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Belmora LLC v. Bayer Consumer Care AG—The Well-Known Marks Doctrine Reconsidered

Wee Jin Yeo*

Abstract

The territoriality principle, basic to United States trademark law, provides that foreign uses of a trademark do not give the user trademark rights in the United States. An important exception to this principle is the well-known marks doctrine, which allows a foreign user to obtain priority rights in the United States over a mark used exclusively overseas, if it has achieved a measure of renown in the United States. However, until now, it remains uncertain whether the doctrine is part of United States federal trademark law, given the split between the Ninth and the Second Circuits on the issue.

On March 23, 2016, the Fourth Circuit handed down the decision of Belmora LLC v. Bayer Consumer Care AG, which protected foreign marks neither registered nor used in the United States.

This Article takes this timely opportunity to revive the debate on the applicability of the well-known marks doctrine in trademark law. Analyzing the Fourth Circuit's decision, this Article argues that it provides a useful insight on how the circuit split should be resolved, but cautions future courts not to mechanically apply the Fourth Circuit's decision.

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I. Introduction

The territoriality principle has been exhorted as a fundamental principle of trademark law.¹ Under this principle, “a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark.”² Accordingly, a strict application of this principle would dictate that a prior use of a trademark in a foreign country

1. See Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885, 887 (2004) (“[I]t is an axiomatic principle of domestic and international law that trademarks and trademark law are territorial.”).

2. J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 29:1 (4th ed. 2016).

is insufficient for its owner to assert trademark rights against a domestic junior user who had first used the mark in the United States. One important—albeit controversial—exception to this fundamental principle is the well-known marks doctrine. The doctrine provides that exclusive use of a mark overseas may give the owner of that mark priority in the United States if the mark is sufficiently well known to consumers in the United States, even if neither goods nor services are offered in the United States.³

However, it remains an open question whether United States federal trademark law incorporates the well-known marks doctrine, as the Ninth and Second Circuits are split on the issue. While the Ninth Circuit has definitively held that a well-known marks exception to the territoriality principle exists in federal law,⁴ the Second Circuit has explicitly rejected the doctrine as part of federal law.⁵ Recently, the Fourth Circuit entered the fray in *Belmora LLC v Bayer Consumer Care AG*,⁶ holding that Section 43(a) of the Lanham Act⁷ offers protection to foreign

3. See Anne Gilson LaLonde, *Don't I Know You from Somewhere? Protection in the United States of Foreign Trademarks that Are Well Known But Not Used There*, 98 TRADEMARK REP. 1379, 1380–82 (2008) (defining the well-known marks doctrine).

4. See *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004) (“We hold, however, that there is a famous mark exception to the territoriality principle.”).

5. See *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007) (“Absent such Congressional recognition, we must decline ITC’s invitation to grant judicial recognition to the famous marks doctrine simply as a matter of policy.”).

6. No. 15-1335, 2016 WL 1135518 (4th Cir. Mar. 23, 2016).

7. Section 43(a) of the Lanham Act reads as follows:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or

marks that are neither registered nor used in United States commerce.⁸ Interestingly, the Fourth Circuit made no reference to the well-known marks doctrine as discussed in the Ninth and Second Circuit decisions. In this vein, the Fourth Circuit's decision provides a timely opportunity to discuss whether any normative and statutory bases for recognizing a well-known marks doctrine exist in United States law. This Article argues that the circuit split should be resolved in favor of recognizing the well-known marks doctrine under Section 43(a) of the Lanham Act—the provision on which the Fourth Circuit relied to vindicate the “rights” of a foreign mark holder, given the strong policy reasons for its recognition.

That said, this Article disagrees with how the Fourth Circuit arrived at its conclusion, and how it appears to have unjustifiably done away with the requirement that a mark must be sufficiently well known to be protected under section 43(a) of the Lanham Act without proof of domestic use.

II. Normative Considerations Underlying the Territoriality Principle: Preventing Consumer Confusion and Preserving Producer Goodwill

“Trademark law aims to protect the reputation and goodwill of a mark, and thus the mark's owner, and to protect consumers from deception and confusion as to the source of goods and services.”⁹ Case law is replete with judicial affirmations of these two goals as the foundational policy considerations of trademark law.¹⁰ While there has been some debate as to whether both goals

she is or is likely to be damaged by such act.

