Court of Appeals, Second Circuit Docket No. 05-0933

Court of Appeals

STATE OF NEW YORK

ITC LIMITED,

Plaintiff-Counter-Defendant-Appellant,

—against—

PUNCHGINI, INC., RAJA JHANJEE, PARAGNESH DESAI, VICKY VIJ, DHANDU RAM, MAHENDRA SINGH, BACHAN RAWAT, BUKHARA GRILL II, INC.,

Defendants-Counter-Claimants-Appellees.

ON A QUESTION CERTIFIED BY THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR *AMICUS CURIAE* INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF NEITHER PARTY

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Date Completed: October 2, 2007

DISCLOSURE STATEMENT

Pursuant to Section 500.1(c) of this Court's Rules of Practice, *amicus curiae* the International Trademark Association states that it has one affiliate, the INTA Foundation, but no parents or subsidiaries.

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PRELIMINARY STATEMENT

The International Trademark Association ("INTA"), one of the world's foremost associations of trademark owners, law firms and related organizations dedicated to the advancement of sound principles of trademark and unfair competition law, respectfully requests that the Court consider the views set forth herein in INTA's capacity as *amicus curiae*.

The questions certified to this Court by the U.S. Court of Appeals for the Second Circuit in the case of *ITC, Inc. v. Punchgini, Ltd*, 482 F.3d 135 (2d Cir. 2007) presume that the resolution of appellant's claim for unfair competition depends on whether the "famous marks doctrine" (a/k/a the "well known marks doctrine") is recognized under New York common law. As that doctrine is generally understood, a trademark used exclusively overseas may be entitled to protection in this country, even in the absence of actual use in commerce, if the mark possesses a sufficient reputation among a relevant consumer group such that confusion caused by a defendant's wrongdoing is likely to occur. INTA respectfully submits that: (i) the Second Circuit's presumptions concerning the applicability of the famous marks doctrine to this case are incorrect; (ii) the certified questions overlook essential principles of New York unfair competition law; and (iii) it would be both unnecessary and unwise for this Court to recognize the famous marks doctrine as a matter of New York common law.

Rather, INTA believes that this case, as well as the two longstanding trial court decisions that were the subject of particular scrutiny by the Second Circuit in *ITC*, *Vaudable v. Montmartre, Inc.*, 20 Misc.2d 757, 193 N.Y.S.2d 332 (Sup. Ct. N.Y. Co. 1959) and *Maison Prunier v. Prunier's Rest. & Café, Inc.*, 159 Misc. 551, 288 N.Y.S.2d 529 (Sup. Ct. N.Y. Co. 1936), are all governed and explained by well settled, generally applicable principles of unfair competition law. As shown below, any analysis of the questions certified to this Court by the Second Circuit should begin by considering the historical development of unfair competition law in New York and the two types of unfair competition – palming off and misrepresentation – against which the tort is aimed. This historical examination reveals that longstanding New York unfair competition law provides relief against a broad range of wrongful commercial conduct, including the misappropriation of the reputation or other indicia of the goodwill of an out-of-state or overseas business. INTA submits that this Court should not curb the sweeping protections long afforded by New York unfair competition law against the many and varied types of commercial misconduct that still persist in the modern marketplace.

To the contrary, this Court should reaffirm what New York courts have held for decades: that the misappropriation in New York by one business of the time, labor, effort, goodwill or other property interests developed or acquired by another commercial enterprise will not be tolerated, even if the victim is located outside of New York or in another country. None of New York's unfair competition precedents – not even *Vaudable* and *Maison Prunier* – relied on the famous marks doctrine to define the depth and breadth of New York unfair competition law, nor need this Court do so here. Instead, INTA urges the Court to answer the Second Circuit's certified questions by referencing these longstanding principles of New York unfair competition law, particularly the critical element of bad faith that is central to any claim of misappropriation.

THE CERTIFIED QUESTIONS AT ISSUE IN THIS PROCEEDING

Question: 1. Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country?

Question: 2. If so, how famous must a foreign mark be to permit a foreign mark owner to bring a claim for unfair competition?

