are given rights superiors to those of nationally or regionally registered trademarks.⁶⁴ Even for

⁶⁰ Paris Convention, Art. 2. National treatment basically requires that no discrimination in treatment occur between foreign and domestic intellectual property rights owners.

⁶¹ Walter J. Derenberg, Territorial Scope and Situs of Trademarks and Goodwill, 47 Va. L. Rev. 733, 734 (1961). See also Graeme B. Dinwoodie, "Private International Aspects of the Protection of Trademarks, WIPO/PIL/01/4 at p. 8 (January 19, 2001) (declaring that national treatment and the principle of independence of rights "affirm in different ways and with different strength the principle of territoriality."); Curtis Bradley, Territorial Intellectual Property Rights in an Age of Globalism, 73 Va. J. Int'l L.J. 505, 543 (1997) (discussing the rejection of the universality theory with the adoption of the Paris Convention). Cf. 4 McCarthy on Trademarks and Unfair Competition, 29:25 at 29-46 to 29-47 ("The [Paris Convention] is not premised upon the idea that the trademark laws of each member nation shall be given extraterritorial application, but on exactly the converse principle that each nation's law shall have only territorial application")(footnote omitted).

⁶² TRIPS, Art. 16 (requiring the granting of exclusive rights to "[t]he owner of a *registered* mark...")(emphasis added).

⁶³ See also WIPO Joint Recommendation on the Protection of Well-Known Marks, Art. 2(2)(b)(describing the sectors among whom the mark must be well known "in a Member State").

⁶⁴ See, e.g., Community Trademark Regulation, Art. 8 (establishing relative grounds of refusal for registration including identity or similarity to a mark previously registered in a Member state). Territoriality limitations on goodwill are similarly reflected in the courts' treatment of common law trademarks in the United States. Thus, for example, in *Hanover Star Milling Co. v. Metcalf*, 240 US 403 (1916), the Court emphasized the territorial limits of goodwill in deciding rights between two geographically separate concurrent users of the "Tea Rose" mark for flour. Rejecting a claim that the prior user's unregistered mark was protectable through-out the United States, the court stressed that a trademark "extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no traders to offer the article." 240 US at 416. The Court stressed that a mark owner cannot "monopolize markets that his trade has never reached, where the mark signifies not his goods, but those of another." *Id.* See also *Theodore Rectanus Co. v. United Drug Co.*, 226 F. 545 (6th Cir 1915) (rights in common law marks are limited to area of use) Such rationale is inapposite to the parallel importation cases where the universalist doctrine first arose since the marks at issue were already being traded in the United States. See discussion *infra*.

well-known marks able to avoid the territorial limits of registration,⁶⁵ territoriality lurks in the shadows of reputation as both international and domestic regimes focus on the meaning of the mark within the geographic boundaries of the nation where protection is sought.⁶⁶

The principle of territoriality has been firmly entrenched in US trademark law since at least 1925 when the Supreme Court in *A. Bourjois & Co., Inc. v. Katzel*,⁶⁷ a relatively sparsely reasoned opinion, rejected universalism in favor of a more protectionist “territorial” approach to trademark rights. In *Katzel*, the plaintiff sought to prohibit the importation of face powder manufactured in France and bearing the “Java” trademark. The plaintiff claimed exclusive rights to the mark based on its purchase of the business and goodwill in the US of the French manufacturer A. Bourjois & Cie. Analogizing trademarks to patents, the Court stated: ““The monopoly in that case [of a patented good] is more extensive, but we see no sufficient reason for holding that the monopoly of a trade-mark, so far as it goes, is less complete.”⁶⁸ Describing such monopoly as “a delicate matter that may be of great value but is easily destroyed,”⁶⁹ the Court insisted that the protection of this delicate monopoly required “corresponding care.”⁷⁰ Such “care” was reflected in the Court’s insistence that “[o]wnership of the [trademarked] goods does not carry the right to sell them at all in a given place.”⁷¹ Finally, to support its protectionist stance with regard to trade in parallel goods, the Court insisted that such territorial protection was required to protect the good will of the US mark owner. Rejecting the source authentication role of the universalist approach,⁷² the Court insisted that the “Java” mark at issue did not reflect the French origin of the goods. Instead, it “indicates in law, and it is found, by public understanding, that the goods come from the plaintiff although not made by it.... It stakes the reputation of the plaintiff upon the character of the goods.”⁷³ Despite increasing debates over the propriety of grey market protection for trademarks,⁷⁴ and a reduction of the scope of such protection by a subsequent

⁶⁵ See, e.g., Paris Convention, Art. 6bis (protection of well known marks required even in the absence of registration).

⁶⁶ See, e.g., TRIPS, Article 16(2) (providing that in determining the status of a mark as “well known” “Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge *in that Member concerned* which has been obtained as a result of the promotion of the trademark.”); 15 USC §1125(c)(defining famous marks which receive dilution protection in terms of domestic geographic renown).

⁶⁷ 275 F. 539 (2d Cir. 1921), *rev’d*, 260 U.S. 689 (1923).

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.* It is interesting to note that in reaching this decision the Court cited no evidence to support its conclusion regarding the “public understanding” of the source of the good.