15 U.S.C § 1125(a) (2012).

8. See *Belmora*, 2016 WL 1135518, at *12 (ruling “that Bayer is entitled to bring its unfair competition claims under Lanham Act § 43(a)”).

9. Lee Ann W. Lockridge, *Territoriality (Mis)understood: Enforcing Well-Known Foreign Marks in the United States*, in TRADEMARK PROTECTION AND TERRITORIALITY CHALLENGES IN A GLOBAL ECONOMY 233, 244 (Irene Calboli & Edward Lee eds., 2014).

10. See, e.g., *Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 280 (D. Mass. 2009) (“The Lanham Act . . . serves two basic purposes: foremost, preventing the use of similar or identical marks in a way that confuses the public about the actual source of the goods and services; and second, the protection of the goodwill that companies have built up in their trademarks.”).

ought to be coequal in delineating the contours of trademark law in general,¹¹ that debate need not detain us here, as both goals are equally furthered by the territoriality principle, which recognizes that trademark holders only have rights in territories where they use the trademark and thus enjoy protectable trademark goodwill.¹² A simple illustration will show that the territoriality principle is equally compatible with both goals.

When Producer A uses his mark on the goods he offers for sale, consumers start to associate the mark with him and the mark helps consumers distinguish his goods from his competitors'. Trademarks thus become repositories of protectable goodwill. Accordingly, the subsequent use of the same trademark by Competitor B in the same territory where Producer A enjoys goodwill would likely engender consumer confusion and amount to misappropriation of Producer A's goodwill. In accordance with both goals, the territoriality principle does not prevent Producer A from enjoining Competitor B's use.

The analysis is different if Producer A uses his mark in a geographically remote foreign territory from Producer C who uses the same mark in the United States. Since consumers in the United States have not been exposed to Producer A's mark, it is unlikely that they would experience any confusion.¹³ Concomitantly, there is less concern that Producer C is free riding on Producer A's goodwill. Indeed, the territoriality principle steps in to prevent Producer A from asserting any trademark rights against Producer C.

11. See Lockridge, *supra* note 9, at 244 n.48 (citing Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1844–48, 1860–66 (2007)) (discussing the scholarship analyzing the twin goals of trademark law).

12. See Dinwoodie, *supra* note 1, at 894 (“Whether viewed as an instrument to preserve producer goodwill or to protect consumers against confusion, the purpose of trademark law was served by recognizing rights in the local producer.”).

13. See LaLonde, *supra* note 3, at 1404–05 (“Where a mark is used exclusively outside the United States, many United States consumers will typically not be exposed to it. If a United States company begins using a foreign trademark in the United States that United States consumers have not heard of, confusion is unlikely.”).

III. The Second and Ninth Circuit are Split on Whether the Lanham Act Incorporates Protection for Well-Known Marks

The foregoing section illustrates that the territoriality principle rests on sound normative bases—it restricts the scope of a trademark holder’s trademark rights to the scope of his goodwill within the United States,¹⁴ so as to serve the intrinsic purposes of trademark law. That said, do the same policy considerations require the territoriality principle to be absolute? Should federal law recognize a well-known marks exception to the territoriality principle?

To set the stage for the discussion of these issues, this Article shall briefly examine the circuit split between the Ninth and Second Circuits on whether United States trademark law offers protection to well-known foreign marks not used in the United States.

*A. The Ninth Circuit’s Position in Grupo Gigante SA de CV v. Dallo & Co.*¹⁵

In *Grupo*, the plaintiff grocery chain, Grupo Gigante, had used the mark “Gigante” in Mexico since 1962, but only considered expanding into the United States in 1995.¹⁶ To its consternation, it discovered that the defendant, Dallo & Co., had been operating a grocery store in San Diego by the name of “Gigante Market” since 1991.¹⁷ The plaintiff then sued the defendant for, *inter alia*, trademark infringement under Section 43(a) of the Lanham Act.¹⁸ As a starting point, the Ninth Circuit affirmed that the territoriality principle was “basic to trademark law.”¹⁹ However, the court then articulated that the principle was not absolute and that it was subject to the well-known marks

14. See Dinwoodie, *supra* note 1, at 894 (“Stated differently, trademarks are merely the vessels for a legally protectable interest, namely, goodwill, and the scope of that protectable interest thus defines the scope of trademark rights.”).

15. 391 F.3d 1088 (9th Cir. 2004).

16. *Id.* at 1091.