As this brief will make clear, INTA takes the position that the questions certified by the Second Circuit are not the proper ones to be considered by this Court in determining the legal issues at hand. The two questions erroneously presume that the famous marks doctrine is the only way an overseas trademark owner whose mark is not used in the United States can be entitled to protection against common law unfair competition under New York law. INTA submits that *ITC* mischaracterizes the *Vaudable* and *Maison Prunier* decisions, and that these decisions are mere applications of the New York law of unfair competition as it has existed for many decades.

<u>INTERESTS OF THE *AMICUS CURIAE*</u>

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has over 5,000 members in more than 190 countries. Its members include trademark owners, law firms, advertising agencies, package design firms and professional associations. All share the goal of promoting an understanding of the essential role trademarks play in fostering informed decisions by consumers, effective commerce and fair competition.

INTA members frequently are participants in trademark and unfair competition litigation as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent and fair principles of trademark and unfair competition law. INTA has substantial expertise and has selectively participated as *amicus curiae* in numerous U.S. cases involving significant trademark and unfair competition issues.[1]

INTA was initially founded as the United States Trademark Association, in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since that time, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with all major pieces of federal trademark legislation, including the Lanham Act in 1946, the Trademark Law Revision Act in 1988, the Federal Trademark Dilution Act in 1995 and the 2006 amendments thereto, the Model State Trademark Act, as well as international

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1 Cases in which INTA has filed *amicus* briefs include *Contessa Premium Foods, Inc. v. Berdex Seafood, Inc.*, 546 U.S. 957 (2005) (granting INTA's motion to file a brief as *amicus curiae*, denying *certiorari*); *KP Permanent Make-Up, Inc. v. Lasting Impression I Inc.*,543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627 (1999); *Dickinson v. Zurko*, 527 U.S. 150 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC* , No. 06-2267 (4th Cir. 2007) (*sub judice*); *Test Masters Educ. Serv., Inc. v. Singh d/b/a Testmasters*, 428 F.3d 559 (5th Cir. 2005); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020 (9th Cir. 2004); *WarnerVision Entm't, Inc.v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed Cir. 1984); *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983); *In re Borden, Inc.*, 92 F.T.C. 669, *aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n*, 674 F.2d 498 (6th Cir. 1982), *vacated and remanded*, 461 U.S. 940 (1983); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff'd*, 440 U.S. 941 (1979).

trademark laws and treaties including the Madrid Protocol and the Trademark Law Treaty.

INTA seeks to file this brief *amicus curiae* because the questions certified by the Second Circuit raise two issues that are of great importance to domestic and international trademark owners. The first issue is the scope of protection New York's common law provides against unfair competition. New York is one of the world's foremost commercial centers and the focus of more national and international trading activity than perhaps any other U.S. jurisdiction. It is essential to the sound operation of U.S. trademark law that New York continue to maintain its longstanding, robust protections against unfair competition. This case raises important questions concerning the extent to which the goodwill and other property interests of commercial enterprises with both national and international reputations will be protected within New York, and the extent to which New York courts will allow certain types of unfairly competitive activity to persist notwithstanding the existence of bad-faith conduct.

The second issue at stake in this proceeding is the famous marks doctrine to which the Second Circuit devoted so much attention in *ITC*. As noted previously, the Court is asked to decide whether this doctrine is recognized under New York common law. If the Court were to grant such recognition, not only would it make New York the first U.S. state to do so – thereby making this case one of great importance to trademark owners on this basis alone – but it would also widen a conflict that exists among U.S. courts as to whether the doctrine is incorporated into U.S. law, either at common law or under the U.S. Trademark Act of 1946, 15 U.S.C. §§ 1051 *et seq.*, popularly known as the Lanham Act. *Compare ITC*, 482 F.3d at 157-65, *with Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1093-98, 1101 (9th Cir. 2004) (recognizing existence of famous marks doctrine as a matter of federal law but denying recognition under California common law). Because such legal conflicts foster disputes and create uncertainty over the proper application of trademark law, INTA possesses a critical interest in the resolution of the questions presented to this Court for adjudication, an interest that transcends those of the individual parties to this action.[2]

Accordingly, INTA respectfully requests that this Court entertain the views expressed herein by INTA as *amicus curiae*.