⁷⁴ Despite increasing demands for the elimination of trade barriers to international trade, represented most clearly by the establishment of GATT in 1948, and of the World Trade Organization (“WTO”) in 1995, protectionist tendencies seem firmly entrenched as method for protecting domestic industries, particularly in times of economic upheaval. See, e.g., John H. Jackson, *The World Trading System: Law and Policy of International Economic Relations*,

Court in *Kmart Corporation v. Cartier, Inc.*,⁷⁵ territoriality has remained a firmly entrenched principle of US trademark law.⁷⁶

IV. Universality Reconsidered

Despite the undeniably strong role that territoriality plays in present trademark doctrine, the reality is that trademarks were not always perceived to be solely creatures of territorial control. To the contrary in the 19th Century, the universal nature of trademarks as potentially global source authenticators was given precedence in response to the growing efforts of governments to erect protectionist trade measures in the face of the economic globalization of the 19th Century.

The Industrial Revolution of the 18th Century fueled renewed interest in “freer trade,”⁷⁷ which in turn led to an explosion in international trade.⁷⁸ Not only were ever increasing numbers of countries involved in cross-border trade, but the types of goods being traded expanded beyond the luxury items of earlier days to items of mass consumption.⁷⁹ This growth, fueled by, inter alia, rapidly improving methods for transporting such goods and growing numbers of consumer for these new consumer products, led to increasing disputes over the ability of mark

Chapter 9 (MIT Press 2001)(exploring some loophole practices in the free trade regulatory regimes of GATT and WTO).

⁷⁵ 486 U.S. 281(1988). The reduction in protection against gray market goods was alleviated to a certain extent by the Second Circuit in its seminal decision in *Lever Brothers v. United States*, 981 F.2d 1330 (D.C. Cir. 1993), requiring US Customs to prevent the importation of goods under common ownership or control where “material differences” exist between the goods. See also *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989)(applying common ownership and control rationale to cases under Section 42 of the Lanham Act, 15 USC§1124).

⁷⁶ Among the cases which considered territoriality to be the governing rule of U.S. law post-*Katzel* are *Societe des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 636-37 (1st Cir. 1992), *Roger & Galet v. Janmarie, Inc.*, 245 F.2d 505, 509-11 (C.C.P.A. 1957), and *Osawa & Co v. B&H Photo*, 589 F. Supp. 1163, 1171 (S.D.N.Y. 1984).

⁷⁷ This “freer trade” sprang from a key shift in intellectual and political thought, derived largely from the publication in 1776 of Adam Smith’s *Wealth of Nations*. As a result, Western European countries turned from mercantilism to the concept of “free trade” based on the theoretical underpinnings of comparative advantage. See, e.g., John H. Jackson, *THE WORLD TRADING SYSTEM: LAW AND POLICY OF INTERNATIONAL ECONOMIC RELATIONS* 14-15 (THE MIT Press 1997)(discussing the change from mercantilism to “liberal trade” and the adoption of “comparative advantage”); Donald Kagan, Steven Ozment et al, *THE WESTERN HERITAGE* 592 – 594 (1991)(discussing mercantile doctrines during the 18th Century); David Held & Anthony McGrew, et al., *GLOBAL TRANSFORMATIONS: POLITICS, ECONOMICS AND CULTURE* 154-153(1999) (discussing mercantilism; the *Wealth of Nations* and the growth of freer trade). While such trade was “freer,” it was not immune from protectionist tendencies, including generally rising tariffs. Held & McGrew, *id.* at 157-161(examining rising trade tariffs among diverse countries from 1820 to 1931).

⁷⁸ See sources cited in note 77 supra. See also Matthew Frye Jacobson, *BARBARIAN VIRTUES: THE UNITED STATES ENCOUNTERS FOREIGN PEOPLES AT HOME AND ABROAD* 1987-1917 (2000)(exploring the use of foreign countries as sources of raw materials and markets for consumer goods during the late 19th Century).

⁷⁹ See, e.g., Held & McGrew, supra note 77 at 155 (examining the growth of trade in consumer goods).

owners to control domestic markets. Early attempts in the United States to prohibit the unauthorized importation of trademarked goods led courts to recognize the universal nature of trademark rights.

In one of the earliest reported cases in the United States regarding the importation of what is now referred to as a “grey market” good,⁸⁰ *Apollinaris Co. v. Scherer*,⁸¹ the predecessor to the Second Circuit Court of Appeals recognized that trademarks were universal in nature, and, therefore, beyond the control of a domestic trademark owner. In *Apollinaris* the owner of an exclusive right to export mineral water from a spring in Hungary challenged the unauthorized importation by a third party of bottled water from the same spring. The defendant importer had purchased the bottled spring water in Germany. Both the plaintiff’s and the defendant’s bottled water were manufactured by the same company in Hungary, using water from the same spring, and bearing the same legitimately affixed “Hunyadi Janos” trademark. The court acknowledged that defendant’s importation of Hunyadi Janos spring water had deprived plaintiff of the “substantial advantage”⁸² which it expected to gain from its exclusive US distribution rights with the Hungarian mark owner:

[The plaintiff] can no longer maintain its own prices for the mineral water, or hold out the inducements it formerly could to the agents it has selected to introduce the article to the patronage of the public, and build up a trade. It can no longer protect itself as efficiently against the chances of a spurious article being palmed off upon the public as its own.⁸³

Despite the fact that these harms “measurably deprived [the plaintiff] ... of the profits ... contemplated when it purchased ... the exclusive right of importing water into this country and selling it here,”⁸⁴ the court rejected the plaintiff’s efforts to rely on its US trade mark in order to prevent the unauthorized importation. The plaintiff had no “territorial title to the products of the spring.”⁸⁵ More importantly, the court found no violation of the plaintiff’s rights, since the “Hunyadi Janos” mark legitimately denoted the source of the goods. Without using the term “universal,” the court recognized that the source designating function of the mark was not constrained by the plaintiff’s territorial rights:

⁸⁰ “Grey market” goods (also referred to as “parallel imports”) are products which are legitimately manufactured in one country, but are being imported into another country without the authorization of the trademark owner of the country of importation. *See, e.g., K Mart Corp. v. Cartier, Inc.*, 486 US 281, 285 (1988)(defining a “grey market” good under US law as “a foreign manufactured good, bearing a valid United States trademark, that is imported without the consent of the United States trademark holder”). They should be distinguished from “counterfeit goods” which are trademarked goods whose manufacture was not authorized by law in the country of manufacture.