17. *Id.*

18. *Id.* at 1092.

19. *Id.* at 1093.

exception under which an exclusive use of a mark overseas may confer trademark rights on a foreign mark holder if the mark is sufficiently well known to United States consumers.²⁰ Significantly, the court based its decision on policy, stating that given the borderless nature of commerce and the prevalence of international travel today, “[a]n absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud.”²¹ While the court relied on federal law in reaching its result, it notably “did not specify where in the rather large body of federal trademark law it located this protection.”²²

*B. The Second Circuit’s Position in ITC Ltd. v. Punchgini, Inc.*²³

In *ITC*, the plaintiff Indian corporation, ITC Limited, operated a famous restaurant called “Bukhara” in New Delhi.²⁴ Subsequently, the plaintiff decided to expand into the United States, opening a restaurant in Manhattan in 1986 and another, through a franchise agreement, in Chicago in 1987.²⁵ However, the plaintiff’s foray into the United States met with limited success; its Manhattan restaurant closed down in 1991 and it discontinued its Chicago franchise in 1997.²⁶ Since then, the plaintiff had not used its “Bukhara” mark in connection with “restaurant services” in the United States.²⁷ Subsequently, in 1999, the defendant, Punchgini, Inc., opened the “Bukhara Grill” in New York, mimicking “the [plaintiff] Bukharas’ logos, décor, staff uniforms, wood-slab menus, and red-checkered-customer bibs.”²⁸ The plaintiff then sued the defendant for, *inter alia*, unfair competition under Section 43(a) of the Lanham Act.²⁹ The

20. *See id.* at 1093–94 (discussing both the plaintiff’s and defendant’s interpretation of the well-known marks exception).

21. *Id.* at 1094.

22. Lockridge, *supra* note 9, at 238.

23. 482 F.3d 135 (2d Cir. 2007).

24. *Id.* at 143.

25. *Id.*

26. *Id.*

27. *Id.* at 147.

28. *Id.* at 144.

29. *Id.* at 145.

Second Circuit affirmed the territoriality principle as being so fundamental to United States trademark law that it should not be departed from except by Congress.³⁰ Intuitively, the territoriality principle made good sense to the Second Circuit; since trademarks in the United States exist to protect goodwill and goodwill is created domestically through trademark use, a United States trademark ought to only protect domestic goodwill.³¹ On the basis of this intuitive appeal and the well-established nature of the territoriality principle, the court refused to recognize the well-known marks exception. It stated that the recognition of a well-known marks exception would engender an unjustifiably “radical change in basic trademark law.”³² Significantly, the court also noted “the absence of any statutory provision expressly incorporating the famous marks doctrine”³³ as a factor militating against recognition of the doctrine under federal law.

C. *Interim Conclusions*

While the Ninth and Second Circuits both disagree on whether federal law incorporates the well-known marks doctrine, they both at least agree that policy considerations support the recognition of the doctrine.³⁴ Indeed, although the Second Circuit refused to recognize the well-known marks doctrine as part of federal law, it acknowledged “that a persuasive policy argument can be advanced in support of the . . . doctrine.”³⁵ As will be shown in the following paragraphs, policy considerations

30. *See id.* at 165 (“In light of the comprehensive and frequently modified federal statutory scheme for trademark protection set forth in the Lanham Act, we conclude that any policy arguments in favor of the famous marks doctrine must be submitted to Congress . . .”).

31. *See id.* at 155 (discussing the justifications for the territoriality principle).

32. *Id.* at 161.

33. *Id.* at 164.

34. *See id.* at 165 (noting that the doctrine “may promote sound policy”); *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1094 (9th Cir. 2004) (“An absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud.”).

35. *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 165 (2d Cir. 2007).

underlying the territoriality principle may be extended to support the well-known marks exception.