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2 The respective counsel for the parties herein are associate members of the INTA. None of the parties to this action are members of the INTA, although an indirect corporate affiliate of the plaintiff-counter-defendant-appellant is a regular member of the INTA. INTA takes no position as to what the ultimate result of this proceeding should be, or how the evidence of record should be assessed. No party to this action or their counsel played any role in the preparation of this brief.

ARGUMENT

POINT I

NEW YORK HAS LONG MAINTAINED BROAD PROTECTIONS AGAINST UNFAIR COMPETITION THAT THIS COURT SHOULD NOT UNDERMINE

For over a century, New York has taken a leading role in broadly protecting consumers and businesses against a wide variety of commercial wrongs classified as unfair competition.

> Unfair competition is a form of unlawful business injury. . . . The incalculable variety of illegal commercial practices denominated as unfair competition is proportionate to the unlimited ingenuity that overreaching entrepreneurs and trade pirates put to use.

Electrolux Corp. v. Val-Worth, Inc., 6 N.Y.2d 556, 568, 190 N.Y.S.2d 977, 987, 161 N.E.2d 197, 204 (1959) (quoting *Ronson Art Metal Works, Inc. v. Gibson Lighter Mfg. Co.*, 3 A.D.2d 227, 230-31, 159 N.Y.S.2d 606, 609 (1st Dep't 1957)); *see also Taendsticksfabriks Akticbolagat Vulcan v. Myers*, 139 N.Y. 364, 367, 34 N.E. 904 (1893) ("While competition is essential to the life of commerce, and is the consumer's main defense against extortion, it should be fair and honest . . . ."); *Mitchel H. Mark Realty Corp. v. Major Amusement Co.*, 180 A.D. 549, 554, 168 N.Y.S. 244, 247-48 (1st Dep't 1917) ("the law relating to unfair competition has a threefold object: First to protect the honest trader in the business which fairly belongs to him; second, to punish the dishonest trader who is taking his competitor's business away by unfair means; and, third, to protect the public from deception.").

In delineating the categories of wrongs actionable under the tort of unfair competition, New York courts have frequently emphasized the flexibility of the legal principles underlying the cause of action, thereby broadening its scope and enabling it to encompass virtually every form of commercial wrongdoing in which an enterprising malefactor can engage.

> In passing upon the question of the sufficiency of a complaint alleging unfair competition it is helpful to bear in mind the origin and evolution of this branch of law. It originated in the conscience, justice and equity of common-law judges. It developed within the framework of a society dedicated to freest competition, to deal with business malpractices offensive to the ethics of that society. The theoretic basis is obscure, but the birth and growth of this branch of the law is clear. It is an outstanding example of the law's capacity for growth in response to the ethical as well as economic needs of society. As a result of this background the legal concept of unfair competition has evolved as a broad and flexible doctrine with a capacity for further growth to meet changing conditions.
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> The modern view as to the law of unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality, and a court of equity will penetrate and restrain every guise resorted to by the wrongdoer. The courts have thus recognized that in the

> complex pattern of modern business relationships, persons in theoretically non-competitive fields may, by unethical business practices, inflict as severe and reprehensible injuries upon others as can direct competitors.

Metropolitan Opera Ass'n, Inc. v. Wagner-Nichols Recorder Corp., 199 Misc. 786, 792, 796, 101 N.Y.S.2d 483, 488, 492 (Sup. Ct. N.Y. Co. 1950), *aff'd*, 279 A.D. 632, 107 N.Y.S.2d 795 (1st Dep't 1951); *see also American Chain Co. v. Carr Chain Works, Inc.*, 141 Misc. 303, 306-07, 252 N.Y.S. 860, 865 (Sup. Ct. N.Y. Co. 1931) ("The law of unfair competition is of comparatively recent origin. It is the necessary creation of intensive business rivalry which often incites unfair methods. Whilst the books contain a multitude of cases bearing on this branch of equity, the principles governing them are simple as, indeed, are the fundamental rules of honesty and fair dealing.").

Conceptually, both this Court and lower New York courts have long defined the tort of unfair competition as being applicable to two general categories of commercial chicanery: (i) palming off; and (ii) misappropriation.