⁸¹ 27 F. 18 (CCSDNY 1886).

⁸²*Id.* at 20.

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

[T]he defendant is selling the genuine water, and therefore the trademark is not infringed. There is no exclusive right to the use of a name or symbol or emblematic device *except to denote the authenticity of the article* with which it has become identified by association. The name has no office *except to vouch for the genuineness of the things* which it distinguished from all counterfeits; and until it is sought to be used as false token to denote that the product or commodity to which it is applied is the product or commodity which it property authenticates, the law of trademark cannot be invoked.⁸⁶

This view of the universal nature of the source designating role of a lawfully affixed trademark was repeatedly upheld in the latter decades of the 19th Century, and at the beginning of the 20th Century.⁸⁷ At its heart, the “universality” doctrine represented the victory of consumer interests over the “property” interests of trademark owners. In upholding the universal authenticating function of marks, courts focused on their role as source designators. They made little or no reference to the role of the owner's goodwill, or to his investment in developing the mark's reputation.

The doctrine of universality was not merely a construction of US courts. To the contrary, in 1902, it made its way across the waters, and was recognized for the first time in Continental Europe by the German Reichsgericht in a case involving the unauthorized importation of French wine under the marks “Mariani Wein” and “Vin Mariani.”⁸⁸ The court held that so long as the wine was placed legitimately into circulation in France the German trademark owner had no territorial right to prevent its importation. The court based its finding on the view that trademark rights were not limited to a particular territory. To the contrary, the protection of marks abroad was considered merely an extension of the rights granted under the domestic law of the state where the trademark owner was located.⁸⁹ Thus, once a trademark was legitimately affixed to genuine goods, it carried its authenticity with it. The doctrine was subsequently adopted by

⁸⁶ *Id.* (emphasis added).

⁸⁷ *See, e.g.,* Apollinaris Co. v. Scherer, 27 F. 18 (CCSDNY 1886)(importation of spring bottled water from Hungary bearing “Hunyadi Janos” mark did not violate US common law mark holder’s rights); Fred Gretsch v. Schoening, 238 F. 780 (2d Cir. 1916)(importation of violin strings made in Germany and sold under the mark “Eternelle” did not violate US registered trademark owner’s rights); A. Bourjois & Co. v. Katzel, 275 F 539 (2d Cir. 1921), *rev'd*, 260 US 689 (1923)(importation of “Java” face powder did not infringe US rights). *See also* Walter J. supra note 61.

⁸⁸ Entscheidungen des Reichsgerichts in Zivilsachen [RGZ] [Supreme Court] 50, 229 (F.R.G.).

⁸⁹ *See, e.g.,* Carl Baudenbacher, *Trademark Law and Parallel Imports in a Globalized World – Recent Development in Europe with Special Regard to the Legal Situation in the United States*, 22 Fordham Int’l L.J. 645, 658 (1999).

numerous other countries in Western Europe, including Switzerland, Austria, Sweden and Holland.⁹⁰

Ultimately rejected by courts⁹¹ and scholars,⁹² the doctrine of universality for trademarks remains extant in the treatment of trademarked goods under the first sale doctrine in the United States, and regional exhaustion doctrines in the European Union. Under the first sale doctrine in the United States, the rights of a trademark owner are extinguished (exhausted) upon a sale in the United States of a legitimately manufactured product placed into commerce with the consent of the trademark owner.⁹³ Similarly, the regional exhaustion doctrine of the EU focuses on the legitimacy of the affixation of the mark and its entry into commerce.⁹⁴ The protection of “local” goodwill is secondary to protection of consumer interests in freer trade.⁹⁵

The doctrine of universality was undoubtedly a reflection of its times. Efforts by courts to deal with the increasing number of trademarked items being imported without a domestic mark owner's consent appeared to reflect the freer trade doctrines being given increasing prominence in the latter decades of Nineteenth Century. Emphasizing the public interest (consumer protection from confusion) over the property interests of local trademark owners was in keeping with trade policies seeking to promote greater cross-border commerce. While European

⁹⁰ *Id.* at 660 - 665 (discussing the adoption by various countries of the universality approach to trademark protection in cases of parallel importation and exhaustion of rights). *See also* Derenberg, *supra* note 61 (same); Trademark Harmonization Directive at Art. 7 (“The trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trademark by the proprietor or with his consent.”).

⁹¹ *See A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923).

⁹² *See, e.g.*, Graeme Dinwoodie, *supra* note 61 (noting the traditional view of territoriality for trademarks); Marcello Halpern & Ajay Mehrotra, *From International Treaties to Internet Norms: The Evolution of International Trademark Disputes in the Internet Age*, 21 U Pa. J. Int’l Econ L 523 (2000) (discussing traditional territorial views of trademarks); Doris Estelle Long, *The Territorial Nature of Intellectual Property Rights*, in *INTERNATIONAL INTELLECTUAL PROPERTY LAW*, 373- 374 (Anthony D’Amato & Doris Estelle Long, eds. 1997) (describing the classical view that trademarks extend only to the borders of the country in question).

