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#### Citation Information

Jonathan Skinner, *Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents*, 93 J. PAT. & TRADEMARK OFF. SOC'Y 57 (2011), available at <https://scholar.law.colorado.edu/faculty-articles/1277>.

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Citations:

Bluebook 20th ed.

Jonathan Skinner, *Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents*, 93 J. Pat. & Trademark Off. Soc'y 57 (2011).

ALWD 6th ed.

Jonathan Skinner, *Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents*, 93 J. Pat. & Trademark Off. Soc'y 57 (2011).

APA 7th ed.

Skinner, J. (2011). *Overcoming babel's curse: Adapting the doctrine of foreign equivalents*. *Journal of the Patent and Trademark Office Society*, 93(1), 57-71.

Chicago 7th ed.

Jonathan Skinner, "Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents," *Journal of the Patent and Trademark Office Society* 93, no. 1 (2011): 57-71

McGill Guide 9th ed.

Jonathan Skinner, "Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents" (2011) 93:1 J Pat & Trademark Off Soc'y 57.

MLA 8th ed.

Skinner, Jonathan. "Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents." *Journal of the Patent and Trademark Office Society*, vol. 93, no. 1, 2011, p. 57-71. HeinOnline.

OSCOLA 4th ed.

Jonathan Skinner, 'Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents' (2011) 93 J Pat & Trademark Off Soc'y 57

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# Overcoming Babel's Curse: Adapting the Doctrine of Foreign Equivalents

Jonathan Skinner\*

## Introduction

Trademarks rely on the symbolic communication between producers of goods or services and the consuming public. The linking of products or services to a symbol is a fundamental value of commercial trademark investment.<sup>1</sup> And the extent of that value is evidenced by the growing total investment in advertising and rights enforcement and is the focus of calls for increased international harmonization of intellectual property laws.<sup>2</sup> But while the underlying current of international harmonization may be commercially driven, domestic trademark laws balance commercial and public interests.

On the one hand, in many domestic

trademark regimes, marks that are purely descriptive or generic will not be registrable in order to preserve free commercial use of those words or symbols; on the other, deceptive or misleading marks are prohibited because of their harmful effect on consumers. Thus, to gain exclusive use of a mark, commercial entities seek arbitrary or fanciful uses of words or symbols or try to elevate descriptive words or symbols to a secondary meaning that signifies the source of that product or service. Effective branding through symbolic communication can result in bountiful returns and may even attain mark celebrity.

But at its core, "[s]ymbolic communication requires the establishment of an agreed

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1 See WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 166 (2003).

2 See Adrian Otten & Hannu Wagner, *Compliance with TRIPS: The Emerging World View*, 29 *VAND. J. TRANSNAT'L L.* 391, 393 (1996).

vocabulary, as the transfer of information works if there is a clear set of associations between (external) objects and the symbols that represent them.”<sup>3</sup> In the United States, our agreed vocabulary is a broad universe, containing words, symbols, colors, sounds, etc. And as a country of immigrants and multilingual Americans, the expression of those symbols and words is as diverse as the modern languages around the world.

Despite the world’s linguistic diversity, certain words or descriptions are universal or generic to the language they are expressed in. In the eleventh chapter of the Book of Genesis, we learn that once “the whole earth was of one language, and of one speech.”<sup>4</sup> The familiar tale tells us of man’s early attempt to construct a city and tower of brick and stone.<sup>5</sup> But the Lord “came down to see the city and the tower . . . [a]nd the Lord said, Behold, the people is one, and they have all one language; and this they begin to do: and now nothing will be restrained from them, which they have imagined to do.”<sup>6</sup> And before the tower could be built, the Lord intervened and scattered the people across the world and confused their tongues. The city was lost, and the Tower of Babel crumbled into lore.

In this day, the tale of Babel reminds us that at one time, we shared a common language. And while several modern languages continue to confuse many individuals, in some ways, domestic trademark laws can help us overcome that confusion. This paper examines one doctrine that assists trademark examiners and courts: the doctrine of foreign equivalents.

It should be noted that it is not the place of the doctrine to reduce all non-English languages to a single tongue, rather, it strives to prohibit the monopolization of certain words or descriptions that may be shared among languages and prevent consumer confusion by virtue of their linguistic aptitude. It is argued here, that the Federal Circuit misapplied that doctrine in *Spirit International*, when it introduced a proportionality requirement into the doctrine of materiality for purposes of geographically deceptively misdescriptive marks.

This paper begins with a discussion of the framework of international and national trademark law that is relevant to an analysis of non-English language marks in the United States. Although it does not necessarily follow that national law doctrines follow directly from international agreements, the multilateral network of intellectual property treaties is helpful in understanding how some provisions of national law are congruent to international obligations. Second, I discuss two basic policy objectives behind the doctrine of foreign equivalents and explore some assumptions underlying the doctrine. Then, I introduce the Trademark Trial and Appeal Board decision, which is followed by the Federal Circuit decision in 2009. My principal assertions rely on traditional statutory interpretation. I should note that some of my criticisms of the Federal Circuit lie within the description of the court’s analysis of case-law, but the thrust of my argument follows the general case discussion.

3 Minus van Baalen and Vincent A. A. Jansen, *Common language or Tower of Babel? On the evolutionary dynamics of signals and their meanings*, 270 PROC. OF THE ROYAL SOCIETY OF LONDON: BIOLOGICAL SCIENCES No. 1510, 69 (2003).

4 Genesis 11:1 (King James).

5 *Id.* at 11:3.