A. Palming Off Is a Prohibited Form of Unfair Competition

The original form of wrongdoing that the tort of unfair competition aimed to prevent was palming off, *i.e.* efforts by a second-comer to deceive consumers into believing that its goods or services were the same as, sponsored by or connected to the goods or services of a senior user. *Electrolux*, 6 N.Y.2d at 557, 190 N.Y.S.2d at 985-86, 161 N.E.2d at 203. At least as far back as 1921, this Court held, in a case involving an effort by a New York newspaper to publish a cartoon series featuring characters and a title blatantly imitative of those used in the iconic comic strip "Mutt and Jeff" created by a California newspaper, that:

> A person who uses an unregistered name or mark can prevent others using the same so as to deceive the public into thinking that the business carried on by such persons and the goods sold by them are his (27 Halsbury's Laws of England, 744.) Such conduct as is calculated to deceive the public into believing that the business of the wrongdoer is the business of him whose name, sign or mark is simulated or appropriated can be restrained in equity.

Fisher v. Star Co., 231 N.Y. 414, 427, 132 N.E. 133 (1921).

In order to establish a claim of unfair competition by palming off, a plaintiff must establish a likelihood of consumer confusion between its mark or protected designation of source and the defendant's mark or designation. *Id.*, 231 N.Y. at 428. This standard necessarily implies that the plaintiff must possess a protectible trademark, trade name, trade dress or some other designation of source because, in order for confusion to be likely, the plaintiff must own some protectible property right with which confusion could occur. The *Metropolitan Opera* decision recognized this reality when it held that "[c]learly, some property rights in the plaintiffs and interference with and misappropriation of them by defendants are necessary to a cause of action" for unfair competition, and thereafter recognized that the name and reputation of the Metropolitan Opera were such protectible property interests. *Metropolitan Opera*, 199 Misc. at 797-98, 101 N.Y.S.2d at 493-94. In cases where the designation the plaintiff seeks to protect against palming off is not inherently distinctive, but rather descriptive, a plaintiff must establish the existence of "secondary meaning," *i.e.*, that the designation has come to possess a meaning to consumers that transcends its descriptive significance. *See Fisher*, 231 N.Y. at 431-32 (holding that "Mutt and Jeff" had acquired secondary meaning beyond status of mere personal names); *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569, 571 (2d Cir. 1959) (recognizing the importance under New York law of proof of secondary meaning when the product attribute for which protection is sought – there, the color pink for a stomach medication – is not inherently distinctive).[3]

At the same time, however, a plaintiff seeking to establish unfair competition by palming off does not need to establish that actual confusion has occurred, for the only relevant inquiry is the existence of likelihood of confusion. *Taendsticksfabriks Akticbolagat Vulcan*, 139 N.Y. at 367-68; *Gotham Silk Hosiery*

3 In *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 399 N.Y.S.2d 628, 369 N.E.2d 1162 (1977), a case concerned with the New York anti-dilution statute, the Court implied in a footnote that the existence of secondary meaning was no longer required in order to state a claim of unfair competition. *Id.*, 42 N.Y.2d at 542 n. 2, 399 N.Y.S.2d at 631 n. 2, 369 N.E.2d at 1164 n. 1. However, the context of the footnote makes clear that the Court was discussing a claim of unfair competition by misappropriation, in which no showing of secondary meaning is required, *see* Point I(B), *infra*, not a claim of misappropriation by palming off.

Co. v. Reingold, 223 A.D. 260, 265, 228 N.Y.S. 9 (1st Dep't 1928). Similarly, the fact that there is no actual competition between the parties is no defense. *Long's Hat Stores Corp. v. Long's Clothes, Inc.*, 224 A.D. 497, 498, 231 N.Y.S. 107, 108 (1st Dep't 1928); *Rector v. Rector's Tavern, Inc.*, 163 Misc. 213, 214, 299 N.Y.S. 26, 27 (Sup. Ct. N.Y. Co. 1937). Good faith on the part of the defendant is likewise no defense to a claim of unfair competition brought on a palming off theory. *Madison Square Garden Corp. v. Universal Pictures Co.*, 255 A.D. 459, 464, 7 N.Y.S.2d 845, 850 (1st Dep't 1938).