The territoriality principle traditionally protected domestic goodwill, as it assumed that goodwill only subsisted in the country where the trademark owner used the mark. In other words, the territoriality principle operated under the assumption that “each country is an insulated market in which goodwill can be analyzed separately from any associations a mark may carry in another country.”³⁶

While this assumption may have made sense in the past when “brand manufacturers [were] . . . confined to local markets,”³⁷ it is clearly untenable in light of the “integrated and universal consumer marketplace”³⁸ that we participate in today. As Professor Lockridge rightly observed, “in this age of easier, more affordable national and international travel and almost-zero-marginal-cost global communications networks, knowledge of a mark and its associated goods and services can certainly travel beyond the geographic reach of actual use.”³⁹ Thus, it is very likely that a famous foreign mark holder may enjoy goodwill in the United States and that consumers in the United States may be confused by a local firm’s use of the famous foreign mark in connection with its goods and services. In turn, it follows that while domestic use may continue to be a good proxy for protectable goodwill,⁴⁰ the converse that protectable goodwill can only exist with domestic use is not true.⁴¹ As rightly noted by the Ninth Circuit in *Grupo Gigante*, allowing local firms to use foreign marks that have achieved renown in the United States would be tantamount to sanctioning the creation of consumer

36. Robert C. Bird & Elizabeth Brown, *The Protection of Well-Known Foreign Marks in the United States: Potential Global Responses to Domestic Ambivalence*, 38 N.C. J. INT’L L. & COMM. REG. 1, 8 (2012).

37. Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village?*, 86 TRADEMARK REP. 103, 104 (1996).

38. Bird & Brown, *supra* note 36, at 2.

39. Lockridge, *supra* note 9, at 247.

40. *See id.* at 246 (“[P]roof of local use is a proxy for proof of protectable goodwill, which is the keystone of commercial and consumer interests protected by trademark law.”).

41. *See id.* at 245 (“While it is true that some use is required for goodwill to develop, domestic law does not hold that goodwill, and trademark rights protecting that goodwill, cannot extend beyond the area of use.”).

confusion and the misappropriation of goodwill.⁴² Accordingly, the “bedrock”⁴³ territoriality principle can and should be qualified by the well-known marks exception to ensure that trademark law develops in tandem with global developments and continues to effectively serve its function of preventing consumer confusion and preserving producer goodwill.

The above analysis illustrates that the Second Circuit erred in refusing to recognize a well-known marks exception to the territoriality principle, despite the persuasive policy reasons justifying its recognition. The territoriality principle, being a policy construct, ought to adapt to the global marketplace we live in today. That said, the Second Circuit in *ITC* was also influenced by the need to refrain from judicial legislation, given that Congress’s intent was regarded to be ambiguous and that no provision in the Lanham Act expressly referenced the well-known marks doctrine.⁴⁴

This Article argues that the Second Circuit’s concern about judicial legislation may be addressed by situating the statutory basis of the well-known marks doctrine in Section 43(a) of the Lanham Act, consistent with how the Fourth Circuit protected a foreign mark not used in the United States in the recently-decided case of *Belmora LLC v Bayer Consumer Care AG*.⁴⁵ This would effectively resolve the circuit split that has plagued the courts since 2007. However, the Fourth Circuit’s decision is problematic in a number of ways. Thus, the next Part critiques the Fourth Circuit’s decision, distilling insights that may be gleaned, as well as identifying pitfalls to avoid.

42. See *supra* note 34.

43. Lockridge, *supra* note 9, at 243.

44. See *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 164 (2d Cir. 2007) (“Before we construe the Lanham Act to include such a significant departure from the principle of territoriality, we will wait for Congress to express its intent more clearly.”).

45. No. 15–1335, 2016 WL 1135518 (4th Cir. Mar. 23, 2016).

IV. Resolving the Circuit Split and a Critique of the Fourth Circuit's Decision in Belmora LLC v. Bayer Consumer Care AG

A. Belmora LLC v. Bayer Consumer Care AG

In *Belmora*, the plaintiff, Bayer Consumer Care AG, sold naproxen sodium pain relievers under the “FLANAX” mark in Mexico since the 1970s, but never in the United States.⁴⁶ Instead, its sister company sold the same product under the mark “ALEVE” in the United States.⁴⁷ In 2004, the defendant, Belmora LLC, began selling naproxen sodium tablets in the United States under the “FLANAX” mark,⁴⁸ adopting product packaging that even today remains similar to that of Bayer’s FLANAX packaging.⁴⁹ In 2007, the plaintiff sued the defendant, alleging, *inter alia*, that the plaintiff “was injured by [the defendant’s] false association with its FLANAX product in violation of Lanham Act § 43(a)(1)(A).”⁵⁰

In holding that foreign marks neither used nor registered in the United States may be protected under Section 43(a) of the Lanham Act, the Fourth Circuit observed that in contrast to Section 32 of the Act—the provision oft used to obtain protection against infringement of a registered trademark—the literal wording of Section 43(a) did not require a plaintiff to use a mark in United States commerce to bring a Section 43(a) action.⁵¹ While the court acknowledged that prior cases “appear[ed] to have treated a plaintiff’s use of a mark in United States commerce as a prerequisite for a false association claim,”⁵² it ultimately dismissed them on the ground that none of these cases made it “the *ratio decidendi* of its holding or analyzed whether the statute in fact contains such a requirement.”⁵³

46. *Id.* at *1.