⁹³ *See, e.g.*, *McDonald’s Corp. v. Shop At Home, Inc.*, 82 F. Supp.2d 801 (MD Tenn. 2000) (release of beanie babies into commerce ended plaintiff’s ability to control their unauthorized sale by franchisees to a shopping network).

⁹⁴ *See, e.g.*, Doris Estelle Long & Anthony D’Amato, *INTERNATIONAL INTELLECTUAL PROPERTY* Chapter 40 (West 1999). *See also* *Silhouette International Schmied & Co. KG v. Hartlauer Handelsgesellschaft mbH*, [1998] 2 C.M.L.R. 953 (upholding regional exhaustion in the EU, but rejecting international exhaustion for goods placed in commerce outside the European Union under Article 7 of the present Trademark Harmonization Directive).

It is interesting to note that in those cases which uphold the regional exhaustion of marks within the EU, the courts place strong emphasis on the free trade goals of the Union and rarely mention goodwill. *See generally* Baudenbacher, *supra* note 89 (examining the relationship between origin and goodwill in EU exhaustion cases and noting that strong exhaustion cases place diminished emphasis on the goodwill function of marks).

⁹⁵ *See, e.g.*, *Silhouette International Schmied & Co. KG v. Hartlauer Handelsgesellschaft mbH*, *supra* note 94; *Zino Davidoff SA v. A&G Imports Ltd*, [2002] 1 CMLR 1. *See also* LONG & D’AMATO, *supra* note 94 at Chapter 40 (examining exhaustion of rights in the European Union).

courts relied on a personality theory of protection missing in US court decisions,⁹⁶ in both regions courts insisted that the sole issue before them was the authenticity of lawfully affixed marks. Regional goodwill played little or no role in their decisions.⁹⁷ The recognition of the potential universal source designating nature of a trademark, I believe, reflected the perceived role of trademarks and of trademark protection in international commerce. It also reflected a growing appreciation of the role of fame in affecting consumers' purchasing decisions.⁹⁸ As the court recognized in *Russia Cement Co. v. Frauenhar*,⁹⁹ in denying claims against the use of plaintiff's mark by a bulk rebottler of plaintiff's glue: "the label tells the truth, and nothing but the truth. There is no fraud upon the public, for it gets the genuine, identical thing described by the label."¹⁰⁰

Behind these discussions of authenticity lies the belief that when consumers purchase products bearing well-known marks, they do not care or consider where the product is manufactured, or the location of the company owning exclusive territorial rights to the mark, except when such territorial origins form part of the mark's reputation.¹⁰¹ Instead, consumers purchase the product based largely, if

⁹⁶ According to Professor Derenberg, the doctrine of universality in Europe viewed trademarks "as an outgrowth of a right of personality which was deemed to be so closely associated with the person of their first user that the marks were held entitled to universal protection beyond the frontiers of the country of origin." Derenberg, *supra* note 61 at 734.

⁹⁷ Territoriality concerns did not, however, completely disappear from US courts' analyses during this period. To the contrary, territoriality limitations on rights were strongly reflected in the courts' treatment of common law US trademarks. Thus, for example, in *Hanover Star Milling Co. v. Metcalf*, 240 US 403 (1916), the Court emphasized the territorial limits of goodwill in deciding rights between two geographically separate concurrent users of the "Tea Rose" mark for flour. Rejecting a claim that the prior user's unregistered mark was protectable through-out the United States, the court stressed that a trademark "extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no traders to offer the article." 240 US at 416. The Court stressed that a mark owner cannot "monopolize markets that his trade has never reached, where the mark signifies not his goods, but those of another." *Id.* See also *Theodore Rectanus Co. v. United Drug Co.*, 226 F. 545 (6th Cir 1915) (rights in common law marks are limited to area of use) Such rationale is inapposite to the parallel importation cases where the universalist doctrine first arose since the marks at issue were already being traded in the United States.

⁹⁸ See Long, *Is Fame All There Is?*, *supra* note 20.

⁹⁹ 133 F. 518 (1904).

¹⁰⁰ *Id.* at 520. The court also rejected the plaintiff's concern over possible confusion about the nature of the goods being purchased due to the various categories of glue that plaintiff sold under the "Le Page Glue" mark. The court reasoned:

If the public gets an inferior quality of glue when it purchases that bottled by defendants it is because the complainant has seen fit to sell such glue under the same trade name as it had applied to a superior article, and has chosen thus to reap the profit from the sale to the public of two qualities or grades of the same article under the same trade name. *Id.*

¹⁰¹ See Long, *Is Fame All There Is?*, *supra* note 20. But cf. Simon Anholt, *BRAND NEW JUSTICE: HOW BRANDING PLACES AND PRODUCTS CAN HELP THE DEVELOPING WORLD* 103 (2005) (contending that famous marks carry the reputation of their perceived country of origin; it

not exclusively, on the fame or renown of the mark itself. So long as the mark in question is properly affixed to genuine products, the interests of the consumers are protected.

This treatment of trademarks as having a universal source designating function is reflected by the subsequent treatment of well known marks in Article 6bis of the Paris Convention.¹⁰² First drafted in 1925,¹⁰³ this provision represented an undeniable expansion beyond the territorial strictures of local registration, and yet was created at the same time that the United States was abandoning the universality principles that supported such expansion.¹⁰⁴ It may explain why the undeniable universalist aspects of certain marks remain unacknowledged.

*Unitorriality*¹⁰⁵

Marks are no longer, if they ever were, creatures of purely territorial invention. The Internet, the increasingly globalized fame of certain marks, and the ever-expanding role of international trade in trademarked goods and services have pushed such marks more strongly into the role of universal source designators. Trademarks are rapidly approaching the “world” marks at the heart of early universalist theories. Yet while trademarks continue to develop

does not matter whether coca-cola soda is produced locally because it has the prestige of the “USA brand”).

