

January, 2006

Ten Years of Trademark Law: Lessons for the Future?

Graeme B. Dinwoodie, *Chicago-Kent College of Law*



Ten Years of Trademark Law: Lessons for the Future?

Graeme B. Dinwoodie*

I. Introduction

When Hugh asked me to offer my thoughts on the last ten years of trademark law and hazard some predictions on its likely future course, I immediately sent him off an email requesting clarification: did he wish me to talk about U.S. trademark law or international trademark law? Before he could reply, however, I sent him a second email, telling him not to bother replying -- because these subjects have over the past ten years become two parts of the same story.

Of course, one should not overstate this proposition. Some of the developments that I will discuss exhibit only a tangential international dimension. But the most significant overarching characteristic of U.S. trademark law (and of trademarks) over the last ten years has been the pervasive, if sometimes unspoken, influence of internationalization. And, I would suggest, the safest prediction of likely future directions for trademark law is precisely the same: think international.

A secondary theme, though obviously related, is the role of online activity in determining the direction of trademark law (and of trademarks). In the past ten years, we have seen this consideration prominent in the development of some generally applicable trademark provisions (such as the early days of the federal dilution law), as well as cause the enactment of narrow specific legislation (such as the Anticybersquatting Consumer Protection Act, the ACPA) aimed at particular online conduct. And the importance of online trademark law may cause us in the future to reconsider or reshape some basic premises (such as scope of trademark rights, the relative merits of use versus registration based systems, and protection of non-traditional trademark subject matter).

I will not attempt an exhaustive analysis of the last ten years, or of all these examples. Instead, I will discuss a selection of developments, grouped under these two broad themes. This will allow me both to offer some general comments about where trademark law has come in the past ten years and to speculate on what we can expect in the next decade.

II. The Forms of International Influence

1. Treaty Implementation

*Professor of Law, and Norman and Edna Freehling Scholar, Chicago-Kent College of Law. Copyright 2002, Graeme B. Dinwoodie. These remarks were delivered at the Tenth Annual Fordham Conference on International Intellectual Property Law and Policy in April 2002.

International influence takes many forms. The most direct influence of international law absent self-execution of treaties has been legislative implementation of trademark treaties. In the last ten years we have seen federal legislation amending U.S. trademark law to implement the trademark provisions of NAFTA, TRIPS and the Trademark Law Treaty. Unlike copyright law, where implementation exercises have attracted greater controversy, these changes have been quite small and not earth-shattering in nature. These agreements allowed the United States to continue to condition trademark registration on use, which is perhaps the theme that is most dominant in U.S. attitudes to international trademark agreements.

The Madrid Protocol was of course concluded more than a decade ago, but has not yet been implemented for a variety of broader political reasons largely unrelated to trademark policy. The eventual adoption of the Madrid implementing legislation will provide additional options for U.S. trademark applicants seeking multinational rights and it may have an effect on the workings of the PTO. But the effect on substantive principles of U.S. trademark law will be quite slight as even Madrid-based international applications will continue to be assessed under the respective national laws in which applicants seek extensions of protection.

2. International Positioning

On other occasions, international influence is less direct, but no less real. For example, although the Federal Trademark Dilution statute, enacted in 1995, was the product of many years of domestic lobbying, here too the international dimension intruded into the debate. The legislative history noted that “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.”¹ Indeed, the decision ultimately to extend dilution protection to both registered and unregistered marks was said to reflect the PTO’s concern that a narrower provision would undermine the U.S. leadership position in international intellectual property discussions.

3. Responding to the International Nature of Online Activity

The international influence can be found in domestic responses to the increasingly international nature of product development, product marketing and, ultimately, consumer attitudes. Here, at least in part, the international theme which I have been discussing converges with the second theme, namely, the role of online activity in shaping trademark law and policy.

A large part of online trademark disputes (not just in the United States) have become intertwined with the ownership of domain names. With respect to domain names, the international influence on trademark law has intruded in at least three different ways.

¹See The Federal Dilution Act of 1995: H.R. Rep. No. 374, 104th Cong., 1st Sess. 4 (1995).

a. **International Resolution of Primarily American Disputes**

The Department of Commerce, while reaffirming the United States' interest in retaining control of the root server and hence of the ability to regulate the domain name system, clearly recognized the international nature of the domain name system, and sought a solution that reflected this. Thus, although the Internet Corporation for Assigned Names and Numbers ("ICANN") is incorporated in California, its structure and operations are consciously non-national.

