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# ANDREW P. VANCE MEMORIAL WRITING COMPETITION WINNERS

## CAN'T GET THERE FROM HERE: HOW NAFTA AND GATT HAVE REDUCED PROTECTION FOR GEOGRAPHICAL TRADEMARKS

*John R. Renaud\**

"If it is true that we live by symbols, it is no less true that we purchase goods by them."

Justice Felix Frankfurter

### I. INTRODUCTION

As economic forces transcend national boundaries, the role of international trademark law becomes increasingly important to companies doing business abroad. The extent of the value associated with brand name recognition is evidenced by the large amounts of money spent each year in advertising and enforcing trademark rights. The high costs and risks associated with introducing new brand names into the marketplace, along with the enormous profit potential for companies that can create global name recognition, has focused interest on the effectiveness and predictability of trademark laws around the world.<sup>1</sup> This interest has resulted in an increased effort to harmonize trademark laws within broader multilateral trading systems.<sup>2</sup>

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1. See Frederick M. Abbott, *Protecting First World Assets in the Third World: Intellectual Property Negotiations in the GATT Multilateral Framework*, 22 VAND. J. TRANSNAT'L L. 689 (1989); Eleanor K. Meltzer, *TRIPS and Trademarks, or GATT Got Your Tongue?*, 83 TRADEMARK REP. 18 (1993).

2. See Adrian Otten & Hannu Wagner, *Compliance with TRIPS: The Emerg-*

The problems with harmonization are varied and complex. This article considers only geographical trademarks—those which have a geographical term, phrase, or emblem included within them, such as the trademark CALIFORNIA COOLER<sup>3</sup> and investigates how the recent multilateral intellectual property treaties have influenced the law in this area. The article will focus on a particular type of geographical trademark called the “geographically misdescriptive” trademark, which utilizes, or suggests, an inaccurate geographical term. An example of such a mark is CALIFORNIA MIX for mixed nuts not from California.<sup>4</sup> The laws affecting this class of trademarks have been dramatically altered in recent years as a result of conflicts between common law and civil law trademark doctrines.

In considering these developments, this article will reveal how the doctrines addressing geographical marks have been altered by compromise in an effort to harmonize trademark law. More specifically, it is submitted that the effort to compromise on language preventing misleading geographical marks unfortunately has resulted in prohibiting trademarks that are not apt to mislead anyone. As a solution, the article recommends that (1) domestic courts should adopt the higher “noted for” standard for determining whether a mark is considered geographically misdescriptive, rather than the lesser “association” standard most courts employ; and, (2) that GATT/TRIPS be amended to include a provision which makes clear the narrow limits of its commands. Such an amendment will prevent the developing countries that have yet to comply with GATT/TRIPS from legislating away trademark rights that the agreement does not seek to abolish.

## II. THE TREATMENT OF GEOGRAPHICAL MARKS

To demonstrate the recent domestic changes that have occurred as a result of efforts to comply with multilateral intellectual property treaties, the logical starting point is the Lanham Act,<sup>5</sup> as it existed before the North American Free Trade Agreement (NAFTA) was implemented in 1993.<sup>6</sup> Section

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*ing World View*, 29 VAND. J. TRANSNAT'L L. 391, 393 (1996).

3. See *California Cooler, Inc. v. Loretto Winery, Ltd.*, 774 F.2d 1451 (9th Cir. 1985).

4. See *In re Midwest Nut & Seed Co.*, 214 U.S.P.Q.2d (BNA) 1245 (1991).

5. 15 U.S.C. § 1052 (1994).

6. NAFTA Implementation Act, H.R. REP. NO. 103-361(I), at 8 (1993), *reprint*-

1052 (e)(2) of the Lanham Act divided geographical marks into two categories "primarily geographically descriptive" and "primarily deceptively misdescriptive," yet it treated both marks in the same way.<sup>7</sup> Congress also created a third category in section 1052(a), labeled "deceptive," which can apply to any type of trademark, but often becomes relevant when a geographical mark is at issue.<sup>8</sup> As will be shown, this duplicate use of the word "deceptive" has caused confusion by mixing the concept of distinctiveness with the concept of deceptiveness. This confusion inadvertently has created holes in trademark protection under the Lanham Act. The following sections analyze the case law interpreting the categories created by the Lanham Act, which will help explain the reason why benign geographically misdescriptive trademarks have become endangered.

### A. *Primarily Geographically Descriptive Marks*

The first step in assessing a geographical mark under the old regime (the pre-NAFTA Lanham Act) was to determine if it was primarily geographically descriptive.<sup>9</sup> If the geographic meaning of the mark was "minor, obscure, remote or unconnected with the goods," then the mark would not be deemed primarily geographical, but rather arbitrary, and thus sufficiently distinctive to be legally protected.<sup>10</sup> Also, if a well-known geographic term had other connotations "such that the term's geographical significance may not be the primary significance to prospective purchasers," then the trademark would

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*ed in 1993 U.S.C.C.A.N. 2552.*

7. "No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it:

(e) Consists of a mark which, . . .

(2) when used on or in connection with the goods of the applicant is *primarily geographically descriptive* or *deceptively misdescriptive* of them. . .

(f) Except as expressly excluded in paragraphs (a) - (d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has *become distinctive* of the applicant's goods in commerce."

15 U.S.C. § 1052 (1994) (emphasis added).

8. *See Id.* § 1052(a).

9. *See Id.* § 1052(e)(2).

10. *See In re Brauerei Aying Franz Inselkammer KG*, 217 U.S.P.Q. (BNA) 73, 75 (1983).

not be primarily geographical.<sup>11</sup> The drafters of the Lanham Act used the term "primarily" to avoid having the trademark examiner look up the term in an atlas and refuse registration if there were any place on Earth using it, as was the prior practice under the Trade-Mark Act of 1905.<sup>12</sup> This older practice led to unfortunate results: AVON for perfume was rejected because of the river in England,<sup>13</sup> and KEM for playing cards was rejected due to the river in Russia.<sup>14</sup> The Lanham Act abolished this approach. For example, in *V&V Food Products, Inc. v. Cacique Cheese Co.*,<sup>15</sup> the court found that the plaintiff failed to show the trademark CHIHUAHUA for cheese products was primarily geographical.<sup>16</sup>

If a term is determined to be primarily geographically descriptive, then it is treated like other "merely descriptive" marks. Merely descriptive marks are not given immediate protection because they do not distinguish their producer from other producers.<sup>17</sup> In *Canal Co. v. Clark*, the Supreme Court decided that geographical indications alone are not distinctive enough to be protected as trademarks because they "point only at the place of production, not to the producer."<sup>18</sup> However, this obstacle can be overcome with a showing of acquired distinctiveness.<sup>19</sup> The Lanham Act provides that "nothing in this chapter shall prevent the registration of a mark used by the

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11. See *In re Handler Fenton Westerns, Inc.*, 214 U.S.P.Q. (BNA) 848, 850 (1982).

12. See J. MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 14:27 (2000). The 1905 Act prohibited "merely a geographical name or term" from becoming registered. 15 U.S.C. § 85(b) (1905), reprinted in DAPHNE ROBERT, THE NEW TRADEMARK MANUAL 274 (1947).

