

INTERNATIONAL TRADEMARK PROTECTION: FUNDAMENTAL PRINCIPLES

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International trademark¹ law generally protects **commercial symbols, logos, marks, names, colors, numbers, devices** and other commercial indicia of origin that distinguish the goods and services of one enterprise from those of another. Among the types of commercial symbols that are traditionally protected under international trademark regimes are word marks, logos, certification marks, personal names, numbers and other signs that serve as source identifiers. Increasingly other types of non-traditional source designators, such as sound marks, media marks and 3-dimensional marks, are being protected under domestic trademark laws in accordance with international principles.

International principles governing the protection of trademarks are generally found in three types of international agreements: (1) **multinational treaties** such as The Agreement on Trade Related Aspects of Intellectual Property Rights and the Madrid Agreement; (2) **regional agreements** such as the Bangui Accord (OAPI) and the Banjul Protocol (ARIPO) in Africa; Decision 486² of the Andean Community and the Trademark Harmonization Protocol of Mercosur in South America; the North American Free Trade Agreement and the Pan American Convention for the Americas; and the European Union Harmonization Directive and Community Trademark, and (3) **bilateral treaties** such as the various Free Trade Agreements between the United States and diverse countries which expressly contain trademark provisions as part of the agreement. In addition, numerous “softlaw” guidelines exist, including, most significantly the Joint Recommendation Concerning Provisions on the Protection of Well-known Marks and the Joint Recommendation Concerning Provisions on the Protection of Mark and Other Industrial Property Rights in Signs on the Internet, both adopted by the General Assembly of WIPO.

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¹ For purposes of this paper, in accordance with international practice, unless expressly indicated to the contrary, the term “trademark” or “mark” is used to signify marks used on goods and/ or services.

² Decision 486 is not a regional “treaty” per se, but is a binding decision on trademark protection for Andean Community Members.

As discussed more fully below, registration plays a critical role in the protection of trademarks internationally, including, significantly whether such registration is required for certain types of marks. Consequently, most trademark treaties focus largely or exclusively on registration issues. Relatively few treaties address the substantive obligations of trademark existence and protection. Among the major **multinational** treaties that protect commercial symbols and other indicia of origin are:

- a. The Paris Convention for the Protection of Industrial Property (substantive obligations)
- b. The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)(substantive and enforcement obligations)
- c. The Madrid Agreement Concerning The International Registration of Marks (“Madrid Agreement”)(registration issues)
- d. The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“Madrid Protocol”)(registration issues)
- e. The Nice Agreement Regarding the International Classification for Goods and Services (registration issues)
- f. The Vienna Agreement Establishing an International Classification of Figurative Elements (registration issues)
- g. The Madrid Agreement on Indications of Origin (enforcement obligations for false or deceptive geographic indicators)
- h. Trademark Law Treaty (registration issues)
- i. The Singapore Trademark Law Treaty (registration and licensing issues)

What Qualifies as a Protectable Mark Under International Standards

Under international standards, a trademark must generally meet two basic requirements in order to be protectable. The mark must be distinctive. It also must **not** be deceptive.

A mark is generally considered distinctive if it is capable of distinguishing the goods or services of one undertaking from those of another. To be distinctive, the mark must not be generic. It must not be the common descriptive term for the good or service in question. For example, the term “pen” cannot serve as a trademark for a writing instrument using ink because “pen” is the generic or common descriptive term for such an instrument. In this case, “pen” is not capable of having a source designating function because consumers would not recognize it as indicia of origin. Similarly, technical terms are not generally protectable as trademarks because they lack distinctiveness.

To be protected a mark also must **not** be deceptive. Thus, for example, if a product does not contain leather, the mark “NULEATHER” (which means “new leather”) would most likely not qualify as a protectable trademark. Although NULEATHER is not a generic term, in connection with products which are not made out of leather, the term might well be considered deceptive, and therefore outside the scope of protection, regardless of how distinctive the mark might otherwise be. Protecting deceptive marks is directly contrary to the consumer protection goals of trademark protection regimes.

Under TRIPS Article 16, any sign or combination of signs which is “capable of distinguishing the goods or services of one undertaking from those of other undertakings” must be protected as a trademark. (TRIPS, Art. 15) Among the types of distinctive signs which must be protected under TRIPS are words, personal names, letters, numerals, figurative elements and combinations of colors, as well as any combination of these signs. While TRIPS establishes minimum standards for determining protectable marks, some countries protect a broader range of signs than those specifically enumerated in TRIPS. For example, many countries limit trademark protection to signs which are capable of being represented graphically, that is, in words and/or pictures. The United States, among others, also protects sound and smell marks.