¹⁰² Paris Convention, Art. 6bis (requiring countries “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...”).

¹⁰³ See G.H. Bodenhausen, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 89 (BIRPI 1968). In 1911 the French Delegation to the Washington Diplomatic Conference proposed an additional provision to the Paris Convention which would give a registered mark owner the right to continue to use the mark in another country, without a registration, even in the face of registration by a third party in such country. This effort to obtain concurrent use rights for unregistered marks presaged the 1925 draft amendment to the Paris Convention which included the requirement of fame for the protection of such unregistered marks. See Ludwig Baeumer, *International Legislative History within the Framework of WIPO, and the Recognition and Protection of Famous and Well-Known Marks*, in Frederick Mostert, FAMOUS AND WELL-KNOWN MARKS 127-128 (Butterworth’s 1997).

¹⁰⁴ While ultimate expansion of Article 6bis to protect well-known marks from unauthorized use did not occur until the Lisbon Revision of the Paris Convention in 1958, even its early drafts provided protection for marks that were not registered. See, e.g., BODENHAUSEN, supra note 104 at Comment (a) at 89; Baeumer, supra note 104 at 127 – 132.

¹⁰⁵This section builds on my earlier proposal regarding the treatment of trademarks as unitorriality marks which first appeared in “Unitorriality Marks and the Global Economy,” 1 J. Marshall Rev. Intell. Prop. L. 191 (2002). As noted in that earlier article, my original inspiration for the concept of unitorriality marks came from a presentation by Justice John Paul Stevens as The Beverly W. Pattishall Inaugural Lecture in Trademark Law at The John Marshall Law School. His comments about Banbury Tarts in Chicago led me to wonder whether those early English bakers would have had a cause of action against the “colonialists” usurpation of their renowned source designator. See Justice John Paul Stevens, Section 43A of the Shakespeare Canon of Statutory Construction: The Beverly W. Pattishall Inaugural Lecture in Trademark Law, 1 J. Marshall Rev. Intell. Prop. L. 179, 188-89 (2002).

undeniably universalist tendencies (and meanings), their dichotomous nature as *both* territorial and global authenticators requires a different approach. Marks are neither wholly territorial nor wholly global. They are “unitorrial.” Such unitorriality requires that the universal nature of marks be acknowledged and applied in those situations where marks function, and should be protected, as global authenticators to the public for their affiliated goods or services. At the same time that the universal nature of certain marks need to be acknowledged, and the methods for protecting these marks altered to reflect their universal meanings, certain territorial groundings for purposes of administrative efficiency,¹⁰⁶ for fairness,¹⁰⁷ and for purposes of cultural or linguistic regulation of the marketplace¹⁰⁸ will remain important in serving the market regulatory and consumer protection goals of modern trademark. This universal, but territorial nature of trademark regulation in the 21st Century gives rise to the “unitorrial” nature of modern trademarks.

Modern globalization¹⁰⁹ has created, not merely a world-wide demand for foreign produced goods, but a world-wide prominence for the marks these goods carry. Like the authenticating role of marks in early universalist decisions,¹¹⁰ today’s global brands represent largely universal meanings to consumers. For example, even though McDonald’s restaurants may have slight differences in their menu or décor to meet local tastes,¹¹¹ the mark itself has a global significance regarding the nature of the goods and services provided under that mark that does not change significantly from country to country. Such global significations place trademarks much closer to the universal authenticators of *Apollinaris*¹¹² than to the territorially delimited marks of *Katzel*.¹¹³ Even the protection of well known marks supports the growing universalist authentication role of trademarks in today’s globalized economy. Thus, for example, even though fame under Article

¹⁰⁶ Such as registration obligations for marks which lack the requisite degree of reputation to qualify as a well-known mark.

¹⁰⁷ Including, for example, prior user rights, as well as obligations of meaning for geographic indications in local markets. See discussion *infra*.

¹⁰⁸ Including, for example, for determining whether particular marks lack distinctiveness or might otherwise be unprotectable on public morality grounds.

¹⁰⁹ While globalization itself is *not* a recent phenomenon, *see generally, e.g.*, GLOBALIZATION IN WORLD HISTORY (A.G. Hopkins ed., 2002) (tracing the history of globalization across three centuries, including its non-Western roots), its current incarnation, driven by technological advances in the communications media, is undeniably different from its earlier versions, *see, e.g.*, Thomas L. Friedman, THE LEXUS AND THE OLIVE TREE 9 (1999) (defining globalization as involving “the inexorable integration of markets, nation-states . . . faster . . . than ever before”); James H. Mittelman, THE GLOBALIZATION SYNDROME: TRANSFORMATION AND RESISTANCE 8-7 (2000)(containing various definitions of globalization which focus on the rapidity of the globalization process and the role of technology).

¹¹⁰ See discussion *supra*.

¹¹¹ Michael Wallace Gordon, *Hamburgers Abroad: Cultural Variations Affecting Franchising Abroad*, 9 Conn. J. Int’l L 165 (1994)(discussing various culturally required changes in McDonald’s franchises).

¹¹² 27 F. 18.

¹¹³ 260 US 689.

6bis may be *determined* by a territorial authority,¹¹⁴ the source of that fame is not so territorially circumscribed. To the contrary, WIPO's Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks,¹¹⁵ emphasizes the obligation to "take into account any circumstances from which it may be inferred that the mark is well-known."¹¹⁶ Among the areas that ought to be considered are the "use of the mark in ... territories in which the same language or languages are spoken ... or in territories which have close trade relations."¹¹⁷ Such expanded protection would be indefensible if trademarks were not perceived as representing a goodwill unbounded by territorial concerns.