This creates its own governance problems, of course, but this is not the occasion to address those in detail. Suffice it to say, that the Uniform Domain Name Dispute Resolution Policy (the UDRP), a non-national body of law that has fast become an international standard -- has been used by U.S. trademark owners as an important tool in the effort to provide relief against cybersquatters -- even where the relevant activity and parties are primarily American.

b. **Extending Domestic Law Internationally**

On the flip side of international standards being used to resolve primarily American disputes, there is Section 43(d)(2) of the Lanham Act. Congress, like the Department of Commerce, recognized the international (and thus jurisdictionally elusive) nature of the domain name system. So it enacted the ACPA, which took effect just one day before the UDRP went into force.

But Congress took different meaning from the international nature of cybersquatting disputes. Rather than defer to non-national and international standards and institutions, Congress saw the non-national nature of domain name registration as an enforcement problem to be addressed. Thus, when it enacted the ACPA and created a cause of action for cybersquatting that both rivals and supplements proceedings under the UDRP, it also introduced Section 43(d)(2) of the Lanham Act. Under this provision, the owner of a mark who cannot obtain jurisdiction over the alleged cybersquatter may file an action *in rem* against the domain name itself in the judicial district in which the domain name registrar that registered the domain name is located.

This provision, in particular, has enabled U.S. mark owners to obtain relief against cybersquatters from around the world, effectively extending the reach of U.S. trademark laws well beyond the United States. Indeed, the U.S. courts have, for example in the *Heathmount* case, declined to dismiss on *forum non conveniens* grounds *in rem* complaints filed by Canadian corporation against Canadian defendants where almost the sole contact with the jurisdiction was the issuance of the domain name registration by NSI. The lack of an equivalent to the ACPA in Canadian law rendered Canada, in the eyes of the court, an inappropriate or inadequate forum (as were panels convened under the UDRP).² Under this approach, U.S. law does surely have global

²See *Heathmount A.E. Corp. v. Technodome.Com*, Case No. CA-00-00714-A (E.D. Va. Dec. 29, 2000).

reach.

c. Enforcing Non-National and Foreign Trademark Law (or Rights) in U.S. courts

A less well-recognized provision of the ACPA, but one that possesses the potential for similar global policing of the internet by U.S. trademark law, is that now found in Section 32(2)(D)(v) of the Lanham Act. This provision permits domain name registrants aggrieved at the loss of a UDRP proceeding, and hence their domain name registration, to file a claim before a U.S. federal court seeking (i) a declaration that their domain name registration violated no trademark rights under the Lanham Act, and (ii) an order returning their domain name registration.

Quite how this provision will operate is not yet clear. But two recent cases illustrate the potential of this provision to shape the future of trademark law, and highlights both the themes -- the prominent challenges of internationalization and the effect of the internet on trademark policy -- to which I referred above.

i. Sallen v. Corinthians

The first case is *Sallen v. Corinthians* where a U.S. plaintiff who had lost a UDRP case to a Brazilian trademark owner brought suit in U.S. district court under this provision.³ Sallen had registered the domain name *corinthians.com* with a registrar in the United States. A Brazilian soccer team called Corinthians owns rights in Brazil to the mark *CORINTHIANS* for a soccer team. But the Brazilian soccer team owned no trademark registration for *CORINTHIANS* in the United States. (The team is very popular in Brazil, and indeed is arguably well-known in many countries.) After the domain name owner offered to transfer the domain name, the Brazilian trademark owner successfully brought an action against Sallen under the UDRP. Sallen responded by filing a suit in federal court in Massachusetts under Section 32(2)(D)(v).

In December 2001, the First Circuit handed down an opinion that strictly addresses itself to a narrow procedural question. Despite the preliminary procedural posture of the case, however, the First Circuit's opinion offers some insights into how the court views the interaction of the UDRP and the Lanham Act. First, the court approved earlier decisions suggesting that decisions of WIPO panels would be afforded no deference or weight in proceedings under the Lanham Act or the ACPA.