Registration of trademarks in most countries is a prerequisite to obtaining enforceable trademark rights. Such registration is not **required** under international standards, but is allowed for most marks. Some countries such as the United States provide protection for trademarks based on **use** of the mark in connection with the relevant goods or services. In these countries, registration is **not** required for an owner to obtain enforceable rights. Use of the mark within the country is sufficient.

Under TRIPS, registration may **not** be required where the mark in question qualifies as a famous or “well-known” mark. To the contrary, as discussed in greater detail below, famous or well-known marks must be protected even if they have not been previously registered in the country where enforcement is being sought.

For those marks for which registration is required, some countries grant trademark rights based solely on the registration of the mark. Others require that the mark be used prior to registration. In all countries which require registration, failure to use the mark within a specified period of time (anywhere from three to five years generally, depending on the country) will result in the loss of trademark rights. Among the significant international treaties which establish international standards governing the **registration** of trademarks are the Paris Convention for the Protection of Industrial Property, the Trademark Law Treaty, the Madrid Agreement and Protocol, and TRIPS.

Under TRIPS, a trademark owner is entitled to the exclusive right to prevent all third parties from using, without authorization and in the course of trade, “identical or similar signs for goods or services which are “identical or similar” to those in respect of which of the mark has been registered. (TRIPS, Art. 16) Thus, a trademark owner has the

exclusive right to use and to authorize the use of its mark and of marks that are confusingly similar to his mark. Trademark owners are also entitled to license their marks to third parties, and to assign their marks, including any goodwill (reputation) which may be attached to the mark to third parties. (TRIPS, Art. 21)

TRIPS specifies that the use of a trademark must not be unjustifiably encumbered by special requirements such as use with another trademark or use in a special form or use in a manner detrimental to the mark's capability to distinguish goods or services. (TRIPS, Art. 20) TRIPS also specifically disallows the compulsory licensing of trademarks. (TRIPS, Art. 21)

The Protection of Well-Known (Famous) Marks

International law recognizes that "well-known" marks raise special concerns about their unauthorized use and provide special protection for such marks. Under Article 6bis of the Paris Convention, "well-known" marks must be protected against the unauthorized registration and/or use of a trademark "which constitutes a reproduction, an imitation, or a translation, liable to create confusion" with a well-known mark. This protection also applies when the "essential part" of a well-known mark "constituting a reproduction of any such well-known mark or an imitation liable to create confusion therewith" is used or registered without authorization of the well-known mark owner. Such protection must be granted regardless of whether or not the well-known mark has been registered in the country in which enforcement is sought. Thus, as noted above, the duty to protect well-known (famous) marks against unauthorized use or registration is an exception to the generally accepted principle of registration as a prerequisite for protection.

The prohibition against the unauthorized use and registration of well-known marks under the Paris Convention extends to use on identical or similar goods. TRIPS extended the prohibition against the unauthorized use and registration of well-known marks to include marks used in connection with services as well.

Neither the Paris Convention nor TRIPS defines what qualifies as a "well-known mark." The Paris Convention provides, however, that the determination of whether a mark qualifies as a well-known mark may be made by "the competent authority of the country of registration or use." (Paris, Art. 6bis) In the United States a determination of whether a mark qualifies as a famous mark is usually made by the US courts in proceedings under special US legislation governing the protection of famous marks (the Federal Dilution statute discussed in further detail below) or by the US Patent and Trademark Office in related proceedings to cancel or deny registration to an applicant whose mark "dilutes" another's mark.

To qualify as a "well known" mark subject to the special protections of TRIPS and the Paris Convention, the mark at issue does not need to be used in the country where protection is sought. To the contrary, Article 16 of TRIPS requires that in determining whether a mark is well known, member states must take account of "the knowledge of

the trademark in the relevant sector of the public, including knowledge ... which has been obtained as a result of the promotion of the trademark.” The World Intellectual Property Organization in a Joint Recommendation Concerning the Protection of Well-Known Marks lists six, non-exclusive factors to consider in determining whether a mark qualifies as a well-known mark. These factors include the following:

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

The Joint Recommendation goes on to emphasize that the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in the Joint Recommendation.