This recognition of source functionality based on non-territorial use is not unique to well-known marks in the present global market. To the contrary, the international recognition of geographic indications¹¹⁸ and appellations of origin,¹¹⁹ such as "champagne" for sparkling wine from the Champagne region of France, similarly establish regimes where a sole source function for a term is protected beyond the borders where such source functionality developed. As recognized under Article 22 of TRIPS, the reputational nature of the geographic indication is based on the reputation of that indication *in the country where the good originates* -- not in the country where the good itself is being sold. Thus, the authenticating nature of geographic indications, like well known marks under

¹¹⁴ Article 6bis expressly provides that the determination of whether a mark is well-known is made "by a competent authority of the country of registration or use." Paris Convention, Art. 6bis.

¹¹⁵ www.wipo.int/about-ip/en/development_iplaw/doc/pub833.doc (2000).

¹¹⁶ *Id.* at Article 2.

¹¹⁷ *Id.* at Note 2.4

¹¹⁸ Geographic indications are generally defined as "indications which 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 geographical origin." TRIPS, Art. 22. Such indications are not technical trademarks because they are not distinctive terms, but are instead geographically descriptive terms of the origin of the goods in question. Furthermore, unlike trademarks which are generally owned by a single entity, geographic indications are used by all producers/distributors of goods which are produced in the area and meet the specifications established for the designated goods. Thus, for example, the *trademark* "Moët Chandon" is used by a particular company that produces sparkling wine from the Champagne region to designate its particular wine, while the *geographic indication* "champagne" is used by all producers of sparkling wine in the Champagne region that meet the necessary specifications to qualify as "champagne."

¹¹⁹ Appellations of origin are a narrower category of protected geographic source indications than those defined by the term "geographic indication under TRIPS. See note 119 *supra*. Appellations of origin are limited to "geographic names ... which serve[] to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors." Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration, Art. 2(1)[*"Lisbon Agreement"*]. While every appellation of origin theoretically qualifies as a geographic indication, not every geographic indication qualifies as an appellation of origin since the special characteristics of a product bearing an appellations of origin must arise solely from environmental or human factors, and not just from "reputation." Compare TRIPS, Art. 22 with Lisbon Article 2.

Article 6bis, is not based on individual territorial reputation, but on a universal meaning.¹²⁰

The expanding role of trademarks in the territorially ambiguous digital environment of the internet¹²¹ similarly supports acknowledgement of the universality of certain trademark authenticating functions. The use of trademarks in this digital environment has expanded to include new roles -- as source-designators for websites and other sources of digital information and communication,¹²² as domain names,¹²³ and even as items of commerce in the sale of key words to affect internet search results.¹²⁴ This global potentiality makes them a far different creature than the territorially constrained marks of *Katzel* and its progeny whose use was largely limited to those countries where the marked physical goods were present.¹²⁵ As the WIPO Standing Committee on Trademarks recognized in developing its recommendations for the protection of trademarks on the internet,¹²⁶ "one of the main peculiarities of the [i]nternet is its

¹²⁰ This universal meaning is, of course, lessened by Article 24 of TRIPS which allows individual countries to decline protection to a geographic indication where such indication "is identical with the term customary in the common language as the common name for such goods ... in the territory of that Member." TRIPS, Art. 24(6). Under this provision, the United States has declined to treat "chablis" as a protected indication on the grounds that such term is the generic term among the US public for "white wine." *Institut Nat'l Des Appellations D'Origine v. Vinters Int'l Co.*, 958 F.2d 1574, 1581 (Fed. Cir. 1992); *see also* *Vine Products Ltd. v. MacKenzie & Co., Ltd.*, [1969] R.P.C. 1, 25-26 (Ch.) (finding sherry is generic in the United Kingdom). The ability of one sovereign to decline protection to another's geographic indication, however, is rapidly being rejected among many developed and developing countries who are acceding to the Lisbon Agreement which provides that an "appellation of origin" "cannot be deemed to have become generic [] so long as it is protected as an appellation of origin in the country of origin." Lisbon Agreement, Art. 6.

¹²¹ While domain names and other internet uses of trademarks undoubtedly have a potentially territorial situs in the location of the domain name registry, the web server, and/or the domain name or website owner, they are also immediately usable, and used, in every country where the web page can be accessed.

¹²² *See, e.g.*, *Sporty's Farm LLC v. Sportsman's Market, Inc.*, 202 F.3d 489, 493 (2d Cir. 2000)(describing the rapid growth of the "commercial side of the Internet" including the use of web pages "to provide information about their products in a much more detailed fashion than can be done through a standard advertisement.")

¹²³ While domain names are not technically trademarks, their unauthorized use in third party domain names has resulted in private contractual arrangements, such as the Uniform Dispute Resolution Process (UDRP) and public laws, such as the Anti-cybersquatting Consumer Protection Act in the United States, 15 USC §1125(d), which allow trademark owners to prevent the registration of such domain names when the use of the trademark has been made in bad faith. Nevertheless, many country codes not only remain outside the scope of the UDRP, in their initial stages, only locally owned companies have been allowed to register domain names under such codes.

¹²⁴ The most notable example may be the Key word buys provided by Google under its AdWords program. *See, e.g.*, *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009)(describing the use of trademarks in the Adwords program).

¹²⁵ *See* note 67 *supra* and accompanying text.