13. See *In re California Perfume Co.*, 56 F.2d 885 (C.C.P.A. 1932).

14. See *Ex parte Kem Card Sales Corp.*, 39 U.S.P.Q. (BNA) 354 (Comm'r Pats. 1938).

15. See 683 F. Supp. 662, 670 (N.D. Ill. 1988).

16. See *id.* The court expected witnesses, surveys, or encyclopedia references showing that the relevant public understood the term as a geographical one. See also *Forschner Group v. Arrow Trading Co.*, 30 F.3d 348 (2d Cir. 1994), where the Court held that SWISS ARMY KNIFE is not primarily geographically descriptive when used on knives (made in China) because it is not the same thing as the designation "made in Switzerland." The court explained that simply because a term evokes geographic associations does not automatically compel a conclusion that the mark is primarily geographically descriptive. *Id.*

17. See MCCARTHY, *supra* note 12, § 11:23.

18. *Canal Co. v. Clark*, 80 U.S. 311 (1872); See also McCarthy, *supra* note 12, § 14:1.

19. See 15 U.S.C. § 1052(f) (1994).

applicant which has become distinctive of the applicant's goods in commerce."<sup>20</sup> To establish acquired distinctiveness, often called "secondary meaning," the owner must show that because of widespread use, the mark identifies the owner as the source of the product.<sup>21</sup> Once secondary meaning is established the courts generally provide a geographical mark the same protection as other distinctive marks.<sup>22</sup>

### *B. Geographically Deceptively Misdescriptive Marks*

The geographically deceptively misdescriptive mark utilizes a geographical term that does not describe the place where the goods or services originate. This is the class of trademarks that is endangered by the effort to harmonize trademark law through multilateral treaties. An example of this type of mark is SHEFFIELD for stoves not originating in Sheffield, England.<sup>23</sup> One might ask why anyone would be interested in maintaining protection for marks that contain some degree of misinformation. The reason is that despite the connotation of the term "deceptively misdescriptive," these marks are not likely to cause consumers to purchase goods due to false labeling. The inaccuracies are by definition not a substantial factor in the consumer's decision to purchase.<sup>24</sup>

With deceptively misdescriptive marks, much turns on whether the court finds there is an association between the goods and the place that the mark suggests. If the court finds

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20. *Id.* Secondary meaning is a question of fact and is often shown in court through surveys, evidence of advertising, and evidence of the amount of sales of a product using the descriptive term.

21. See *Boston Beer Co. v. Sleslar Bros. Brewing Co.*, 9 F.3d 175 (1st Cir. 1993). The courts generally look to the length of time the mark is used, the amount spent on advertising, and the results of consumer surveys to determine secondary meaning. Five years of exclusive and continuous use in commerce creates prima facie evidence of secondary meaning. 15 U.S.C. § 1052(f). The Court in *New Yorker Hotel Corp. v. Pusateri*, 87 F. Supp. 294 (W.D. Mo. 1949), found that the famous New Yorker Hotel in New York City gained secondary meaning through its extensive, nationwide publicity and advertising campaign conducted over a long period of time, thus giving the owner the exclusive right to use the name in the operation of hotels; even against a junior user in Kansas City, Missouri. *Id.*

22. See *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857 (5th Cir. 1967).

23. See *Master v. Cribben & Sexton Co.*, 202 F.2d 779 (C.C.P.A. 1953).

24. See MCCARTHY, *supra* note 12, § 14:7.

there is a goods/place association, and the goods are not from the place, then the term is deemed deceptively misdescriptive. If there is no goods/place association, then the mark is considered arbitrary.<sup>25</sup> Under section 1052(e) of the pre-NAFTA Lanham Act, a geographically deceptively misdescriptive mark was registrable only with a showing of secondary meaning, while an arbitrary mark, which was considered inherently distinctive, was immediately registrable.<sup>26</sup> The court in *In re Nantucket, Inc.*<sup>27</sup> used the following hypothetical to clarify the goods/place association requirement: "[r]easonable persons are unlikely to believe that bananas labeled ALASKA originated or were grown in Alaska. On the other hand, reasonable persons are quite likely to believe that salmon labeled ALASKA originated in the waters of that state."<sup>28</sup>

However, in finding a goods/place association the courts have not required that the place be "noted for" the production of the goods, as the *Nantucket* court's example of ALASKA salmon might imply. The court in *Burke-Parsons-Bowbly Corp. v. Appalachian Log Homes, Inc.*<sup>29</sup> held that the district court properly found a goods/place association between APPALACHIAN and log homes "regardless of whether the area was noted for the production of those goods."<sup>30</sup> The intensity of the association required by the court to support a finding of misdescriptiveness is difficult to predict, yet it is determinative in these cases.<sup>31</sup>

In *The Institut National Des Appellations D'Origine v. Vinters International Co., Inc.*,<sup>32</sup> the court considered whether the Trademark Trial and Appeal Board's (TTAB) decision to dismiss with prejudice an opposition filed by the French organization was proper.<sup>33</sup> The issue was whether the mark CHA-

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25. *See id.*

26. *See id.*

27. 677 F.2d 95 (C.C.P.A. 1982).

28. *Id.* at 97, n.5.

29. 871 F.2d 590 (6th Cir. 1989).

30. *Id.* at 594.

31. Examples of marks held deceptively misdescriptive under the pre-NAFTA Lanham Act include: MANHATTAN for cookies (*In re Cookie Kitchen, Inc.*, 228 U.S.P.Q. (BNA) 873 (1986)); NEW ENGLAND for baked goods (*In re Pan -O- Gold Baking Co.*, 20 U.S.P.Q.2d (BNA) 1791 (1991)); AMERICAN BEAUTY for a sewing machine (*Singer Mfg. Co. v. Birginal-Bigsby Corp.*, 319 F.2d 273 (C.C.P.A. 1963)).

32. 958 F.2d 1574 (D.C. Cir. 1992).

33. *Id.*

BLIS WITH A TWIST for a citrus flavored wine not from the Chablis region of France was deceptively misdescriptive.<sup>34</sup> The court held that although the Institute established that in France CHABLIS is a designation lawfully used only for wines from the Chablis region, it is not enough to deny the mark a registration in the United States.<sup>35</sup> The court held that the Institute failed to establish that the relevant American consumers of these wine products would perceive the term CHABLIS as indicating that the product came from this particular region, thus the mark was held to be distinctive.<sup>36</sup> The *Vinters* decision was unpopular abroad, but it was consistent with the spirit of the Lanham Act in that it protected the mark because it was likely to function as a trademark, and was not apt to mislead the consuming public. Unfortunately, the law has moved away from this approach.

### C. Deceptive Marks

All marks that were deemed deceptive to the public were, and still are, barred from federal registration under section 1052(a) of the Lanham Act.<sup>37</sup> Such a determination was "more damning" than being held deceptively misdescriptive under section 1052(e), because it could not be cured by showing secondary meaning.<sup>38</sup> The original test for finding a mark deceptive looked to whether the applicant planned to deceive the public into believing the product had a greater quality or salability than it actually possessed.<sup>39</sup> Such wrongful intent was inferred when the place-name adopted was well known for the particular items.<sup>40</sup> Under the modern approach, a mark is

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34. *See id.* The court decided the issue on this reasoning, but it seems that the issue of genericism also is at work here.

35. *See id.* at 1580.

36. *See id.* *See also In re Societe Generale Des Eaux Minerales de Vittel*, S.A., 824 F.2d 957 (Fed. Cir. 1987).