The Joint Recommendation further defines “relevant sectors of the public” as including, (but not necessarily limited to) the following:

- (1) Actual and/or potential consumers of the type of goods and/or services to which the mark applies;
- (2) Persons involved in channels of distribution of the type of goods and/or services to which the mark applies;
- (3) Business circles dealing with the type of goods and/or services to which the mark applies.

The Joint Recommendation further provides that where a mark is determined to be well known in at least *one* relevant sector of the public, the mark shall be considered to be a well-known mark.

Protection for “Famous” Marks Under U.S. Law

Because famous marks are most often the subject of counterfeiting and other forms of unauthorized use, the United States created a special federal statute to prevent the unauthorized use of famous marks by third parties. Under Section 43(c) of the Lanham (Federal Trademark) Act, the owner of a “famous” mark may prohibit the unauthorized commercial use of a “mark or trade name in commerce” that is “**likely** to cause dilution ...of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”³ (15 USC §1125(c)(1)) To qualify for protection, the mark at issue must have become famous before the challenged unauthorized use occurred.

The statute prohibits two types of dilution: dilution by blurring and dilution by tarnishment. Both are defined in terms of unwanted associations between the famous mark and the junior user’s mark. “Dilution by blurring” is defined as the “association arising from the similarity between a mark or trade name and a famous mark that **impairs the distinctiveness** of the famous mark.” (15 USC §1125(c)(2)(B)) The statute lists numerous non-exhaustive factors that a court may consider in determining whether “dilution by blurring” has occurred, including:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark. (15 USC §1125(c)(2)(B))

“Dilution by tarnishment” is defined as the “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the

³ This language is from the Revised Federal Trademark Dilution Act, enacted in 2006 which changed the definition of what qualifies as a “famous” mark under the statute and altered the cause of action from one of “causing dilution” to the mark to the perceived broader standard of being “**likely** to cause dilution” under the Revised statute.

famous mark.” (15 USC §1125(c)(2)(C). No factors for analyzing the presence of dilution by tarnishment, however, are provided in the statute.

Registration is **not** a prerequisite for protection of a mark under the statute. To the contrary, registered and unregistered marks are equally protectable so long as they meet the foundational requirement of “fame.” Unlike Article 6bis of the Paris Convention and Article 16 of TRIPS which require protection for “well-known” marks, the Federal Trademark Dilution Act requires that a mark be “famous.” The statute provides a relatively narrow definition of fame, requiring that the mark be “widely 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.” (15 USC §1125(c)(2)) In determining whether a mark possesses the requisite degree of “recognition,” the court “may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.” (15 USC §1125(c)(2).

The requirement of national recognition by the “general consuming public” was crafted expressly to exclude protection for niche marks.

As noted above, dilution does not require a showing of likelihood of confusion or competition between the parties. Thus, theoretically dilution protection is available even in the absence of a competitive nexus or any demonstration of traditional trademark harm in the form of likely confusion.

Because of its extended protection beyond traditional trademark boundaries of likely confusion, the federal statute limits the availability of money damages (and any other relief beyond injunctive) relief to situations involving willful violations. Thus, while injunctions are readily granted in instances of likely dilution, , the owner of the famous mark is not entitled to any remedies beyond injunctive relief, unless the person against whom relief is sought “**willfully** intended to trade on the recognition of the famous mark” (in cases involving allegations of dilution by blurring) or “**willfully** intended to harm the reputation of the famous mark.” (15 U.S.C. §1125(c)(5)). In these cases, the owner of the famous mark is entitled to the full panoply of relief, including, injunctive relief, defendant’s profits, plaintiff’s actual damages and attorneys’ fees “as are available for trademark infringement.” (15 U.S.C. §1125(c)(5)).

A famous mark owner may also challenge the unauthorized registration of a mark which dilutes its famous mark, or seek its cancellation. (15 USC §1052(f))

In addition to the protection for famous marks arising under the Federal Trademark Dilution Act, some courts in the United States have also granted protection under a federal common law “famous marks” doctrine. The existence of this independent basis for protecting well-known marks (beyond trademark dilution) has been questioned recently and its precise scope remains undefined. It does, however, offer the potential for protecting marks which do not meet the fame requirements of federal dilution statutes, including in particular niche marks.⁴ As defined by the court in *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088 (9th Cir. 2004), this doctrine provides protection to marks which are familiar to a “substantial percentage of consumers.” Other courts have rejected a common law basis for “famous mark” protection under federal law. See *ITC Limited v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007). The precise scope of this doctrine currently remains unsettled.