47. *Id.*

48. *Id.*

49. *Id.* at *1–2.

50. *Id.* at *3.

51. *See id.* at *4 (“Significantly, the plain language of § 43(a) does not require that a plaintiff possess or have used a trademark in U.S. commerce as an element of the cause of action. . . . [I]t is the defendant’s use in commerce . . . that creates the injury under the terms of the statute.”).

52. *Id.* at *7.

53. *Id.*

The court then further justified its position on the basis of two instances where a plaintiff who had not used a mark in United States commerce could nevertheless avail himself of a Section 43(a) action. The first was that a plaintiff whose mark had become generic could plead a Section 43(a) claim against a competitor who used the generic mark, yet did not seek to distinguish himself from the plaintiff, if his competitor's use "cause[d] 'confusion or a likelihood of confusion.'"⁵⁴ The second was that a plaintiff who did not use his mark in United States commerce could nevertheless sue a defendant for reverse passing off under Section 43(a), if the defendant offered the plaintiff's goods for sale but represented them as his own.⁵⁵ The court reasoned that if use in United States commerce were a prerequisite to bringing a Section 43(a) action, these two established causes of action could not exist.⁵⁶

B. Resolving the Circuit Split: Section 43(a) of the Lanham Act as the Statutory Basis for the Well-Known Marks Doctrine

The key insight that may be gleaned from the Fourth Circuit's decision is that Section 43(a), which protects against the infringement of unregistered marks,⁵⁷ provides a sound legal basis for recognizing the well-known marks doctrine. As the Fourth Circuit correctly observed, Section 43(a) does not contain any "express requirement" that a plaintiff must use its mark in United States commerce.⁵⁸ Thus, the Lanham Act does not preclude reliance on Section 43(a) to give effect to the well-known marks doctrine. Besides, as Part III.C has highlighted, the well-known marks doctrine furthers the twin purposes of trademark law of preventing consumer confusion and preserving producer

54. *Id.* (quoting *Blinded Veterans Ass'n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1043 (D.C. Cir. 1989)).

55. *See id.* at *8 (listing the elements of a "reverse passing off" case).

56. *See id.* ("The generic mark and reverse passing off cases illustrate that § 43(a) actions do not require, implicitly or otherwise, that a plaintiff have first used its own mark in United States commerce.")

57. *See MCCARTHY*, *supra* note 2, at § 27:12 (noting that § 43(a) "serve[s] as a vehicle for asserting infringement of unregistered marks").

58. LaLonde, *supra* note 3, at 1398.

goodwill. Therefore, the courts would be well justified to rely on Section 43(a) of the Lanham Act to give effect to the doctrine.

At this point, it should be noted that while the Second Circuit relied on the lack of any express mention of the well-known marks doctrine in the Lanham Act to *reject* its existence outright, it did so *in relation to* Sections 44(b)⁵⁹ and 44(h)⁶⁰ of the Lanham Act. Taken in this light, it was fair for the Second Circuit to have done so; otherwise, the ramification would have been to judicially legislate, *inter alia*, the Paris Convention's broad prohibition against unfair competition into federal law.⁶¹ As Anne Gilson LaLonde adroitly noted, if the enactment of Section 44 were really intended to grant substantive rights consistent with international agreements to which the United States is a party, it would have specifically spelt out this extensive grant of rights.⁶²

59. See 15 U.S.C § 1126(b) (2012)

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.

60. See *id.* § 1126(h)

Any designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

61. See LaLonde, *supra* note 3, at 1400 (explaining the argument in favor of finding a federal statutory right to enforce the reputation alone of a well-known foreign mark in Section 44). LaLonde writes:

Section 44(h) entitles foreign trademark owners to 'effective protection against unfair competition' and Section 44(b) expands that protection 'to the extent necessary to give effect to any provision of such convention.' Actionable 'unfair competition' therefore includes whatever is barred by 'any provision' of an international agreement, including the Paris Convention. So a foreign trademark owner can sue under Section 44 of the Lanham Act for violations of Article 6bis of the Paris Convention.