37. *See* 15 U.S.C. § 1052(a) (1994). This section also bars immoral, scandalous marks; marks which disparage or falsely suggest a connection with persons, institutions, or national symbols; marks using the name, portrait, or signature of deceased Presidents during the life of his widow; marks comprised of the flag or coat of arms; and marks which are likely to cause confusion with a mark already registered. *Id.*

38. *See* *W. D. Byron & Sons, Inc. v. Stein Bros. Mfg. Co.*, 146 U.S.P.Q. (BNA) 313 (T.T.A.B. 1965), *aff'd*, 377 F.2d 1001 (Fed. Cir. 1967).

39. *See In re Amerise*, 160 U.S.P.Q. (BNA) 687 (T.T.A.B. 1969).

40. *Id.*



held deceptive if it is "material" to the decision to purchase the goods; "material" meaning that the consumer is influenced to purchase because of the misdescription.<sup>41</sup> Any type of trademark can be held deceptive under section 1052(a); the section does not single out geographical marks for specialized treatment. However, the section is likely to be implicated when a geographic mark is not accurate. For example, in *Bureau National Interprofessionnel Du Cognac v. International Better Drinks Corp.*,<sup>42</sup> the TTAB considered whether the use of the term COGNAC for a cola-flavored liqueur produced and bottled in Spain was a geographically deceptive mark.<sup>43</sup> The Court concluded that there could be "no doubt" that this deception would be material to the purchasing decision of consumers because of the renown of "COGNAC" brandy, and therefore the mark was deemed deceptive.<sup>44</sup>

An analysis of the differences between "deceptively misdescriptive" and "deceptive" as they were treated under the pre-NAFTA Lanham Act will help one to appreciate the error Congress made when the Act was amended in 1993. Unlike "deceptive misdescription" under section 1052(e), which is concerned with whether a geographical mark is distinctive, "deception" under section 1052(a) protects against fraud. The distinctive requirement primarily serves the interests of third party competitors who want to enter the senior trademark user's market. The Lanham Act requires that trademarks be distinctive because of the undesirability of preventing junior users from

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41. The "materiality test" was first suggested in Kenneth B. Germain, *Trademark Registration under sections 2(a) and 2(e) of the Lanham Act: The Deception Decision*, 44 FORDHAM L. REV. 249 (1975), and was first employed by the Trademark Board in *In re Winsor, Inc.*, 221 U.S.P.Q. (BNA) 53 (T.T.A.B. 1983) (finding that BAHIA was deceptive for cigars because consumers would rely on the misrepresentation because cigars are the principal product of the Brazilian province).

42. 6 U.S.P.Q.2d (BNA) 1610 (1988).

43. *Id.*

44. *Id.* Other examples of marks found to be deceptive under 15 U.S.C. § 1052(a) are: *In re Phillips Van Heusen Corp.*, 1996 T.T.A.B. LEXIS 400 (1996) (finding MILANO UOMO for shirts not from Milan Italy deceptive); *In re Juleigh Jeans Sportswear, Inc.*, 24 U.S.P.Q.2d. (BNA) 1694 (T.T.A.B. 1992) (finding the term LONDON for sportswear not from London, England deceptive); *In re Biessecci S.P.A.*, 12 U.S.P.Q.2d (BNA) 1149 (T.T.A.B. 1989) (finding the term AMERICAN SYSTEM for clothing made in Italy deceptive); *In re Perry Mfg. Co.*, 12 U.S.P.Q.2d (BNA) 1751 (T.T.A.B. 1989) (finding the term PERRY NEW YORK with logo showing an urban skyline was deceptive for clothing made in North Carolina).

describing their products to consumers.<sup>45</sup> As one judge recently stated, "the primary cost of recognizing property rights in trademarks is the removal of words from (or perhaps non-entrance into) our language."<sup>46</sup> In contrast, the rule against deception directly protects the consumer. The two concepts are complimentary, but should not be confused. The "materiality" test imposes a higher standard on the trademark examiner attempting to deny registration, than does the goods/place test: "deception is not present where a . . . trademark may involve a degree of untruth but the deception may be perfectly innocent, harmless or negligible."<sup>47</sup> This scheme made sense because a more compelling showing of potential deception should be required before property rights are permanently extinguished: A deceptively misdescriptive mark, considered less harmful, could be cured by showing secondary meaning, while a mark declared deceptive never can be cured.<sup>48</sup>

By pairing accurate geographical terms with inaccurate geographical terms in section 1052(e), and treating them the same way, the drafters of the Lanham Act were concerned with distinctiveness and not deception.<sup>49</sup> However, due to an unfortunate choice of language, the two have been confused. It is unlikely that the drafters were targeting the evils of misleading information when composing section 1052(e) because there were other clauses in the Act that focused more directly on eradicating deception. As discussed above, section 1052(a) unequivocally bars deceptive marks at the registration stage. For deception occurring from unregistered marks, trade dress, and advertising, section 1125(a) allows a party likely to be damaged by "any false designation of origin," or any "false or misleading representation of fact" to sue for civil damages.<sup>50</sup> With these two sections in place, it is redundant and illogical

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45. See *Abercrombie & Fitch v. Hunting World*, 537 F.2d 4, 11 (2d Cir. 1976).

46. *New Kids on the Block v. New Am. Pub., Inc.*, 971 F.2d 302, 305, n.2 (9th Cir. 1992).

47. *In re Sweden Freezer Mfg. Co.*, 159 U.S.P.Q. (BNA) 249 (T.T.A.B. 1968).

48. See 15 U.S.C. § 1052(f) (1994).

49. See Daphne Leeds, *Trademark - The Rationale of Registrability*, 26 GEO. WASH. L. REV. 663 (1958). Long before the NAFTA treaty, the Assistant Commissioner of Patents in Charge of Trademarks, Daphne Leeds, explained that the primarily geographically descriptive provision and the deceptively misdescriptive provision "are so analogous that the interpretations are likely to be the same." *Id.*

50. 15 U.S.C. § 1125 (1994).

to include within a clause that speaks to the issue of distinctiveness, yet another clause aimed at deception.

The distinction between the purposes of section 1052(a) and section 1052(e) is further highlighted by the fact that arguments based on the respective clauses were subject to different time restraints. A mark that was allegedly geographically deceptively misdescriptive could be challenged by third parties only up to five years after the registration date.<sup>51</sup> After this period the mark was deemed "incontestable."<sup>52</sup> By contrast, deceptive marks under section 1052(a) could never become incontestable,<sup>53</sup> since allowing this status would obviously work a fraud on the public. Likewise, a misleading mark under section 1125 cannot be cured through the passage of time.<sup>54</sup> The different treatment the Lanham Act afforded these marks demonstrates that the injuries thought to flow from protecting the occasional misdescriptive mark, which had not distinguished itself through use in commerce, were not as acute as deceptive marks, and could be tolerated in the interest of providing security to the trademark owner. It also compels the conclusion that the deceptively misdescriptive clause was not intended to address the problem of consumer deception.

A more plausible explanation of the language is that the drafters<sup>55</sup> wanted to prevent lawyers from being able to argue successfully that a misdescriptive geographical mark was not "descriptive" because the goods did not come from the place described.<sup>56</sup> The drafters did not want such marks to be so easily registered because, like accurate geographical descriptions, they do not sufficiently distinguish the goods. The cumu-

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51. *See id.* §§ 1064-65.

52. *See id.*

53. *See id.* § 1064(3).