Standards Under TRIPS For Trademark Enforcement

TRIPS requires that civil enforcement procedures (before either courts or administrative tribunals) be available to stop any infringement of trademark. (TRIPS, Art. 41) It also requires that criminal sanctions, including fines and imprisonment, be available at least for willful trademark counterfeiting. (TRIPS, Art. 61) In addition, TRIPS requires that border measures be available to prevent the importation of counterfeit trademarked goods. (TRIPS, Art. 51)

The World Trade Organization (WTO) administers TRIPS. In order to become a member of the WTO, a country must demonstrate that it already has in place laws and procedures which meet TRIPS standards.

In the area of trademark protection, TRIPS requires the adoption and use of fair and equitable trademark enforcement procedures, including (but not limited to) protection for registered trademarks and unregistered well-known (famous) marks. These procedures must not be unreasonably burdensome, costly or complicated. They must assure effective action against infringement, and must include expeditious remedies (quick relief) that deter future infringements and provide adequate compensation to the trademark owner for the harm caused. Parties must have notice of the claims against them and must have the opportunity to obtain and present evidence regarding those claims. TRIPS further requires that all decisions be made by an unbiased judge, based on the evidence presented by the parties. No secret evidence may be used, although evidence may be subject to confidentiality orders to protect confidential information.

⁴ In addition several states have state dilution statutes which may also protect marks whose fame is insufficient to qualify for protection under the Federal Trademark Dilution Act.

Rulings must be based on laws which are publicly available. No discrimination is allowed in the application of rights or remedies. (See generally TRIPS Art. 41 to 50)

Judicial authorities must have the power to order payment of damages adequate to compensate for the injury caused to the trademark owner. (TRIPS, Art. 45) Such adequate compensation should include disgorgement of the defendant's profits, as well as the plaintiff's lost profits (in appropriate cases). It may also include pre-established or statutory damages in appropriate cases. In addition, the courts must also have the power to order the defendant to pay the trademark owner's expenses, including attorney's fees and costs.

Judicial authorities must also have the power to issue injunctions, ordering a party to desist from an infringement. These injunctions must include preliminary relief granted without notice to the defendant. (TRIPS, Art. 44)

In addition, judicial authorities must also have the power to order the seizure and impoundment of goods and the materials and implements whose predominant use has been in the creation of the infringing goods, also without notice. (Arts. 46 & 50) Such materials and instrumentalities may include labels, signs, prints, packages, wrappers, and receptacles bearing the mark at issue. The ability to seize infringing goods, materials and implements without notice not only helps preserve evidence of the defendant's illegal acts, such seizures are also critical to preventing future infringements and minimizing the harm to the trademark owner.

Where relief has been granted without notice to the defendant, the defendant must be given the opportunity to appear in court or before the appropriate administrative tribunal without delay to challenge the propriety of the relief granted. If any seizure was wrongful, the defendant must be granted the right to obtain adequate compensation for the harm caused by the wrongful seizure. (TRIPS, Art. 50)

Finally, judicial authorities must have the power to order the disposition of the impounded goods and equipment outside the normal channels of distribution without compensation to the defendant. (TRIPS, Art. 46) Such disposal may include the destruction of the goods and equipment. Such destruction assures that the illegal goods will not appear again in the marketplace, thus deterring future infringement. Where the goods in question are counterfeit goods, simple removal of the trademark is **not** sufficient to permit the release of the goods into commerce, absent exceptional circumstances. (TRIPS, Art. 46)

Proving Infringement: Evidentiary Issues

Proving trademark infringement essentially requires evidence of (1) ownership of a protectable trademark; (2) unauthorized use; and (3) likely confusion arising from the unauthorized use in question.

Ownership can most easily be demonstrated by a trademark registration certificate. Where a well-known mark is concerned, ownership can be proven by facts demonstrating prior use (often in the country where the infringement occurred), or voluntary registration of the mark. The protectable nature of the mark is demonstrated through its distinctive capability.

Unauthorized use is often demonstrated through the lack of a license agreement or other permission from the legitimate trademark owner to use of the mark in question. Where the mark is counterfeit, the counterfeit nature of the product is often used to demonstrate unauthorized use.