B. Misappropriation Is a Prohibited Form of Unfair Competition

Over time, New York courts came to recognize a second, somewhat different form of commercial wrongdoing actionable under the tort of unfair competition – misappropriation. In its *Electrolux* decision, this Court endorsed a series of decisions from lower courts dating at least as far back as the 1930s recognizing "that one may not misappropriate the results of the skill, expenditures and labors of a competitor" and held that the appellee's "bait-and-switch" marketing program was subject to being enjoined on an unfair competition claim. *Id.*, 6 N.Y.2d at 567, 190 N.Y.S.2d at 986, 161 N.E.2d at 203. *See also Madison Square Garden Corp.*, 255 A.D. at 466, 7 N.Y.S.2d at 851-52 (denying motion to dismiss where complaint stated claim for misrepresentation (palming off) and misappropriation of the plaintiff's name, reputation and goodwill); *Dior v. Milton*, 9 Misc.2d 425, 155 N.Y.S.2d 443 (Sup. Ct. N.Y. Co.) (declining to dismiss complaint seeking to enjoin copying of fashion designs on misappropriation theory), *aff'd*, 2 A.D.2d 878, 156 N.Y.S.2d 996 (1st Dep't 1956).

When a claim of unfair competition by misappropriation is at issue, the only element that a plaintiff must establish is the misappropriation of its goodwill reputation, labors or effort by the defendant. Proof of secondary meaning and likelihood of confusion are <u>not</u> required when this form of unfair competition is at issue. *Flexitized, Inc. v. National Flexitized Corp.*, 335 F.2d 774, 782 (2d Cir. 1964); *Renofab Process Corp. v. Renotex Corp.*, 158 N.Y.S.2d 70, 76 (Sup. Ct. N.Y. Co. 1956). The reason for this is that misappropriation is a form of inequitable conduct that courts will enjoin upon an appropriate showing of bad faith, even absent harm to consumers in the form of likely confusion. *See Norwich*, 271 F.2d at 571 ("Hence, the first comer may prevail if he proves secondary meaning plus likelihood of confusion on the one hand <u>or</u> that the second comer has indulged in one of the proscribed practices <u>which equity will enjoin</u>, on the other.") (emphasis added).

However, there must be proof of bad faith or intentional wrongdoing on the part of the defendant in order for a plaintiff to prevail on a claim of unfair competition by misappropriation. *Camelot Associates Corp. v. Camelot Design & Development LLC*, 298 A.D.2d 799, 800, 750 N.Y.S.2d 155, 156 (3rd Dep't 2002);

Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1044 (2d Cir. 1980). The mere appropriation of aspects of a plaintiff's business or indicia of its goodwill is not sufficient; rather, there must be proof of misappropriation, as several cases demonstrate. In *McGraw-Hill Book Co. v. Random House, Inc.*, 32 Misc.2d 704, 712, 225 N.Y.S.2d 646, 655 (Sup. Ct. N.Y. Co. 1962), the court held that the plaintiff publisher of the book "PT-109: John F. Kennedy in World War II" was not entitled to a preliminary injunction enjoining a rival publisher from using "John F. Kennedy and PT-109" as the title for a book dealing with the same subject matter. The court first concluded that there was no likelihood of success on plaintiff's claim for misappropriation by palming off, as no likelihood of confusion was established. Further, notwithstanding the notoriety of the plaintiff's book and the similarities in the respective titles, the court held that there was no evidence of any bad faith on the part of the defendant, particularly in light of the limited number of terms a publisher could use in the title of a book about President Kennedy's World War II experiences. As a result, there was also no likelihood of success on a misappropriation theory.

Similarly, in *American Footwear Corp. v. General Footwear Co., Ltd.*, 609 F.2d 655, 662 (2d Cir. 1979), the Second Circuit held that the defendant footwear manufacturer was not liable for unfair competition by passing off or by misappropriation, even though the manufacturer had adopted the term "Bionic" for use in connection with shoes in an attempt to capitalize on the term's prominence in the then-popular television shows "The Six Million Dollar Man" and "The Bionic Woman," in the absence of any bad-faith intent to copy proprietary aspects of the plaintiff's business. *See also Mavco v. Hampden Sales Ass'n, Inc.*, 273 A.D. 297, 304, 77 N.Y.S.2d 510, 517 (1st Dep't 1948) ("'The defendant has the right to get the benefit of that [public] desire even if created by the plaintiff. The only thing he has not the right to steal is the good will attaching to the plaintiff's personality, the benefit of the public's desire to have goods made by the plaintiff.'" (quoting *Flagg Mfg. Co. v. Holway*, 178 Mass. 83, 91, 59 N.E. 667 (1901) (Holmes, J.))); *Norwich*, 271 F.2d at 572 (no unfair competition where defendant appropriated plaintiff's unprotectible product color and marketing techniques).