54. *See* 15 U.S.C. § 1125(a) (1994).

55. The Lanham Act's legislative history "provides no clarification" on the substance of the differences between the two sections. Germain, *supra* note 41, at 250. *See also* S.C. Johnson & Son v. Gold Seal Co., 120 U.S.P.Q. (BNA) 276, 281 (Comm'r Pats. 1959).

56. This argument was employed in attempts to avoid being deemed misdescriptive in other context under the Trade Mark Act of 1905. *In re Bonide Chemical Co.*, 46 F.2d 705 (C.C.P.A. 1931), a federal court first considered the issue of whether an inaccurately descriptive mark could be registered. The applicant argued that CROW-TOX was not descriptive when used on a bird repellent for seeds because the goods contained no poison. *Id.* at 707. The court rejected the argument, but coined the term "misdescriptive." *Id.* *See also In re International Resistance Co.*, 69 F.2d 567 (C.C.P.A. 1934).

lative effect of allowing merely descriptive marks, even when inaccurate, would be to deplete the language and hence stifle competition, so the drafters most likely added the term “misdescriptive” to prevent this.<sup>57</sup> However, the drafters could not use “misdescriptive” alone because arbitrary uses of geographical terms are also “misdescriptive” and such marks were sufficiently distinctive to protect. Employing “misdescriptive” alone might have resulted in the same absurd decisions that occurred under the 1905 Act, where the examining attorney at the Patent and Trademark Office (PTO) looked the term up in an atlas and checked for its accuracy.<sup>58</sup> The drafters most likely wanted to create essentially two categories of misdescriptiveness: one type that was arbitrary and immediately capable of being registered, and another which was not arbitrary, and that required secondary meaning to be sufficiently distinctive.

Ironically, it was not the courts, but Congress itself, which misapprehended the dual purposes of section 1052 many years after the Lanham Act was passed. The courts, despite the confusing rhetoric that one would expect when dealing with two different types of “deception,” actually employed the scheme in its intended manner. Interpreting the phrase “primarily geographically deceptively misdescriptive,” the courts developed the goods/place association to distinguish between geographically arbitrary and deceptively misdescriptive marks. When a mark was found to be deceptively misdescriptive, it simply was treated like merely descriptive marks. Unfortunately, by confusing the issue of distinctiveness (§1052(e)) with the issue of deception (§1052(a)), Congress erroneously perceived a conflict between NAFTA and the Lanham Act, and shut the door on a whole class of trademark owners. The next section addresses why it was unnecessary to amend the Lanham Act to comply with NAFTA.

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57. The drafters probably adopted the term from the judiciary, and thus understood its meaning in the context of a distinctiveness dispute. See *In re Bonide Chemical Co.*, 46 F.2d at 707.

58. *In re California Perfume Co.*, 56 F.2d 885 (C.C.P.A. 1932). As previously explained, the drafters attempted to rid this practice by using the term “primarily,” but an unqualified use of the term “misdescriptive” could yield similar results in the misdescriptive context when interpreted in a strictly literal manner.

### III. MULTILATERAL TRADEMARK TREATIES AND THEIR INFLUENCE ON THE LANHAM ACT

There are a multitude of global and regional treaties relating to trademarks and unfair trade practices, and there is considerable overlap in what rights these agreements create and the means by which they protect them.<sup>59</sup> A comprehensive discussion of all these treaties would go beyond the scope of this paper, and is not necessary to demonstrate the general effect such treaties have had on trademark law. Accordingly, just two multilateral treaties will be considered here, NAFTA and GATT/TRIPS.

#### A. *The North American Free Trade Agreement*

NAFTA was the first treaty in recent history to have a significant influence on the United States' substantive doctrines regarding geographical indications; it was signed on December 17, 1992, by the United States, Canada, and Mexico, and entered into force on January 1, 1994.<sup>60</sup> The purpose of NAFTA was to create a tariff-free trade zone between the three countries.<sup>61</sup> To encourage vigorous trade among the parties, the Agreement also sought to eliminate non-tariff barriers, such as comprehensive intellectual property protection.<sup>62</sup> As part of this protection, NAFTA required the signatories to deny trademark protection to marks that are geographically misleading to the public. The relevant language is as follows:

1. Each Party shall provide, in respect of geographical indications, the legal means for interested persons to prevent:
  - (a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that *misleads*

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59. For a detailed overview of what countries have signed what treaties, see generally *Global Trademark and Copyright, Protecting Intellectual Property Rights in the International Marketplace*, in *MANUAL FOR THE HANDLING OF APPLICATIONS FOR PATENTS, DESIGNS AND TRADE MARKS THROUGHOUT THE WORLD* (Manual Industrial Property 2000) [hereinafter *Global Trademark and Copyright*].

60. North American Free Trade Agreement, Dec. 8-17, 1992, U.S.-Can.-Mex., 32 I.L.M. 605, 698 [hereinafter *NAFTA*].

61. *NAFTA Implementation Act*, H.R. REP. NO. 103-361(I) (1993).

62. *Id.*

*the public* as to the geographical origin of the good . . . .<sup>63</sup>

Congress, in its rushed attempt to comply with NAFTA within the allotted time frame, determined that section 1052(e) of the Lanham Act conflicted with this language. The treaty requires signatory countries to give a legal remedy to interested parties to prevent geographical indications that mislead the public, while the Lanham Act protected marks which were "primarily geographically deceptively misdescriptive." This misdescriptive quality was perceived to be "misleading," so Congress amended the Lanham Act so these marks could no longer be registered.<sup>64</sup> This was done in the form of omitting geographically deceptively misdescriptive marks from the provision affording merely descriptive marks protection, if they obtained secondary meaning.<sup>65</sup>

As a result, the mark TEXAS STEAKHOUSE & SALOON for a restaurant chain not based in Texas was denied registration under the amended Lanham Act.<sup>66</sup> Under the pre-NAFTA Lanham Act, the mark almost certainly would have been deemed "misdescriptive" and been afforded the opportunity to

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63. See NAFTA, *supra* note 60, art. 1712 [emphasis added]. The Treaty also applies to geographical indications which are misleading, but accurately describe the origin of the goods or services: "Each Party shall also apply paragraphs 1 and 2 to a geographical indication that *although correctly indicating the territory, region or locality in which the goods originate, falsely represents the public that the goods originate in another territory, region or locality.*" *Id.* art. 1712, para. 3 (emphasis added). This language would apply to situations where, for example, ROMAN INTERIORS were sold by a company based out of Rome, Georgia. Such a sweeping prohibition on such terms is surprising, since all NAFTA countries have adopted many geographical names from well known European centers of commerce.

64. NAFTA Implementation Act, Subtitle C - Intellectual Property, Pub. L. No. 103-182, § 333, 107 Stat. 2114 (1993).

65. See 15 U.S.C. § 1052(f) (1994). The language of § 1052(e) was changed to create a separate category for deceptively misdescriptive marks—(e)(3)—to which § 1052(f) does not apply.