As a general rule, counterfeit goods tend to be of an inferior quality. For example, counterfeit t-shirts are often of poorer quality material, and the trademark itself is often poorly stitched or composed of poor quality graphics. In many cases, the counterfeit trademark may even be misspelled or contain slight variations designed to confuse the consumer into believing he is buying legitimate goods. Similarly, counterfeit drugs are often of inferior quality and may be ineffective, or even worse, may be harmful. Usually a side-by-side comparison of counterfeit and legitimate products is often sufficient to demonstrate the inferior quality of the counterfeit goods. In some cases, expert testimony may also be offered to establish the counterfeit or inferior quality of the goods on which the mark appears.

The primary test for trademark infringement is whether the defendant's use of the mark in question is likely to cause confusion. TRIPS requires that where the marks at issue are identical and are used on the identical goods or services, a likelihood of confusion must be presumed. (TRIPS, Art. 16) Trademark infringement, however, is not limited to cases of identical marks on identical goods. To the contrary, TRIPS requires that the unauthorized use of similar marks on similar goods and services must also be prohibited where likely confusion arises. (Id)

As a general rule, evidence that consumers have actually been confused about the source of the infringing goods is strong, and may be conclusive, evidence of infringement. Nevertheless, such actual confusion is not required to demonstrate trademark infringement. To the contrary, likelihood of confusion is rarely demonstrated by direct evidence. It is commonly shown by proof of similarity with regard to various factors that give rise to an inference that consumers would likely be confused by the use in question. Among the factors which courts generally consider are:

1. The similarity of sound, appearance and meanings between the marks;

2. The similarity of the channels of trade and distribution between the marks;
3. The similarity of the goods and services;
4. The strength of the marks, including the prevalence of use of similar marks by other third parties and the fame of the plaintiff's mark;
5. The quality of the goods or services (Where the goods of the infringer are of a lower quality it is easier to obtain relief since such inferior quality may tarnish the mark's reputation.);
6. The bad faith adoption of the second comer;
7. The sophistication of the customers.

No single factor is dispositive. Instead, each case is decided on a case-by-case basis. Often consumer surveys may be used to demonstrate likely confusion.

Bonds and Guarantees

Under TRIPS judicial authorities may be authorized to require the posting of a bond or other form of security in the case of any seizure.(TRIPS, Art 51(3)) Such bond or guarantee, however, must be reasonable and cannot be unduly burdensome. In accordance with the national treatment principles of TRIPS, if a bond requirement is imposed, it must be imposed equally on both domestic and foreign trademark owners for purposes of preventing abuse. The bond or guarantee must be returned if the seizure is properly conducted since the purpose of such a bond is to assure adequate compensation to the defendant in the event of a wrongful seizure.

Trademark Enforcement in the United States (Civil Cases)

Trademark protection in United States is based on the Lanham (Federal Trademark) Act, a federal (national) statute that went into effect in 1948 and has been amended numerous times. The Lanham Act, found at 15 U.S.C. §§1051, et seq., in general, prohibits the imitation and unauthorized use of a trademark in commerce. Trademarks under the Act are defined broadly as "any word, name, symbol or device or any combination [used] to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." (15 USC §1127)

Trademarks, unlike other forms of intellectual property, are always connected to some commercial activity or item and have no function or independent existence apart from such goods or services. To be granted trademark protection, an applicant must

generally demonstrate that the mark is actually used, and has been continuously used, in commerce. (Exceptions to the prior use requirement exist for foreign mark applicants) As discussed more fully below, remedies for infringement may include injunctive relief; monetary relief in the form of damages (lost profits); profits (gained by defendant in excess of lost profits) or statutory damages (trebled when appropriate); seizure and destruction of infringing material; criminal penalties; and attorney's fees and costs.

Under US law anyone who violates any of the exclusive rights of the trademark owner is an infringer. In addition to direct infringement, courts recognize claims for vicarious and contributory infringement. Thus, the person who induces another to infringe someone's rights, or who assists in such infringement (such as by producing the illegal goods at the request of another), is equally liable. US law also provides heightened penalties for civil trademark counterfeiting.

Protectable Trademarks Under US Law

US law protects trademarks, service marks, collective marks and certification marks. Under US law protectable trademarks include "any word, name, symbol, or device, or any combination thereof" used "to identify and distinguish his or her goods" and "to indicate the source of the goods, even if that source is unknown." (15 U.S.C. §1127) This definition provides for a broad scope of protectable marks, including sound marks, smell marks, multi-media marks, and trade dress.