Thus, while a claim of unfair competition by misappropriation is broader than a claim of unfair competition by palming off, misappropriation is subject to a critical bad-faith requirement that limits the applicability of the cause of action to pirates who have wrongfully taken proprietary aspects of a business to which they have no right. Through this limitation, unfair competition by misappropriation does not become a trap for the innocent or unwary competitor that inadvertently makes use of designations used by another, or the competitor whose copying is confined to non-proprietary aspects of a business that all should be free to use.

POINT II

NEW YORK COURTS HAVE LONG RECOGNIZED THAT THE TORT OF UNFAIR COMPETITION PROHIBITS THE MISAPPROPRIATION OF GOODWILL AND OTHER PROPERTY INTERESTS OF BUSINESSES LOCATED OUTSIDE OF THE STATE

INTA submits that New York principles of unfair competition, as they have evolved over many decades, properly provide broad relief against myriad varieties of commercial misconduct, including the misappropriation within New York of the goodwill of out-of-state or overseas businesses. These important legal principles therefore explain why the two unfair competition cases whose continued validity is at stake on this appeal, *Vaudable v. Montmartre, Inc.*, 20 Misc.2d 757, 193 N.Y.S.2d 332 (Sup. Ct. N.Y. Co. 1959) and *Maison Prunier v. Prunier's Rest. & Café, Inc.*, 159 Misc. 551, 288 N.Y.S.2d 529 (Sup. Ct. N.Y. Co. 1936), were decided as they were. The Second Circuit failed to appreciate the breadth of these unfair competition principles when it characterized these decisions as being reliant on the famous marks doctrine.

In *ITC*, the Second Circuit held that the resolution of appellant's claim for unfair competition depended "on whether New York recognizes the famous marks doctrine in the circumstances here at issue," *ITC*, 482 F.3d at 165, and characterized *Vaudable* and *Maison Prunier* as "indicat[ing] such recognition as a general matter." *Id.* INTA submits that this aspect of *ITC* is a mischaracterization of the two decisions, and that *Vaudable* and *Maison Prunier* are unremarkable applications of the New York law of unfair competition as it existed both before and after the cases were decided.

In both *Vaudable* and *Maison Prunier*, New York courts granted relief to the owners of restaurants located in France that were primarily renowned overseas against defendants that had set up establishments in New York that were very similar in terms of names, décor, and cuisine. Both courts grounded their decisions on principles of unfair competition by misappropriation, *Vaudable*, 20 Misc.2d at 759, 193 N.Y.S.2d at 335; *Maison Prunier*, 159 Misc. at 554, 288 N.Y.S. at 535-36, holding that the misappropriation of the goodwill and reputation of the overseas plaintiffs was undertaken in bad faith and was therefore actionable under New York law. As shown by the numerous authorities cited in Part I, *supra*, there is no inconsistency between these two holdings and the overwhelming body of New York law on the subject of unfair competition.

To be sure, one distinction between these two cases and many others decided by New York courts was that neither French restaurant operated within New York's borders, meaning that the unfair competition claims were almost entirely premised on the reputations that the establishments had acquired within New York by virtue of their international advertising and recognition.[4] However, the two

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4 The plaintiff in *Vaudable* had also used its MAXIMS trademark in the United States in connection with wines and food products. *Vaudable*, 20 Misc.2d at 758, 193 N.Y.S.2d at 334.

courts concluded that each French plaintiff had established a reputation within the State of New York – a property right whose existence was not dependent on trademark use – that was capable of being misappropriated by the respective defendants. *Vaudable*, 20 Misc.2d at 758, 193 N.Y.S.2d at 334; *Maison Prunier*, 159 Misc. at 553-54, 288 N.Y.S. at 535-36.