Id.

62. See *id.* (arguing that "expanding the concept of 'unfair competition' to 'any convention or treaty relating to trademarks . . . or unfair competition' to

Therefore, while the Second Circuit may have been justified in not giving effect to the well-known marks doctrine via Sections 44(b) and 44(h) of the Lanham Act, its underlying concern about judicially legislating a federal law of unfair competition does not apply to Section 43(a). Accordingly, the lack of any express reference to the well-known marks doctrine in Section 43(a) of the Lanham Act should not be a bar to its recognition under the section.

C. Problems with the Fourth Circuit's judgment

While the Fourth Circuit reached the right result in enjoining Belmora from using Bayer's well-known "FLANAX" mark in the United States, the reasoning it applied is inherently problematic and ought not to be followed by future courts.

First, the Fourth Circuit dismissed a long line of prior cases treating domestic use as a pre-condition for a Section 43(a) claim on the basis that it was not the focal point in those cases.⁶³ While this is unobjectionable from a purely doctrinal point of view, the Fourth Circuit's approach gave short shrift to the policy considerations underlying the territoriality principle. The better way around these adverse authorities would have been to acknowledge the territoriality principle, but at the same time recognize that it should not be absolute. Specifically, the well-known marks doctrine may be recognized as a limited exception to the territoriality principle so that United States law continues to prevent consumer confusion and protect producer goodwill in line with the reality that a mark holder's reputation may transcend both geographical and national boundaries in today's technologically advanced society.

Second, the examples raised by the Fourth Circuit to support its conclusion—that use in United States commerce is not required for a Section 43(a) claim⁶⁴—miss the mark. Section 43(a)

which the United States is also a party is a stretch" (quoting § 1126)).

63. See *Belmora LLC v. Bayer Consumer Care AG*, No. 15-1335, 2016 WL 1135518, at *6 (4th Cir. Mar. 23, 2016) (rejecting the position that "§ 43(a) claims have an unstated requirement that the plaintiff have first used its own mark (word, term, name, symbol, or device) in U.S. commerce before a cause of action will lie against a defendant who is breaching the statute").

64. See *id.* at *7 ("The district court thus erred in requiring Bayer, as the

of the Lanham Act encompasses, *inter alia*, the two related but distinct causes of action of trademark infringement and passing off.⁶⁵ While both causes of action share similar policy considerations⁶⁶ given their shared ancestry,⁶⁷ passing off proscribes a wider range of unfair and anticompetitive activities than trademark infringement. In contrast to trademark law which is concerned with “misrepresentation[s] of source or sponsorship [that] arise[] solely from the unauthorized use[s] of . . . trademark[s] or other indicia of identification”,⁶⁸ the actions in passing off asserted in the generic mark and reverse passing off cases do not even require the plaintiffs to make any uses of valid trademarks in the first place. Thus, it is logically indefensible for the court to assume that all Section 43(a) claims are the same and reason that just because use in United States commerce is not required to bring certain claims under Section 43(a), it is not required for all claims under Section 43(a). As illustrated above, there are strong reasons justifying the need for the territoriality principle in trademark law, and this Article merely argues for a limited exception when well known marks are involved.

Finally, the Fourth Circuit’s decision dangerously *suggests* that foreign marks need not be sufficiently well known to be protected under Section 43(a) of the Lanham Act. While the court, consistent with the procedural posture of the case, accepted as a fact that Bayer’s “FLANAX” mark was well known “to Mexican-

plaintiff, to have pled its prior use of its own mark in U.S. commerce . . .”).

65. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 785 (1992). (“Section 43(a) . . . codified, among other things, the related common-law torts of technical trademark infringement and passing off, . . . which were causes of action for false descriptions or representations concerning a good’s or service’s source of production.”).

66. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 4 (AM. LAW INST. 1995) (“Since passing off interferes with the opportunity to reap the benefits of a favorable reputation, investments in quality, service and promotion are undermined by misrepresentations of source. Passing off also deprives purchasers of the opportunity to distinguish among the goods and services of competing sellers.”)

67. *Id.* (noting that passing off and “the law on trademarks developed largely from English and American common law decisions imposing liability on a seller who diverted trade from another by fraudulently misrepresenting that the goods had been produced by the other.”).