66. See *In re Texas Steakhouse of Roanoke, Inc.*, 1997 T.T.A.B. LEXIS 162 (1997). See also *Fred Hayman Beverly Hills, Inc. v. Jacques Bernier, Inc.*, 38 U.S.P.Q.2d. (BNA) (1996) (denying registration for RODEO DRIVE for perfume not designed or sold on Rodeo Drive in Beverly Hills, California); *In re Mitchell E. Peck*, 1998 T.T.A.B. LEXIS 470 (1998) (denying MEXICAN WATER for bottled drinking water); *In re Brenda French*, 1996 T.T.A.B. LEXIS 70 (1996) (denying FRENCH RAGS for sweaters and scarves); *In re Les Boulangers Assocs., Inc.*, 1998 T.T.A.B. LEXIS 391 (1998) (denying PARIS SNACKS for ready to eat breadsticks).

develop protectable trademark rights through use in commerce.<sup>67</sup> If the mark acquired distinctiveness through commercial use, then it would have been qualified for federal registration. Instead, the applicant, who had been using the mark in commerce for almost five years,<sup>68</sup> was denied registration, even though it is highly unlikely that any customer would be wronged by the name.<sup>69</sup> This change in the Lanham Act shifted the issue of registering geographical marks from whether the misdescriptive quality of the geographical mark would be material to the consumer's decision to purchase the product, to the lesser standard of whether there is a goods/place association for the mark.<sup>70</sup> If the Examiner finds that there is such an association, and the mark is geographically inaccurate, then the mark is barred for being deceptively misdescriptive.<sup>71</sup>

The Amendments to the Lanham Act go beyond the requirements of the NAFTA treaty, and reveal Congress's inattention to the proper scope of the deceptively misdescriptive clause in section 1052(e). Congress seized on the term "deceptively" as if it operated in a vacuum without properly considering the structure of the Act. In its report on NAFTA's intellectual property provisions, the Committee on the Judiciary simply concluded that section 1052(e) of the Lanham Act had to be amended: "[p]aragraphs two and three of [NAFTA] Article 1712 require NAFTA governments to refuse to register marks that are deceptively misdescriptive in respect of geographical origin regardless of whether the mark has acquired distinctiveness."<sup>72</sup> The rationale underlying the Committee's conclusion unravels upon close examination. First, the treaty does not state explicitly that geographically deceptively misdescriptive marks shall not be registrable, and there is no language which suggests that the treaty specifically targeted section 1052(e). Secondly, the pre-NAFTA Lanham Act did *not*

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67. 15 U.S.C. § 1091 (1994). This provision allows registration of marks "capable of distinguishing the applicant's goods and services."

68. See *In re Texas Steakhouse of Roanoke, Inc.*, 1997 T.T.A.B. LEXIS at 162 n.1. If the applicant was not the first to file, the issue of misdescriptiveness would be moot. See 15 U.S.C. § 1051(a) (1994).

69. The applicant presented evidence that its customers did not believe that the food, nor the food service came from Texas. *In re Texas Steakhouse*, 1997 T.T.A.B. LEXIS at 162 n.8.

70. See MCCARTHY, *supra* note 12, § 14:31.

71. See 15 U.S.C. § 1052(e)(3) (1994).

72. S. REP. NO. 103-189, at 267 (1993).

allow registration of distinctive, yet misleading trademarks; it unequivocally barred such marks under section 1052(a). Yet the pre-NAFTA Lanham Act allowed deceptively misdescriptive marks. Hence, it was faulty statutory interpretation to conclude that the two types of marks were afforded the same legal treatment.<sup>73</sup> Deceptively misdescriptive marks under section 1052(e) are by definition not misleading because they are not likely to induce a purchase based on faulty information.<sup>74</sup> Both the language and the structure of the Lanham Act strongly suggest that section 1052(a) and section 1052(e) are mutually exclusive categories of trademarks.<sup>75</sup>

Finally, despite the Committee's *ipse dixit*, the language of the treaty and the practice under the Lanham Act are consistent with each other. The terms "misleading" and "deceptive" both seek to combat the same evil, and both mean essentially the same thing in our language.<sup>76</sup> The courts have developed a test for what is deceptive (or misleading) that requires the inaccuracies to be a motivating factor in the decision to purchase.<sup>77</sup> This requirement is sound because property rights should not be cast aside if there is no possibility for consumers to actually be injured.<sup>78</sup> Such an approach is probably a neces-

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73. See Germain, *supra* note 41. "If the scope of the meaning of the word 'deceptively misdescriptive' recited in paragraph (e) is precisely the same as or contained entirely within the scope of the meaning of the word 'deceptive' recited in paragraph (a), then the addition of the words to paragraph (e), particularly in view of the presence of paragraph (f), could only be taken as a wholly meaningless act." *Id.* at 257.

74. See *Sweden Freezer*, 159 U.S.P.Q. at 249.

75. See *W.D. Byron & Sons, Inc. v. Stein Bros. Mfg. Co.*, 146 U.S.P.Q. (BNA) 313, 318 (T.T.A.B. 1965). "[S]ince deceptive marks are precluded by section 2(a) of the Statute and deceptively misdescriptive marks by Section 2(e)(1), it is logical to assume that the framers of the Statute intended them to be mutually exclusive." *Id.*

76. Deception is defined as the act of deceiving; intentional misleading by falsehood spoken or acted. See BLACK'S LAW DICTIONARY 406 (6th ed. 1990). Misleading is defined as delusive; calculated to lead astray or to lead to error. *Id.* at 1000. It could be argued that based on this definition, to be misleading, there must be the likelihood that an actual error could be made based on the misinformation.

77. See *Gold Seal Co. v. Weeks*, 129 F. Supp. 928 (D.C. 1955), *aff'd sub nom.* S.C. Johnson & Son v. Gold Seal Co., 230 F.2d 832 (D.C. Cir. 1956) (per curiam), *cert. denied*, 352 U.S. 829 (1956).

78. See Germain, *supra* note 41, at 266. "If purchasers do not rely on the term and are not influenced by it, then they are neither misled [sic] nor deceived." *Id.* (quoting the Patent Office's Trademark Manual of Examining Procedure § 1208.06).



sity in a world full of media-hype, puffery,<sup>79</sup> and other harmless forms of distorted information.<sup>80</sup> Nothing in the clear language of NAFTA requires the United States to discard this common sense doctrine.<sup>81</sup>

The Committee should have harmonized the treaty with established law by reasoning that the term "misleads the public" requires that consumers care enough about the geographic origin of the good that they actually rely on it when purchasing. The inclusion of the term "public" in NAFTA lends itself to this interpretation. Historically, civil law countries have negotiated against using the term in many prior multilateral treaties addressing the subject. For example, both the Lisbon Agreement and the Madrid Agreement prohibit geographical misdescription without any reference to public perception, which is part of the reason the United States is not a party to either.<sup>82</sup> Thus, the reference to public perception in NAFTA

79. See, e.g., *Nikkal Indust., Ltd. v. Salton, Inc.*, 735 F. Supp. 1227, 1235 n.3 (S.D.N.Y. 1990) (holding that mere puffing is not actionable as false advertising under § 1125 of the Lanham Act).

80. Consumer protection statutes aimed at deceptive sales practices also require that the alleged deception reasonably could be found to have caused a consumer to act differently than he or she would have otherwise. See *Kazmaier v. Wooten*, 761 F.2d 46 (2d Cir. 1985).