Second, the court in its procedural discussion suggests that Congress in Section 32(2)(D)(v) provide registrants such as Sallen with a cause of action to over-ride UDRP decisions, even where there are no U.S. trademark rights at issue. The court suggested that "it would be very odd if Congress, which was well aware of the international nature of trademark

³*Sallen v. Corinthians Licenciamentos*, 273 F.3d 14 (1st Cir. 2001).

disputes, protected Americans against reverse domain name hijacking only when a registered American mark owner was doing the hijacking.”

The court’s conclusion on the “soft law” character of the UDRP is surely correct. But notice the operation of Section 32(2)(D)(v). The UDRP panel’s findings of *noncompliance with the UDRP* are, to use the court’s words “trumped,” by a declaration of *compliance with the ACPA*. The fate of the Brazilian trademark owner under the Lanham Act depends upon the existence of U.S. rights. The fate of the trademark owner under the UDRP is not so dependent. A UDRP complainant must demonstrate rights, but they need not be U.S. rights.

By applying Section 32(2)(D)(v) even to successful foreign mark owners, the court ensures that there will be an inevitable conflict of decisions: the foreign mark owner would, under a conventional understanding of the Lanham Act, necessarily lose the ACPA action because it has no trademark rights in the United States. Thus, in all such alignments – U.S. domain name registrant against foreign mark owner with no rights in the United States – the domain name registrant will prevail in court, and the domain name transfer order of the UDRP panelist will not be implemented.

This is problematic for several reasons. First, it encourages the return of competing and inconsistent national court decisions that the UDRP sought to obviate. If Brazil enacted a similar statute and its trademark owner prevailed in Brazilian court, which order would the registrar implement? Second, this approach of unengaged interaction with the UDRP prevents a national court contributing to the development of the non-national system either by addressing the panel’s decision (though I wouldn’t like to see that on a general basis) or, by articulating some limits on the scope of application of the ACPA, offering guidance as to the circumstances in which the U.S. has a prescriptive interest sufficient to warrant over-riding the UDRP decision.

To be sure, the UDRP was meant to be restricted to core cases where there was a clear abuse. Perhaps the U.S. national over-ride is properly confining the UDRP to its intended role? I am unconvinced of this solution, however, when applied as bluntly as *Sallen* suggests. Even accepting the court’s interpretation of the intent behind the operation of the system, it is unclear that this is the type of case where Congress thought U.S. rights had to be protected. The domain name registrant owned no trademark rights in the U.S., and there was no evidence that the Brazilian trademark owner had been denied rights in the U.S. Any U.S. interest was weak.

More long-term, one has to ask whether there are alternative ways that U.S. courts can engage with UDRP panels and contribute to the development of the international domain name system, construed broadly as encompassing both the UDRP jurisprudence and the relationship between national laws and the UDRP.

ii. **Barcelona.com**

A more internationalist decision, though one with problems of its own, was handed down

just four weeks ago and may presage some of the internationalist challenges of the next ten years.⁴ Again, it highlights both of the themes to which I referred earlier. That case involves the domain name *barcelona.com*, which two Spanish nationals registered with NSI (although they eventually transferred the registration to a Delaware corporation they formed for that purpose).

The city of Barcelona owns rights in Spain for various marks that include the name BARCELONA, although it owns no trademark rights in the name BARCELONA as such. The City of Barcelona filed a complaint under the UDRP, and proved successful. The owners of *Barcelona.com*, then filed a complaint under Section 32(2)(D)(V) – within the ten day window that stays the transfer of the domain name by the registrar – and a decision was handed down by the judge on March 6 after a bench trial.

The court's opinion is unclear in some respects, most notably as to the source of the legal rules it applies. However, several things are clear. First, the court determined that the UDRP decision was entitled to no deference in the U.S. courts. The court claimed to make its own legal and factual determinations *de novo*. Second, the court held that foreign trademark rights could be enforced under the ACPA.

This might obviate at least one of the problems that I suggested flowed from *Sallen*, namely, the inevitable defeat of foreign mark owners facing U.S. domain name registrants. And it forces us to confront whether national courts should be evaluating trademark rights granted by other nations, a topic that is very much in play in the Hague Convention negotiations (although here, foreign rights were being adjudicated and enforced *under U.S. law*, which is a different issue from the mechanism being considered in the Hague context).