¹²⁶ *See* Joint Recommendations Concerning the Protection of Marks and other Industrial Property Rights in Signs on the Internet, WIPO Doc /SCT/6/2, www.wipo.int/sct/en/documents/session_6/doc/set6_2.doc (2001).

'global' nature, the fact that a sign used on the [i]nternet is simultaneously and immediately accessible irrespective of territorial location"¹²⁷ which "challenges the territorial basis of laws relating to rights in marks or other signs."¹²⁸

Yet despite the increasingly universal nature of trademark signification, trademarks have not, nor should they, wholly lose their dichotomous territorial nature. First, not all marks possess universal meanings. To the contrary, even in today's globalized economy, there is still a strong role for local, niche marks whose meanings are limited to certain potentially territorially bounded customers.¹²⁹ Moreover, efforts to create national meanings for such generally non-distinctive, but no less source designating, meanings as "Made in Brazil," which I have strongly supported,¹³⁰ plainly rely on some level of *territorial* source signification that is best nurtured through domestic efforts,¹³¹ which in turn may be supported by domestic registration obligations to ensure administrative efficiency.¹³² Second, while globalization and the internet have undoubtedly expanded potential markets, and enhanced the fame of certain marks, they have also led to increasing conflicts between potentially confusing marks that once co-existed in relative peace in geographically distinct markets. These territorially delimited marks should not automatically lose their protected status when a globally more famous mark enters the prior users' market. However, they also should not be allowed to free ride on the enhanced reputation of their mark based on the presence of the second comer into the local market. Hence in certain instances, fairness may require the continuation of territorially restricted prior use rights for such local marks.¹³³ Territorial considerations similarly remain critical in protecting the cultural integrity of local markets. For example, protecting cultural meanings, such as avoiding scandalous marks, including the prohibition of the use of indigenous symbols in deculturizing ways,¹³⁴ or determining whether certain terms are generic or of common usage within a particular market can only be judged based on territorial standards. Finally, regardless of the universal

¹²⁷ *Id.* at Note 1.06.

¹²⁸ *Id.*

¹²⁹ See, e.g., Long, *Is Fame All There Is?*, supra note 20. The fact that marks may be local in meaning, however, does not mean that a global demand may not develop for such niche marks. *Id.* See generally Chris Anderson, *THE LONG TAIL: WHY THE FUTURE OF BUSINESS IS SELLING LESS OF MORE* (Hyperion 2006)(describing the emerging value of niche markets in the global economy).

¹³⁰ See Long, *Is Fame All There Is?*, supra note 20.

¹³¹ *Id.*

¹³² Even TRIPS acknowledges the critical role that domestic registration plays in administering local trademark systems by permitting countries to require such registration before local protection attaches for most marks.

¹³³ See, e.g., *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977), cert. dismissed, 434 U.S. 1052 (1978).

¹³⁴ See Long, *Is Fame All There Is?*, supra note 20 (discussing the role of Maori Council in New Zealand trademark registration process).

nature of some trademarks, their protection will still remain largely a creature of territorial bounded enforcement efforts.¹³⁵

At its most obvious level, unitorrial marks demand greater consideration of the consumer signification role of trademarks in determining the scope of protection afforded marks in the 21st Century. “Dogmatic territoriality”¹³⁶ which relies on old vestiges of territorial goodwill and a narrow scope of protection against likely confusion based on domestic registration has little meaning where marks are truly unitorrial in nature. For marks which have achieved a reputation beyond the borders of the country of origin of its goods, such as Coca-cola or Budweiser Budvar, maintaining old connections to domestic registration limitations, even under the enhanced obligations of reputational protection of Article 16 of TRIPS,¹³⁷ gives greater emphasis to the narrow territorial beginnings of international trademark protection than is warranted in the 21st Century.¹³⁸

I do not mean to suggest that a domestically well-known or famous mark should *automatically* qualify for unitorrial protection. But neither should a mark with a level of international renown be treated as a purely territorial creature in the face of domestic registrations. For example, assume that Company A, a manufacturer of French perfume under the PARIS NUIT mark, has obtained a trademark registration in its domicile of France. It has also registered its mark in the United States and Canada where it sells its PARIS NUIT perfume. Surely the separate registration of the PARIS NUIT mark in these countries does not transform the meaning of the affixed trademark from a source designator of perfume manufactured in France into one which automatically has separate territorial good will in Canada and the United States. Such result would elevate registration (which is not required for the protection of all marks) into a local act

¹³⁵ To a certain extent, this territoriality has been reduced by the enforcement provisions of TRIPS, see TRIPS, Arts. 41 – 61, which established minimum procedural obligations for the “effective enforcement” of trademark rights. TRIPS, Art. 41. However, such procedural minimums do not eliminate national variations in the processes for protecting such rights, including the types of tribunals which may be used to adjudicate trademark violations, or the need to obtain jurisdiction over an individual complainant to subject them to such processes. Efforts to date to establish international jurisdictional standards remain unsuccessful. See Draft (Hague) Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters.

¹³⁶ See, e.g., Marshall A. Leaffer, *The New World of International Trademark Law*, 2 Marq. Intell. Prop. L. Rev. 1, 9 (1998)(“dogmatic territoriality when applied to intellectual property ignores basic reality because informational products cannot be located at a particular spot on the globe”); Kenneth L. Port, *Trademark Harmonization Norms, Names & Nonsense*, 2 Marq. Intell. Prop. L. Rev. 33, 33 (1998)(contending that harmonization of trademark laws will not happen absent abandonment of territorial justifications of sovereignty).

¹³⁷ Article 16(3) provides for protection against the use of well-known marks on “goods or services which are not similar to those in respect of which *a trademark is registered*” provided that the necessary connection exists between those goods and services and the owner of the *registered* mark.” TRIPS, Art. 16(3).