81. At least two examining attorneys at the PTO did not think there was a conflict between NAFTA and the Lanham Act when interviewed in late 1994. See Elke Elizabeth Werner, Comment, *Are We Trading Our Lanham Act Away? An Evaluation of Conflicting Provisions Between the NAFTA and North American Trademark Law*, 2 SW. J. L. & TRADE AM. 227 n.14 (1995). The United States was not alone in adopting a more rigorous standard for determining what constitutes deceptiveness. The Dutch courts have found that RICHMOND for cigarettes and JOLI PARIS for women's stockings were not misleading to their consuming population. L. Wichers Hoeth, *Protection of Geographic Denominations in the Netherlands*, in PROTECTION OF GEOGRAPHIC DENOMINATIONS OF GOODS AND SERVICES 75, 78 (Herman Cohen Jehoram ed. 1980). Likewise, the Swiss allow registration of geographical marks if "it is thought by the judges that most consumers either ignore the name . . . or know the location well enough to brush aside the idea that such production facilities would be found there." François Dessemontet, *Protection of Geographical Denominations Under Swiss Law*, in PROTECTION OF GEOGRAPHIC DENOMINATIONS OF GOODS AND SERVICES 97, 119 (Herman Cohen Jehoram ed. 1980).

82. See Lee Bendekgey & Caroline H. Mean, *International Protection of Appellations of Origin and Other Geographic Indications*, 82 TRADEMARK REP. 765, 781-83 (1992). This definition of "misleading" did not prevail in the TRIPS negotiations. *Id.* NAFTA negotiators looked to the definitions used in TRIPS, which predated NAFTA by five years, and in some cases directly imported the language. See Daniel R. Bereskin, *A Comparison of the Trademark Provisions of NAFTA and TRIPS*, 83 TRADEMARK REP. 1, 11 (1993).

should not be passed over lightly. It is entirely reasonable to interpret the provision as being tied to public perception, as demonstrated by consumer conduct in the marketplace. If the NAFTA parties wanted a specific definition, or legal test, for "misleading" to be imposed on member countries they could have included it in the treaty. Instead, they left it up to the members to interpret it in a way that works best in their legal systems.

The pre-NAFTA interpretation of "misleading" allows a wide array of geographical terms to be protected without injuring anyone. Such an approach prevents owners from being denied intellectual property protection due to benign and insubstantial types of misinformation. Since a goods/place association does not mean that the geographic place be "noted for" the goods at issue,<sup>83</sup> it is quite possible that the consumer does not care that the goods are geographically misdescriptive. Where there is a faint goods/place association, the misdescriptive quality of the mark borders on being suggestive or arbitrary, since at some level all arbitrary marks misdescribe their goods. The legal line must be drawn through this gray area, and proprietary rights should prevail up to the point where there is a realistic potential for consumers to be wronged. Instead, the Committee's assessment denied the mark owner federal trademark protection based on harmless distortions which do not influence the consumer's decision to purchase.

Deciding that misdescriptive marks are misleading also casts doubts on many common law trademark rights. Federal registration is not the only way to have rights in a mark; businesses can acquire rights in a mark through use in commerce. For example, although they were denied federal registration, the owners of TEXAS STEAKHOUSE & SALOON likely will continue using the name, and would ordinarily have both a state and federal cause of action against somebody who tried to put up a similar restaurant next door using the same name. But what happens if the competition learns of the misdescriptive quality, and attempts to enjoin TEXAS STEAKHOUSE & SALOON from using their name under section 1125 of the Lanham Act, which allows private suit for "any false indication

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83. See *supra* note 80 and accompanying text.

of origin" that is deceptive?<sup>84</sup> Now that geographically deceptively misdescriptive marks are treated just like deceptive marks, they would appear to have a strong argument. Congress granted "grandfather" protection to misdescriptive marks that became distinctive before December 8, 1993,<sup>85</sup> but many small businesses have continued to adopt and invest in these marks. Surely there are many pizza restaurants that have utilized some form of the mark NEW YORK since 1993, or Cajun restaurants that have adopted NEW ORLEANS without getting trademark advice from counsel. Unless these businesses have a legitimate connection to these cities, their names are now exposed to risk for being deceptive under the Lanham Act, even though their customers do not care that the name is somewhat inaccurate. Perhaps many judges would find an equitable way to avoid such a harsh result. But what about banks considering a loan based on collateralizing the restaurant's goodwill,<sup>86</sup> or a potential buyer assessing his target acquisition? The ethereal benefits of having perfectly forthright information embodied in every trademark may be outweighed by the very real burdens the law has put on owners of misdescriptive marks. Of course, if after carefully weighing the merits and the costs of the deceptively misdescriptive clause, Congress decided it was better public policy to amend the Lanham Act, it clearly has the power to do so. But such an analysis was not made. The Act was amended because it was misunderstood.

*B. The GATT/TRIPs Agreement.*

On December 15, 1993, during the Uruguay Round of multilateral trade negotiations to amend their intellectual property laws, the 130 member countries of the World Trade Organization (WTO) agreed to comport with the language of the Agreement on Trade-Related Aspects of Intellectual Prop-

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84. 15 U.S.C. § 1125(a) (1994).

85. See *id.* § 1052(f).

86. See Melvin Simensky, *The New Role of Intellectual Property in Commercial Transactions*, 10 SPG ENT. & SPORTS L. 5, 6 (1992). "Intellectual property may be a borrower's most valuable asset . . . . As such, it constitutes a viable source of collateral for pledge to a lender, which upon the borrower's default, may be seized, owned, and sold by the lender to repay the loan." *Id.* The author goes on to describe how trademarks are collateralized without losing the goodwill. *Id.* at 7.

erty Rights treaty (TRIPS).<sup>87</sup> The treaty addresses a variety of intellectual property concerns and represents a compromise between industrialized and developing nations over the scope of protection afforded to intellectual property and the terms of implementation.<sup>88</sup>

The treaty implicitly distinguishes between trademarks that employ geographical trademarks and "geographical indications" which the TRIPS negotiators sought to protect.<sup>89</sup> The distinction between the two concepts is that trademarks indicate a single source of goods while geographical indications can indicate multiple sources of goods, as long as they come from the same geographical origin.<sup>90</sup> This subtle distinction is revealed in the TRIPS definition of its subject: "Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin."<sup>91</sup> This definition thus addresses indications that connote a region that the population associates with the goods, as opposed to the singular producer of the goods.<sup>92</sup> The intensity of the association, and the breadth of the terms "quality," "reputation," and "characteristic," determine the contours of TRIPS' commands.

The TRIPS Agreement imposes a bifurcated system, which employs one standard for wines and spirits, and another for all other goods.<sup>93</sup> Considering the alcoholic beverage articles first, the treaty requires countries to adopt a *per se* rule against inaccurate geographical indications on wines and spirits, regardless of any association between the goods and the place. The relevant language is as follows:

Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying

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87. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, WTO Agreement, Annex IC, LEGAL INSTRUMENTS - RESULTS OF THE URUGUAY ROUND, vol. 31, 33 I.L.M. 81 (1994) [hereinafter TRIPS].

88. See J. H. Reichman, *Compliance with the TRIPS Agreement: Introduction to a Scholarly Debate*, 29 VAND. J. TRANSN'T'L L. 363, 369 (1996).