To qualify for trademark protection a mark must be distinctive -- it cannot be deceptive and it must be used in commerce in connection with the relevant goods and services. To be distinctive a mark must be either inherently distinctive (which means that it is considered distinctive immediately upon use of the mark) or it must have acquired distinctiveness through use. Inherently distinctive marks include those marks which are arbitrary or fanciful, or which merely suggest a quality or characteristic of the goods or services in question. Marks which are descriptive may also be protected upon proof of secondary meaning. A mark has acquired secondary meaning, if "in the minds of the public, the primary significance of a product feature or term is to identify the *source* of the product, rather than the product itself." Such secondary meaning is generally established through evidence of use.

Registration is not required for trademark protection to attach. Instead, it is sufficient for the mark to be used in commerce. Such protection without registration applies regardless of whether the mark is famous or "well known."

Trade Dress Protection Under US Law

“Trade dress” under US law is merely a special type of protection granted to the overall appearance or image of a product, its configuration and/or its packaging that serves as a source designator for the product or services in question. Trade dress protection extends to combinations of otherwise functional elements and may include such diverse items as the size, shape, color, texture and/or graphics of a product. Trade dress protection has been successfully used to protect such diverse items as restaurant interiors, uniforms, methods for selling dolls with adoption certificates and greeting card designs.

To qualify for protection, the trade dress must be distinctive. It must also lack functionality. Non-functionality is determined by deciding whether the mark is functional from a utilitarian or aesthetic point of view. To determine functionality the court considers a variety of factors, including whether:

1. The feature is essential to the purpose or use of the product;
2. The feature affects the cost or quality of the product; and
3. Whether protection hinders competition.

Trade dress which is sufficiently distinctive and non-functional can be registered with the US Patent and Trademark Office and accorded the presumption of validity and ownership given to registered trademarks.

Proving Trademark Infringement Under US Law

The test for trademark infringement under US law is whether the defendant's use of a mark is likely to cause confusion, *i.e.*, whether an appreciable number of reasonably prudent consumers are likely to be confused or deceived as to the source, affiliation or sponsorship of the parties and their goods and services. “Actual” confusion or intent to confuse is **not** required.

In order to establish trademark infringement, the plaintiff must demonstrate both ownership of a protectable trademark and likely confusion arising from the unauthorized use of defendant’s mark in commerce. A valid federal trademark registration certificate is *prima facie* evidence of the owner’s exclusive right to the mark and of the trademark’s validity.

Likelihood of confusion is established on a case-by-case basis. In deciding whether a likelihood of confusion exists, courts consider the following factors (among others):

1. The similarity of sound, appearance and meanings between the marks;

2. The similarity of the channels of trade and distribution between the marks;
3. The similarity of the goods and services;
4. The strength of the marks, including the prevalence of use of similar marks by other third parties and the fame of the plaintiff's mark;
5. The quality of the goods or services (Where the goods of the infringer are of a lower quality it is easier to obtain relief since such inferior quality may tarnish the mark's reputation.);
6. The bad faith adoption of the second comer;
7. The sophistication of the customers;
8. The presence of actual confusion.

No one factor is dispositive. Under recent case law, evidence of confusion is not necessarily limited to confusion at the point of purchase, but may include post sale confusion where third parties are confused as to the source of the goods that the purchaser is using. In cases involving the unauthorized use of trademark in metatags, key words and in other internet based uses, some courts have also recognized that likely confusion may also occur as "initial interest confusion" where a confusion in initially confused as to the source of the goods or services. Consumer surveys are often used to provide evidence of likely confusion.

Not all consumers must be potentially confused for relief to be granted. Instead it is enough if a significant or appreciable number of **prospective** purchasers would be confused. Such purchasers must be the typical buyer exercising ordinary caution.

Damages and Remedies Under US Trademark Law

The remedies available for trademark infringement under US law include the minimum remedies required under TRIPS, including injunctions, damages, attorneys' fees and costs, and impoundment or destruction of infringing materials.