¹³⁸ See Doris Estelle Long, *The Continuation of the Geographic Boundaries of Empire in the New Digital Order* (2010)(working draft on file with author)(describing the processes of 19th Century “empire” that remain embedded in international trademark regimes and the harm such territoriality causes”).

of singular (and I would say unwarranted) significance. Similarly, the simple transference from Company A of its rights in the PARIS NUIT mark in Canada to a local Canadian subsidiary or related company, *without more*, should not transform a universal authenticator into a domestic one. For separate goodwill to exist, there must be a separate, geographically bounded reason, such as the offering of warranty and repair services in a particular country.

Since well known marks are the most obvious marks to qualify as a universal authenticators, it is critical that the processes for determining the level of renown required to qualify as a well known mark in accordance with TRIPS obligations become more predictable. It is also critical, however, that the monopolizing power of such brands be regulated.¹³⁹ Recognizing the reality of unitorial marks in the 21st Century does not mean that well-known marks are given carte blanche to become the global monopolies their owners might prefer. To the contrary, as discussed more fully below, such unitorial status may well eliminate some of the territorially bounded rights of control over grey market goods that trademark owners have typically enjoyed. Similarly, creating more predictable standards for determining whether a mark qualifies as well-known does *not* require the creation of famous mark registries, which have their own problems of administrative burden and timeliness.¹⁴⁰ But it does mean that the haphazard treatment of well known marks must be reconsidered and new and more readily applied standards created for the global, digital environment in which trademarks now routinely appear.¹⁴¹ Furthermore, while marks which fit within the traditional boundaries of a well-known mark within the parameters of Article 6bis of the Paris Convention and Article 16 of TRIPS are most clearly marks which might qualify as universal authenticators, given that the focus is on the information signifying value of the mark to consumers, marks with regional reputations or even niche marks, might also qualify where they have sufficient repute to authenticate the goods on which they are being used.

The unitorial nature of trademarks poses perhaps the greatest challenge to the re-evaluation of the international status of grey market goods. The automatic assumption of domestic borders and defensible “no transit” zones for grey market trademarked goods erected by territorialism were never so absolute as they appeared. The “loopholes” of first sale,¹⁴² regional exhaustion,¹⁴³ and common control exclusions¹⁴⁴ have already lessened the strength of those physical boundaries. The internet and globalization have further eroded such limitations. While the unitorial marks of the 21st Century may not require international

¹³⁹ Long, *Is Fame All There Is?*, supra note 20.

¹⁴⁰ *Id.* (discussing the problem with such registries and their limitations).

¹⁴¹ Among the more problematic developments is the inconsistent treatment of the so-called “famous marks” doctrine under US law, see *ITC Limited v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), and the burgeoning role of likelihood of confusion analysis in reputation based protection in the European Union. See *Intel v Intelmark*, (C-252/07, 11.27.2008)(ECJ 2008).

¹⁴² See note 93 supra.

¹⁴³ See note 94 supra.

¹⁴⁴ See *Kmart Corporation v. Cartier Inc.*, 486 U.S. 281(1988).

exhaustion in all cases, they certainly raise new questions about the desirability of such exhaustion. Where no separate domestic goodwill exists, aside from the transfer of goodwill associated with a transfer of domestic ownership over the mark to a related company or subsidiary, protecting marks against all unauthorized importations in all situations seems unnecessary to say the least. If a good is a legitimate one (manufactured with the authority of the trademark owner), and there are no material differences between the imported good and the one manufactured in the imported country,¹⁴⁵ then unitorriality would arguably require that the goods be allowed entry.

The unitorrial nature of trademarks similarly demands a broadening of enforcement options internationally. Since such marks are no longer automatically constrained by the territorial limits of use or registration, expanded fora for the violation of rights in these marks seems mandated. Solutions to choice of law, forum selection, jurisdiction and points of attachment (including the “extraterritoriality” of laws) seeking to establish a single forum or single country solution are premised on faulty conclusions about the nature of the rights to be enforced and must be re-evaluated.

Conclusion

The historical dichotomies of market regulation versus property protection, and territoriality versus universality for trademark protection must be abandoned in favor of a new approach that recognizes the “unitorrial” nature of modern trademarks. This unitorrial nature recognizes the territorial nature of certain aspects of trademarks, such as registration prerogatives, while giving appropriate weight to their growing role as universal authenticators for particular goods and services. It combines the identified dichotomies in ways that reject dogmatic application of out-dated territorial rules in favor of a new approach that acknowledges the changing nature of trademarks and, hopefully, provides analytic tools with which to re-examine and reconfigure present trademark regimes to meet the demands of the 21st Century market.

Determinations of “fame” and its implications, the treatment of grey market goods, jurisdictional forum selection, and domain name and internet use rules are just a few of the more significant areas where present application of territoriality principles must be reconsidered in light of the evolved nature of trademarks in today’s global marketplace. As critical information signifiers for consumers and fundamental investment assets for their owners, trademarks will always have a dichotomous nature. But this dichotomous nature must be analyzed and protected in new ways that more accurately reflect the actual nature of trademarks in today’s global, digital market. Until we appreciate the changing nature of trademarks, and conform our domestic and international practices to reflect this nature we risk stunting the benefits of global trade offered by new global and digital markets. Territoriality must give way to unitorriality if the commercial

¹⁴⁵ See, e.g., *Lever Brothers Co. v. U.S.*, 981 F.2d 1330 (DC Cir. 1993).

and economic benefits of 21st Century markets are to be fully realized, and modern consumers to be fully protected.