89. TRIPS, *supra* note 87.

90. *Id.*

91. TRIPS, *supra* note 87, art. 22(1).

92. See *id.*

93. *Id.* arts. 22, 23.

wines for wines *not originating in the place indicated* by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind," "type," "style," "imitation," or the like.<sup>94</sup>

This language represents the European, particularly French, frustration<sup>95</sup> with the United States' consumer orientation, as demonstrated by the fact that there is no mention of consumer perception. Results like that reached in *Vinters*, (CHABLIS WITH A TWIST)<sup>96</sup> should not occur under the amended Lanham Act, which now denies protection to "geographical indications which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods."<sup>97</sup> The amended language in the Lanham Act does not impose a "misleading" or "confusion" requirement; therefore, consumer ignorance or indifference will not be a defense.<sup>98</sup> For example, in 1997 the TTAB denied registration for the mark HAVANA STYLE for rum produced elsewhere, explaining that the recent amendment to the Lanham Act "is an absolute prohibition . . . if the wines and spirits do not originate in that geographical area."<sup>99</sup> This bright-line rule

94. *Id.* at art. 23(1) (emphasis added).

95. See Paul J. Heald, *Impact of the TRIPS Agreement on Specific Disciplines: Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement*, 29 VAND. J. TRANSNAT'L L. 635 (1996). "The French have worked for almost 100 years to attain unassailable protection for terms like 'champagne' and 'chablis'" *Id.* at 647. But it is not just the French beverage industries that have pressed for protection of regional designation. The U.S. Ambassador to France and the French Minister of Foreign Affairs agreed on behalf of their governments to protect BOURBON as a geographical indication in France in exchange for similar treatment for the term CALVADOS in the United States. *Id.* at 645 (citing 2 STEPHAN LADAS, PATENTS, TRADEMARKS, AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION 681 at 1253-54 (1975)). It is unclear how much influence the American Ambassador could have over a tribunal's decision whether the term CALVADOS was a geographical term or not.

96. The Institut National Des Appellations D'Origine v. Vinters International Co., Inc., 958 F.2d 1574 (1992).

97. 15 U.S.C. § 1052(a) (1994). The statute provides "grandfather" clause protection to goods first used in connection with wines on or after one year after the date the WTO Agreement enters force, or January 1, 1996. *Id.*

98. *Id.*

99. *In re Bacardi & Co.*, 1997 T.T.A.B. LEXIS 169 at \*7 (1997). The TTAB pointed out that the mark was not denied registration under the new GATT driv-

may, at first blush, appear to be consistent with the interest in preventing the palming off of goodwill. But, palming off in this type of situation does not convert the goodwill of a company, rather it refers to the goodwill of a region. In this sense, the rule protects an entire regional industry, not a particular producer. When certain wineries within a region provide a superior product, the goodwill created by this effort is protected regardless of whether the name of the region is used by others in a distant place. After all, the name of a winery presumably can be trademarked. Keep in mind that the TRIPS provision prohibits any misdescriptive mark even if the actual name of the region is clearly labeled, and the misdescriptive mark is used in conjunction with the term "type" or "style." Under these circumstances, the argument that this provision seeks to combat deception is a pretext, and the European insistence on strict rules for geographical indications appears to be motivated by an interest in monopolizing familiar marketing terms.

Regarding the use of geographical indications for goods that are not wines or spirits, the agreement denies protection to geographical marks that are misleading to the public. The relevant language is as follows:

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

[t]he use of any means in the designation or presentation of a good that *indicates or suggests* that the good in question originates in a geographical area other than the true place of origin in a manner which *misleads* the public as to the geographical origin of the good . . . <sup>100</sup>

Because the term "misleading" was the operative term in the NAFTA agreement, Congress has not modified the Lanham Act to incorporate this article. This response is correct because the article only applies to "territories where a given quality, reputation, or other characteristic is attributable to the re-

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en amendments to Section 2(a) because the applicant filed an intent to use registration before the effective date. *Id.* at \*8 n.7. However, the tribunal noted that if there was no actual use before the date, the absolute bar will apply. *Id.* In an earlier proceeding, the TTAB denied registration for HAVANA SELECT, HABANA CLASICO, OLD HAVANA, and HAVANA CLIPPER for rum. *In re Bacardi & Company* 1997 T.T.A.B. LEXIS at 16, 48 U.S.P.Q.2d (BNA) 1031 (1997).

100. TRIPS, *supra* note 87, art. 22, para. (2) (emphasis added).

gion." Thus, a stronger association is required to trigger the TRIPS prohibition than is required under the Lanham Act. As mentioned above, the Lanham Act's requirement of a goods/place association does not demand that the area be "noted for" the good at issue.<sup>101</sup>

The problem with the TRIPS language is that it can be, and has been, interpreted to prohibit much more than what the negotiators had in mind. Much like the United States Congress did in response to the NAFTA treaty, there may be a tendency to overreact. This can happen in at least two different ways. One way is to give the term "misleading" a hypersensitive interpretation, such as denying misdescriptive geographical marks protection where there is a faint goods/place association. This approach essentially operates as a requirement that the geographical term be indisputably arbitrary in order to be registered, like the ALASKA BANANA example used in *In re Nantucket*.<sup>102</sup> Nothing in the drafting history gives conclusive guidance to the proper application of this term.

Another way the TRIPS agreement can be misapplied is through interpreting the definition of "geographical indications" in such broad terms that marks with virtually any geographical connotation will be rejected if the goods it represents do not originate in the suggested place. Indeed, Congress did not import any of the TRIPS restrictive language in its definition of geographical indications, apparently relying on judiciary's goods/place requirement to perform this function. However, for legal systems which do import the language verbatim, the term "characteristic" is particularly open-ended, and could be "essentially attributable" to virtually any area if interpreted liberally. This is especially true for countries that have not developed an equivalent to the goods/place association, as would be expected from jurisdictions that do not base their trademark law on a consumer-oriented model.<sup>103</sup>

In his article, *Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement*, Professor Heald concludes that U.S. businesses and consumers should be pleased with the TRIPS agreement.<sup>104</sup> For the majority of

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101. *Supra* note 29 and accompanying text.

102. *In re Nantucket*, 677 F.2d 95 (C.C.P.A. 1982).

103. *See* Heald, *supra* note 95.

104. *See id.* at 654.

those affected by the treaty this is probably true. But those companies involved in marketing products with geographically misdescriptive marks will not be applauding, and the consumers of their products may pay more as companies that struggle to redefine the market pass those costs along. Yet, it is unlikely that the negotiators at TRIPS meant the agreement to impose this severe limitation on trademark rights for goods which are not wines and spirits. First, there would be no need to separate wines and spirits from other products if they were all to be treated the same way. Second, if the negotiators wanted to impose such a bright line requirement, they simply could have required that goods with geographical indications must originate from the suggested place. They did not do so.