- **Injunctions:** Temporary, preliminary and final injunctions may be granted by a court on such terms as it may deem reasonable to prevent or restrain infringement of a trademark. Injunctions are routinely granted in cases of trademark infringement. *Ex parte* injunctions (injunctions granted without notice to the defendant) are available on a temporary basis and are generally granted in cases of counterfeit goods, or where potential infringement is imminent. (15 USC §1116)

- **Money Damages:** An infringer may be liable for the defendant's profits, as well as the trademark owner's actual damages. Statutory damages are available in cases of trademark counterfeiting (see discussion below) and cybersquatting (15 USC §1117)
- **Attorneys' Fees and Costs:** A court may also allow for recovery of costs, as well as reasonable attorney's fees to the prevailing party in exceptional cases. "Exceptional" cases usually involve infringement that is malicious, fraudulent, deliberate or willful. (15 USC §1117)
- **Impounding Infringing Articles:** A court may order the impounding, of all articles claimed to be infringing. These articles include the infringing goods themselves as well as "all labels, signs, prints, packages, wrappers, receptacles and advertisements in the possession of the defendant, bearing the mark at issue." In addition "all plates, molds, matrices, and other means of making" such labels, etc., may also be seized. Such seizures may be obtained without notice to the defendant upon evidence of a prima facie case of infringement. *Ex parte* seizures are routinely granted in cases of trademark counterfeiting. (15 USC §1118)
- **Destruction:** A court may further order the destruction of all infringing articles, as well as "all labels, signs, prints, packages, wrappers, receptacles and advertisements" bearing the mark at issue, as well as "all plates,, molds, matrices, and other means of making" such labels, etc. (15 USC §1118) Such destruction is routinely ordered in cases of trademark counterfeiting. However, prior to any such destruction the plaintiff must give the US federal prosecutor in the relevant district ten days prior notice so that the prosecutor may challenge such destruction if it might impede any currently pending criminal investigation or prosecution. (15 USC §1116(d))

Counterfeit Goods and Marks

Counterfeiting is a particularly egregious form of trademark infringement where an identical or nearly identical mark is used on identical goods, generally in an effort to pass off inferior goods as legitimate ones. Because of the special harm to consumers that counterfeit goods pose, TRIPS requires that civil, criminal and border measures be available to combat the harm caused by counterfeit goods. At the heart of a claim of counterfeiting is the unauthorized use of a mark which is virtually indistinguishable in its essential aspects from another's mark. For example, the use of the term ROLEXX on watches qualifies as a counterfeit version of the ROLEX mark for watches. Since counterfeiters do not generally care about the harm that may be caused by their goods, they exercise no quality control over them and provide no guarantees as to the safety or effectiveness of their goods. Consequently, counterfeit goods are often of inferior or even harmful quality.

The counterfeit nature of the goods in question is often demonstrated by a physical examination of the goods themselves. Counterfeit products are often created of inferior materials or of shoddy workmanship. Thus, a side-by-side comparison of the counterfeit product with legitimate goods often demonstrates the counterfeit nature of the goods. In addition, the counterfeit mark may be misspelled or may vary slightly from the legitimate mark. Labels may be poorly printed or of shoddy quality. Sometimes the goods on the surface may appear legitimate, but an examination of the inner workings of, for example, a watch may demonstrate that the counterfeit product is created from plastic. Similarly, counterfeit drugs may be ineffective and counterfeit food, liquor or cigarette products may not taste the same as legitimate products. In addition, such products often contain harmful ingredients since counterfeit goods are not usually subject to quality control.

Criminal Trademark Enforcement Under International Standards

TRIPS requires, at a minimum, that criminal penalties including fines and imprisonment be available in cases of willful trademark counterfeiting. (TRIPS, Art. 61) It defines “counterfeit trademark goods” as “any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.” (TRIPS, Art.51 n14) The same requirement of procedural fairness apply to criminal enforcement as apply to civil procedures, including the obligation to have decisions made by an unbiased judge based on the evidence that the parties have had a chance to challenge, and applying publicly available laws. (See discussion above under Standards Under TRIPS For Trademark Enforcement” for more information.) Sanctions must be exercised that are severe enough to deter future violations. Because the harm caused by trademark counterfeiting can be severe, TRIPS also requires that relief be promptly granted. Judges must have the power to order the seizure of at least the counterfeit goods, and the implements **used predominantly** in the manufacture of those goods. Such goods must either be destroyed or disposed of outside the channels of commerce, without compensation to the infringer. The simple removal of an unlawfully affixed counterfeit mark is *not* sufficient under TRIPS to allow the release of the goods into commerce, except in exceptional cases. (TRIPS, Art. 48) Countries may grant *ex officio* power to enforcement officials to investigate and prosecute criminal violations without prior complaint by the trademark owner.