68. *Id.*

Americans and other Hispanics in the United States,”⁶⁹ nowhere in the judgment did the court allude to the requirement that a foreign mark not used in the United States must be sufficiently well known for the mark holder to assert a Section 43(a) claim. This could have been because the court jettisoned the requirement of use in United States commerce as a condition precedent to bringing a Section 43(a) action altogether. However, if this were indeed the case, the court’s decision would represent a wrong turn in the law that future courts should not follow.

Part II has shown that the well-known marks doctrine exists to prevent consumer confusion and preserve producer goodwill—the key tenets of United States trademark law. Accordingly, to ensure that these policy goals are furthered, there is a need for the mark “to be sufficiently well known in the United States in the relevant sector of the public such that this defendant’s use is likely to cause confusion among a substantial number of persons.”⁷⁰ If a mark used exclusively overseas were not sufficiently well known in the United States, a local business that appropriates the foreign mark for its goods and/or services would not be capitalizing on the foreign mark’s goodwill and there would be minimal possibility of consumer confusion. That said, while a requirement of renown is clearly essential to ensure that trademark law keeps in line with its underlying policy considerations, the more difficult issue is to determine how well known a foreign mark must be to be protected under the well-known marks doctrine.

Consistent with the Ninth Circuit’s decision in *Grupo*, the requirement of renown should be satisfied if “a *substantial* percentage of consumers . . . in the geographic area where the defendant uses the alleged infringing mark”⁷¹ are familiar with the foreign mark. This “substantial percentage” standard is a normatively desirable standard for the protection of foreign marks without domestic use, as it represents a good halfway point between the far too lenient standard of “appreciable

69. *Belmora*, 2016 WL 1135518, at *1.

70. MCCARTHY, *supra* note 2, at § 29:4.

71. *Grupo Gigante SA de CV v. Dallo & Co.*, 391 F.3d 1088, 1098 (9th Cir. 2004).

number”⁷² and the far too strict standard of “overwhelming majority.”⁷³ With respect to the former, it is likely that an ordinary mark used in the United States will already be known by an “appreciable number” of consumers. Thus, if the “appreciable number” standard were used to determine whether a mark is well known, the well-known marks exception would “eclipse the territoriality rule entirely.”⁷⁴ On the other hand, the “overwhelming majority” standard is too onerous and would make it too difficult for foreign mark holders to protect their marks in the United States. In turn, this would effectively render the well-known marks doctrine a nullity and offer scant protection against the harms that the doctrine seeks to prevent in the first place.

In addition, the “substantial percentage” standard acts as a safeguard against a potential concern that foreign mark holders may willy-nilly enjoin domestic users who have adopted a mark not previously used in the United States in good faith. This is because the renown of the foreign mark in the relevant market would be strong evidence suggesting that the domestic user adopted the mark to misappropriate the goodwill that the foreign mark holder enjoyed in his mark.⁷⁵

V. Conclusion

Since 2007, the split between the Ninth and Second Circuits has generated much uncertainty on the issue of whether well known foreign marks not used in the United States are protected under the Lanham Act—an issue that necessitates expeditious resolution in this age of “glocalization,”⁷⁶ where goodwill transcends national boundaries. While the courts agree that strong policy reasons support the recognition of the well-known marks doctrine, they disagree on whether the territoriality

72. Mostert, *supra* note 37, at 121.

73. *Id.*

74. *Grupo Gigante*, 391 F.3d at 1096.

75. See LaLonde, *supra* note 3, at 1420 (“If a substantial number of consumers associate the foreign mark with its foreign mark with its foreign owner, that would be a sufficiently high degree of renown to impute bad faith to a United States user and to give notice to a company choosing trademarks in the United States.”).

76. Dinwoodie, *supra* note 1, at 959.

principle is or ought to be absolute and whether the Lanham Act incorporates the doctrine.

The Fourth Circuit's recent decision on the protectability of a foreign mark not used or registered in the United States under the Lanham Act provides a good opportunity for courts and commentators alike to reconsider the applicability of the well-known marks doctrine. This Article argues that future courts should recognize the doctrine as a matter of sound policy and ground its statutory basis in Section 43(a) of the Lanham Act, as the Fourth Circuit had done in protecting Bayer's "FLANAX" mark. However, as highlighted in Part IV.C, there are various problematic aspects to the Fourth Circuit's judgment and thus, future courts should not mechanically follow its decision.