Other courts applying New York law have likewise concluded that the reputation within New York of an out-of-state plaintiff is a protectible property interest, even absent trademark use within the State, that is capable of being protected against unfair competition by misappropriation. *See Lincoln Rest. Corp. v. Wolfies Rest., Inc.*, 291 F.2d 302 (2d Cir. 1961); *Ambassador East, Inc. v. Shelton Corners, Inc.*, 120 F. Supp. 551 (S.D.N.Y. 1954).

These cases are in accord with *Hanover Star Milling Co.*, 240 U.S. 403 (1916) and *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918), both of which recognized that the senior user of a trademark can enjoin a confusingly similar, geographically remote use across state lines if the junior user's adoption of its mark was in bad faith or if the junior use occurred in a market that the senior had reached first through trade or reputation. *See generally* J.T. McCarthy, *McCarthy on Trademarks and Unfair Competition ("McCarthy")*, §§ 26:2-4 (explaining the "Tea Rose-Rectanus Doctrine" that is premised on the U.S. Supreme Court's decisions in *Hanover Star Milling Co.* and *United Drug Co.*). Significantly, the

Maison Prunier court relied on both the *Hanover Star Milling Co.* and *United Drug Co.* cases in its decision. *Maison Prunier*, 159 Misc. at 557-58, 288 N.Y.S. 535-36.

Thus, rather than being decisions that recognize the validity of the famous marks doctrine, as the Second Circuit characterized them in *ITC*, *Vaudable* and *Maison Prunier* merely reflect correct applications of principles of unfair competition law that were articulated and have been repeatedly reaffirmed by New York courts over many years.[5] As a result, there is no basis for this Court to overturn the two precedents. Indeed, were this Court to hold that *Vaudable* and *Maison Prunier* are no longer good law, the scope of misconduct long actionable under New York unfair competition law would be severely circumscribed. Without the protections of the legal principles articulated in *Vaudable* and *Maison Prunier*, companies located overseas that own brands with reputations that extend into New York among particular groups of consumers – notably including immigrant populations – but that are not yet used in U.S. commerce will be defenseless under New York law against the hijacking of their trademarks and other indicia of their goodwill. Should this occur, New York's status as a center of international commerce will suffer, the value of overseas brands will be

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[5] The particular consistency of the *Vaudable* decision with other New York unfair competition cases of the same vintage is highlighted by the fact that the trial judge in that case also decided the *Dior* and *Metropolitan Opera* cases, *supra*, that were both affirmed by the Appellate Division, First Department.

diminished, and vulnerable New York consumers will be denied the protections against confusion and misappropriation that the courts of this State have long recognized.

It is understandable in some respects why the Second Circuit erroneously characterized *Vaudable* and *Maison Prunier* as recognizing the famous marks doctrine, since the *Maison Prunier* decision cited to the Paris Convention, an international treaty covering the protection of industrial property regarded by many as incorporating the doctrine. *Id.*, 159 Misc. at 554, 288 N.Y.S. at 532; *McCarthy*, § 29:4. However, that decision only cited the Paris Convention on the narrow issue of whether the French restaurant plaintiff had the legal ability to assert a claim for unfair competition in New York courts. *Id.* Apart from this single citation, there is no discussion in either *Vaudable* or *Maison Prunier* explicitly or implicitly addressing the famous marks doctrine, but instead a great deal of focus on the principles of New York unfair competition law described above. Thus, notwithstanding that the two cases are often cited as being the wellsprings of the doctrine in the U.S., *see ITC*, 482 F.3d at 157, *Grupo Gigante*, 391 F.3d at 1095, *All England Lawn Tennis Club (Wimbledon) Limited* v. *Creations Aromatiques, Inc.*, 220 U.S.P.Q. 1069, 1072 (T.T.A.B. 1983), *McCarthy*, § 29:4, they are nothing more than New York unfair competition cases applying principles of New York law from which this Court should not now depart.