Trademark Enforcement in the United States (Criminal Cases)

US law provides criminal penalties for trademark counterfeiting, including monetary fines and penalties, and imprisonment. In the United States the law on criminal trademark violations is found at 18 USC §2320. In addition, criminal penalties are also available for the related crime of trafficking in counterfeit labels. (18 USC § 2318)

The statutory penalties for criminal trademark counterfeiting in the United States are found at 18 U.S.C. § 2320. Individuals guilty of criminal counterfeiting “shall be fined not more than \$2,000,000 or imprisoned not more than 10 years, or both.” If the defendant is other than an individual, such defendant shall “ be fined not more than \$5,000,000.” Higher penalties are imposed for repeat criminal behavior.

Because criminal defendants often move from jurisdiction to jurisdiction, various enforcement agencies, including prosecutors, customs officials, tax officials, police and others share information regarding illegal activities so that repeat offenders can be identified and punished appropriately.

Special Damages for Counterfeiting in the United States (Civil Cases)

Trademark counterfeiting is treated as a particularly egregious form of trademark infringement in the United States. In addition to criminal penalties, US trademark law also provides for heightened civil penalties for illegal counterfeiting. Under US law, a counterfeit mark is defined as a “spurious mark which is identical with or substantially indistinguishable from a registered mark.” (15 USC §1127) The marks at issue do not have to be identical to qualify as counterfeit. However, because counterfeiting results in special remedies, the mark must be federally registered. The counterfeiting of unregistered marks results in the same civil liabilities applicable to traditional trademark infringement. (See discussion above)

To prove civil counterfeiting, the plaintiff must prove ownership of a registered mark and unauthorized use of a counterfeit or spurious version of that mark in connection with the same goods or services for which the mark is registered. This use must create a likelihood of confusion. Where the identical (or virtually identical) mark is used on the same goods or services for which the mark is registered, likelihood of confusion is presumed. Successful plaintiffs are entitled to the same types of relief granted in trademark infringement cases, including injunctive relief, money damages, seizure, destruction, attorneys fees and costs. Injunctive relief, including, in particular, *ex parte* temporary restraining orders (without notice to the defendant) are routinely granted in cases of counterfeiting. *Ex parte* seizures of the goods and marks involved in the violation, including the means of making such marks and records documenting the manufacture, sale or receipt of things involved in such violation, are also routinely granted.

Because trademark counterfeiting may also result in criminal prosecution, special rules have been established for the grant of *ex parte* seizure orders in order to assure that criminal investigations and prosecutions are not compromised by the actions of plaintiffs in private suits to enforce their trademark rights. Under these special rules affidavits and other evidence may be used to establish the factual basis for the order and the US Attorney (the federal prosecutor) must be given notice “as is reasonable under the circumstances” in order to participate in the hearing granting the *ex parte* order “if such proceedings may affect evidence of an offense against the United States.” The hearings are conducted in secrecy and the records are sealed (kept confidential) until the defendant has a chance to challenge the scope and propriety of the ordered seizure. As a general matter, prosecutors rarely participate in such hearings since only presently active investigations and prosecutions are deemed of sufficient public interest to warrant potential denial of an otherwise legitimate request for an *ex parte* seizure. Seized goods and marks must be destroyed without compensation to the defendant if counterfeiting is proved. Wrongful seizures are subject to compensation for the harm caused.

Because of the egregious nature of the harm to consumers and trademark owners caused by trademark counterfeiting, US law also provides for special civil penalties for trademark counterfeiting. For registered marks, in the event of proof of counterfeiting, any money damages, by statute, must be tripled. In lieu of actual damages, the plaintiff may recover statutory (pre-established) damages of not less than \$1,000 or more than \$200,000 per counterfeit mark, per type of good or services sold, offered for sale or distributed. In the case of willful trademark counterfeiting, statutory damages may be raised to not more than \$2,000,000 per counterfeit mark, per type of good or service sold, offered for sale or distributed.

In determining the amount of statutory damages to award in cases of trademark counterfeiting, courts consider several factors including: (1) the amount of loss by all of the victims, including diminution of market share; (2) the total number of counterfeit goods manufactured or sold; (3) the quality of the infringing goods; (4) the price at which they were sold; (5) the normal retail price for non-infringing goods; (6) the market to which such infringing products were sold; and (7) the impact of the items' release on potential demand for the legitimate goods.