The case does have its own problems, beyond the ambiguities in identifying the law actually being applied. In particular, this seems an even more unlikely case for the application of the ACPA, given the parties, the domain name in question, and the geographic nature of the mark in question (which injects the court into quite controversial waters). But it does show the types of issues that internationalization and online conduct will bring to the fore.

4. Non-Domain Name International Litigation

In the non-internet litigation context, the trademark docket over the last ten years has reflected an increasing attention to international issues. There have been a large number of cases seeking to apply the Lanham Act extraterritorially. Although courts have historically expressed greater willingness to apply the Lanham Act extraterritorially than is true in, for example, the copyright context, the Second Circuit has always insisted on applying the so-called *Bulova* factors before applying the Lanham Act extraterritorially.

⁴*Barcelona.com v. Excelentísimo Ayuntamiento*, ___ F. Supp.2d ___, 2002 WL 359759 (E.D. Va. Feb. 22, 2002).

In *Sterling Drug v. Bayer*,⁵ the defendant, Bayer AG, was a German company that owned rights to the BAYER mark in most countries of the world, but not in the United States. The U.S. rights were owned by the plaintiff, Sterling, a U.S. company. Strictly, any effort to apply the Lanham Act to uses occurring outside the United States would fail the *Bulova* test. The Second Circuit was, however, willing to relax the standards for extraterritorial application in circumstances where the plaintiff was seeking something less than an absolute injunction in light of the developing global economy.⁶

Sterling Drug suggests that the resolution of the complexities of international trademark litigation where conflicting national rights exists may require national trademark owners to accept that they have to settle for something less than exclusive rights when they move into the international market. This is especially true in the online environment, where technologically fashioned relief may become more significant. For example, in *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*,⁷ the court recognized that it could not prohibit the Italian defendant from operating its web site in Italy (where its use of the mark was legal) merely because the site was accessible from the United States (where the use of the mark was prohibited). But the court was willing to enter a more limited injunction requiring the defendant to stop access to U.S. users who, by accessing the site from the United States, would effectively be causing the use of the mark to filter into the United States.

5. Trademark Subject Matter

During 1992-2002, the U.S. Supreme Court has handed down five decisions. All have involved non-verbal marks: most notably, product design or color *per se*. The trend is increasingly clear, at least as regards distinctiveness. From the high-protectionist point of *Two Pesos*⁸ in 1992, where the Court appeared to approve the assimilation of the principles governing the distinctiveness of verbal trademarks and non-verbal trade dress, the Court has drawn back. The *Qualitex* decision⁹ in 1995, where the court recognized that a color *per se* could be registered as a product's trademark under the Lanham Act, implicitly indicated some unease with *Two Pesos* by appearing to require secondary meaning as a prerequisite to protection of color. Finally,

⁵*Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733 (2d Cir. 1994).

⁶For a fuller discussion of this case law, see Graeme B. Dinwoodie, *Private International Aspects of the Protection of Trademarks*, WIPO Doc. No. WIPO/PIL/01/4 (Jan. 2001), available at http://www.wipo.org/pil-forum/en/documents/pdf/pil_01_4.pdf.

⁷*Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996).

⁸*Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992).

⁹*Qualitex Co. v. Jacobsen Prods.*, 514 U.S. 159 (1995).

in *Wal-Mart Stores*,¹⁰ the Court concluded that while packaging may be inherently distinctive, product design may not.

In some respects, this focus on non-textual source-identifiers should be unsurprising. Society has become more visual during the past ten years, and producers (particularly those seeking to market globally and avoid the hurdles presented by linguistic difference) might be expected to use source-identifiers that exploit the most current forms of societal communication. Here, the international influence is not directly on trademark law, but on the trademarks themselves – which, of course, affects the rules that are developed and the protection that is offered.

The internet may change subject matter issues in ways that are as yet unclear. Thus, while global marketing (facilitated by the internet) might highlight the use of non-verbal symbols to bridge cultural and linguistic divides, the internet is still heavily text-dependent. For example, the means of searching the internet will likely affect the means by which online consumers identify and distinguish products, and the leading search engines are text based. But this facet of the internet may be changing.

Conclusion

These are just some of the ways in which international and online considerations have affected the development of trademark law in the past ten years. And, I would suggest, these same two themes are even more likely to dominate our challenges in the years ahead.

¹⁰*Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 120 S. Ct. 1339 (2000).