POINT III

THIS COURT SHOULD NOT INVOLVE ITSELF IN DOCTRINAL DISPUTES CONCERNING THE FAMOUS MARKS DOCTRINE

As *ITC* and the questions certified to this Court reflect, the focus of the Second Circuit's analysis was on whether – and if so, to what extent – the federal Lanham Act incorporates the famous marks doctrine. *ITC*, 482 F.3d at 156-69. The Second Circuit concluded that the doctrine is not incorporated into the Lanham Act as that statute is presently drafted, *id.*, and that aspect of the Second Circuit's decision was the subject of a petition for *certiorari* filed with the U.S. Supreme Court that was denied on October 1, 2007. *See ITC, Ltd. v. Punchgini, Inc.*, U.S. Supreme Court Docket No. 06-1722. The questions certified by the Second Circuit to this Court do not specifically ask for a determination whether the famous marks doctrine is recognized under New York law, but they presume that the doctrine is the only way an overseas trademark owner whose mark is not used in the United States can be entitled to protection against common law unfair competition.

INTA submits that the presumption upon which the Second Circuit's certified questions are founded is flawed, and that this Court should not and does not need to recognize the famous marks doctrine under New York law in order to determine if a trademark not used in the U.S. is entitled to protection against unfair competition. As described in the preceding sections, trademarks, trade dress and other indicia of the goodwill of a commercial enterprise have long been protected against misappropriation within New York. The cumulative weight of the legal authority from both this Court and other New York tribunals is that as long as such an enterprise possesses a property interest within the State – whether a reputation among consumers, brand equity or anything else capable of being pirated by a third party – that enterprise can assert a claim for unfair competition by misappropriation when the defendant has acted in bad faith, even if the enterprise is located out of state or overseas. In such circumstances, the fact that the enterprise does not actually use its trademark within the State is no bar to relief on a misappropriation (as opposed to a palming off) theory. Thus, while the question of whether the famous marks doctrine is incorporated into the Lanham Act is essential to determining the availability of relief under that statute when there is no evidence of U.S. trademark use, the doctrine's validity under New York law is not essential either to a claim for unfair competition by misappropriation or the resolution of this case.

Apart from the fact that there is no need for the Court to recognize the famous marks doctrine under New York law in the context of this action, there are multiple reasons why it should not do so. As noted previously, the famous marks doctrine is a controversial legal proposition whose validity under federal law is disputed. *See generally McCarthy*, § 29:4. Injecting a state common-law wrinkle into this debate would not clarify U.S. trademark law, but rather leave it more unsettled than it already is. In addition, if this Court were to recognize the validity of the famous marks doctrine under state law (thereby making New York the first state to do so), the negative consequences from both a doctrinal and practical perspective could be serious. Doctrinally, other states, particularly those bordering Canada and Mexico, would likely have to consider whether they too should recognize the doctrine. Inevitably, some would decide to do so, while others would not, creating a patchwork system rife with legal inconsistencies and incentives for forum shopping. Practically, such a circumstance would be bad for courts, consumers and commercial interests, turning an already uncertain situation into a mishmash of conflicting precedents that would make certain commercial conduct acceptable in one jurisdiction and unacceptable in another. If the U.S. is to adopt some form of the famous marks doctrine – and there are many sound legal and policy reasons to do so – it should be as a matter of federal, rather than state, law.

CONCLUSION

Based on the legal principles and analysis set forth above, INTA respectfully urges the Court to answer the questions certified by the Second Circuit in *ITC* as follows:

Question: 1. Does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country?

Answer: Yes. Any commercial enterprise that possesses a reputation within New York among some segment of the population – whether symbolized by a trademark, trade dress or some other indicia of consumer goodwill – or some other property interest within New York, can assert a claim for unfair competition premised on the misappropriation of such reputation or property interest within the State. The trademark, trade dress or other property interest need not be famous in order to be entitled to protection.

Question: 2. If so, how famous must a foreign mark be to permit a foreign mark owner to bring a claim for unfair competition?

Answer: Any plaintiff seeking to prevent unfair competition by misappropriation within New York must establish that: (i) it possesses either a reputation among some segment of the population or some other property interest within New York; and (ii) the defendant has acted with a bad-faith intent to misappropriate that reputation or property interest. As stated throughout this brief, this protection is not limited to famous marks when unfair competition by misappropriation is at issue.

Dated: October 2, 2007

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