To prevent further misunderstanding, the TRIPS treaty should be amended to include some form of codification proclaiming that marks that do not mislead are still protected. The provision must not apply to wines and spirits because the clear terms of that provision deny protection to misdescriptive marks regardless of consumer perception. This language was the result of informed bargaining and should not be altered by an amendment that seeks only to clarify the agreement. The author recommends the following language: "nothing in article 22 prevents Members from affording legal protection to trademarks which suggest a geographic place that is not their true place of origin, if it is not likely to influence the public's decision to purchase the goods." Although this addition may seem repetitive and obvious to those familiar with the goods/place association doctrine, such an amendment will focus the attention of lawmakers around the globe—and judges where the treaty language is imported directly into a domestic statute or deemed to be self-executing—on the narrow requirements of the Agreement, and thus prevent the excessive abrogation of the field of protectable trademarks. Alerting lawmakers to the proper scope of the treaty might have the additional effect of prompting them to think more carefully about what their laws actually protect and prohibit. This is likely to be politically feasible since the European wine and spirit industry is already safeguarded from misdescriptive marks, and therefore should



not fear a more narrow interpretation of the other provisions.<sup>105</sup>

#### IV. IMPACT ON OTHER WTO MEMBERS' TRADEMARK LAW

A brief overview of recent changes in TRIPS signatories' trademark law reveals a trend towards constricting the allowable field of geographical trademarks. Commentators on intellectual property treaties have remarked on how countries around the globe have been rushing to implement new legislation on numerous issues, often without closely ascertaining what the new treaty requires.<sup>106</sup> Some have gone so far as to adopt complicated "appellation of origin" type registration systems far beyond what TRIPS requires, others simply have revised their laws in ways which potentially threaten misdescriptive geographical marks in the future.<sup>107</sup> Many signatory countries have yet to respond to the TRIPS Agreement. Thus amending the TRIPS language may prevent further erosion, especially where the direct language of the treaty is used in a court without a goods/place doctrine to limit its potentially overbroad application.

In considering the amendments made by various nations, it should be remembered that it is difficult to be certain that the changes in the law were directly compelled by a perceived obligation to the treaty. Some legislatures may have used the opportunity to revise their laws in a more general sense, or they may have been bound by other treaty obligations, which have different requirements.<sup>108</sup> However, the direct traces of the TRIPS language along with the timing of the enacted legislation strongly implicate a reaction to the Agreement.

Because time and space prevent a comprehensive, in-depth assessment of TRIPS' influence on various member states' legislation in this comment, a close look at Brazil's recent amendments will serve as an example. Brazil joined the WTO

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105. TRIPS, *supra* note 87, art. 23.

106. See Clark W. Lackart, *Geographical Indications: What Does the WTO TRIPS Agreement Require?*, TRADEMARK WORK, Aug. 1998, at 30. "We should proceed cautiously to address protection of geographical indications, since countries must ensure that valuable trademark rights are not sacrificed in a thoughtless rush to implement WTO/TRIPS Agreement Articles 22, 23, and 24." *Id.*

107. *Id.*

108. See generally Global Trademark and Copyright, *supra* note 59.

Convention in 1967, and recently enacted a new "Industrial Property Law," which became effective on May 15, 1997.<sup>109</sup> Regarding geographical marks, the new law creates three categories. The first category is an "indication of source," which is defined as the "geographical name of a country, city, region or locality of its territory, which has become known as a center of extraction, production, or manufacture of a determined product or for providing a determined service."<sup>110</sup> The second is an appellation of origin, and is defined as a geographical name which "designates a product or service, the qualities or characteristics of which are exclusively or essentially due to the geographical environment, including natural and human factors."<sup>111</sup> The use of marks in both these categories are restricted to the producers and providers of services "established in the locality."<sup>112</sup> The restrictions put on these two categories are consistent with the scope of legislation required by TRIPS, because misdescription likely would mislead consumers due to the strong association between the goods and the place.<sup>113</sup> But Brazil chose to legislate further: "A geographical name that does not constitute an indication of source or an appellation of origin may serve as a characteristic element of a product or service mark, *provided it does not suggest a false source*."<sup>114</sup> This is just the type of open-ended legislation that threatens harmless misdescriptive marks. There is no explicit protection given to geographical marks which are not primarily geographic or which are used in an arbitrary manner. Nor is there any requirement that there be a goods/place type of association for a mark to be found to be falsely suggestive. In fact, because the first two categories already provide for situations where there are strong associations, the courts may, through negative implication, reason that no such requirement is needed when assessing marks in this final category. A judicially imposed goods/place association is unlikely in a civil law country like Brazil.

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109. *Id.* Among the changes to Brazil's laws were the recognition of certification marks and collective marks, and the abolishment of protection for "Notorious" and "Generic/House" marks. See *id.* at Brazil 25, Vol. 1 (1997).

110. Decreto No. 9279 of May 14, 1996, Title IV, art. 177.

111. *Id.* art. 178.

112. *Id.* art. 182.

113. TRIPS, *supra* note 87, art. 22.

114. Decreto No. 9279 of May 14, 1996, Title IV, art. 181.

## V. CONCLUSION

The effort to harmonize the trademark laws around the world has had much success in the last decade. Both NAFTA and GATT/TRIPS have improved the effectiveness of enforcing of trademark rights, and thus have made international commerce a less risky endeavor for most businesses. However, these advances have come with a cost, borne by a yet to be heard from class of producers and suppliers who market goods using geographically misdescriptive trademarks. These businesses will face a legal climate that is increasingly hostile to their trademarks, even when their misdescriptive qualities are of little concern to the purchasers of their products. Many of these companies will have developed goodwill internationally through the Internet,<sup>115</sup> yet they will be unable to fully protect it. The uncertainty that has been cast by TRIPS language is apt to make banks balk at collateralizing the value of these trademarks,<sup>116</sup> and potential buyers of such companies also will be hesitant when valuing their targets. The shift away from a consumer perception model adds to the irony of this contemporary hypersensitivity towards geographically "misleading" marks. By rejecting all misdescriptive geographical terms on wines and spirits—even where the actual origin of the product is clearly marked for the consumer's benefit—the TRIPS negotiators actually ignored consumers at the very time they purported to protect them.

If these costs were the result of an effective drive to rid the marketplace of deceptive marketing, they would be easier to accept. Instead, these losses are a result of imprecise treaty drafting and impatient legislation. For example, the United States overreacted in 1993 when it amended the Lanham Act to deny protection to misdescriptive marks that were not relied upon by the consumer when purchasing. Now countries all over the globe are overreacting to the GATT/TRIPS language in a similar manner. The language of the GATT/TRIPS agreement is clear enough to those accustomed to the goods/place requirement found in trademark systems that focus on the consumer's perceptions. But since the treaty bound most of the industrialized nations of the world, such a provincial assump-

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115. *See id.*

116. *See Simensky, supra note 86.*

tion was unwarranted. The treaty should have included language that made the narrow scope of its command clear to all signatory states.

In response to these problems, the author suggests two solutions. Domestically, the judiciary should adopt the higher "noted for" standard for finding a goods/place association. If a product utilizes a geographical mark which connotes a place that is noted for the good it is used upon, the consumer most likely will consider this fact when purchasing. This is not a perfect fix, but it should increase the likelihood that benign misdescriptive marks will be protected. Because it is easier to determine whether a place is "noted for" particular goods than whether one merely subjectively associates the place with the goods, this change will add some much-needed predictability in this area of the law. As telecommunications bring the commercial world together, virtually anything could be associated with a particular place, leaving only the most obviously arbitrary or impossible combinations free from doubt. Under this more intuitive "noted for" approach, business people will have a stronger sense of when they are crossing the line into illegal marks, since the potential for real deception is more obvious.

Secondly, to prevent the rest of the TRIPS signatory countries from adopting burdensome legislation, the operative language should be amended to include the following provision: "nothing in article 22 prevents Members from affording legal protection to trademarks which suggest a geographic place that is not their true place of origin, if it is not likely to influence the public's decision to purchase the goods." This language will highlight the limits of the agreement. This amendment will not prevent those states that wish to stamp out victimless deception at an unforeseeable cost to future business endeavors, but it will make clear that the TRIPS agreement does not compel them to do so.