6 *Id.* at 11:5-6.

## I. The International System & Domestic Law

The Marrakesh Declaration of 1994<sup>7</sup> affirmed the establishment of the World Trade Organization (WTO), effectively transitioning the international community from the General Agreement on Tariffs and Trade (GATT)<sup>8</sup> framework to the WTO system.<sup>9</sup> The new system included the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)<sup>10</sup>, which represents a compromise between developed and developing nations over the scope of protection and terms of implementation for intellectual property rights.<sup>11</sup> Contained therein are the obligations assumed under the Paris Convention for the Protection of Industrial Property<sup>12</sup>, which includes Article 6 *quinquies*, regulating the protection of marks registered in a country of the union.

Article 6 *quinquies* prohibits a member country from denying domestic registration of a registered foreign mark, unless that mark (i) infringes the rights of a third party in the country where registration is being claimed; (ii) is devoid of any distinctive character or is generic; or (iii) is contrary to public order or is likely to cause confusion.<sup>13</sup> The provision is also subject to a member country's obligations to provide effective protection against unfair competition.<sup>14</sup>

Because the international trading system is premised on a system of reciprocity and national sovereignty, members of the WTO reserve the right to execute their obligations through domestic legislation or judicial means.<sup>15</sup> In the United States, Section 44 of the Lanham Act<sup>16</sup> allows "an applicant to register a mark in the United States based upon an application to register the mark in a foreign country which is

7 Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154. The WTO is the primary source of international trade related obligations. Because the members agreed to dispute resolution proceedings, a measure of sovereignty is conceded to the international system. This gives the WTO agreements some bite and makes the threat of enforcement proceedings a point of leverage.

8 GATT 1994: General Agreement on Tariffs and Trade 1994, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex IA, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 17 (1999), 1867 U.N.T.S. 190, 33 I.L.M. 1153 (1994).

9 Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Apr. 15, 1994, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 2, iii-iv (1999), 1867 U.N.T.S. 14, 33 I.L.M. 1143 (1994).

10 TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 81 [hereinafter "TRIPS"].

11 See Jerome H. Reichman, *Compliance with the TRIPS Agreement: Introduction to a Scholarly Debate*, 29 VAND. J. TRANSN'L L. 363, 369 (1996).

12 Paris Convention for the Protection of Industrial Property, Mar. 20, 1883 (revised July 14, 1967), 21 U.S.T. 1583 24 U.S.T. 2140, 828 U.N.T.S. 305 (1967) [hereinafter "Paris Convention"]. The Paris Convention for the Protection of Industrial Property was one of the first treaties covering intellectual property rights. The Paris Convention established a system of minimum standards for the protection of patents and trademarks and requires signatories to implement effective protections against unfair competition. Articles 1 through 12 and Article 19 of the Paris Convention is incorporated into the WTO dispute settlement system via TRIPS Article 2.

13 Paris Convention, Art. 6 *quinquies* (B).

14 See Paris Convention, Art. 10*bis*.

15 TRIPS, Art. 1. Member countries also have discretion to raise the level of protection and enter into regional trading agreements as permitted under Art. XXIV of the GATT.

16 Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.* [hereinafter "Lanham Act"]. In the United States, the federal law of trademarks is popularly known as the Lanham Act.

party to a trademark treaty with the United States (Sec. 44(d)), or upon a registration for the mark in that country (Sec. 44(e)).<sup>17</sup> Nevertheless, foreign registrants must still comply with the general requirements of the Lanham Act and be otherwise eligible under U.S. law.<sup>18</sup> In short, foreign marks have access to the Lanham Act through principles of national treatment, whereby foreign marks receive no less favorable treatment than domestic marks.

As a result of the statutory right to entry into the United States market, it is likely, then, that the number of applications for registration increased for foreign registered, non-English language marks. But while Article 6 *quinquies* requires a member country to register foreign marks “as is,” United States trademark examiners operating under Section 44 of the Lanham Act have refused registration of generic or purely descriptive marks through an application of the doctrine of foreign equivalents.<sup>19</sup> Though the applicable scope of the doctrine under international law has not been defined, the Federal Circuit observed, “Article 6 *bis* of the Paris Convention, which addresses the refusal to register “well known” marks in other countries, specifically mentions translation.”<sup>20</sup> However, whether the doctrine is otherwise in conformity with international law is not within the scope of this paper.

The North American Free Trade Agreement<sup>21</sup> outlines additional substantive obligations for its signatories, though it was concluded prior to the establishment of the WTO. It was signed on December 17, 1992, by the United States, Canada, and Mexico, and entered into force on January 1, 1994.<sup>22</sup> The NAFTA was the first treaty defining substantive requirements regarding geographic indications. And for our purposes, the NAFTA had a significant material effect on the Lanham Act. With respect to geographical indications, the NAFTA language reads:

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 the public as to the geographical origin of the good . . . .<sup>23</sup>

Following the entry into force of the NAFTA, the United States amended the Lanham Act Section 2 to preclude registra-

17 Lanham Act, § 1126.

18 See *In re Rath*, 402 F.3d 1207 (Fed. Cir. 2005).

19 Due to the multiplicity of official languages of the European Union, marks are not necessarily translated into a specific language. Instead, “[p]roposed marks are examined for descriptiveness simultaneously in virtually all of the languages of the community.” Eric E. Bowman, *Trademark Distinctiveness in a Multilingual Context: Harmonization of the Treatment of Marks in the European Union and the United States*, 4 SAN DIEGO INT’L L.J. 513, 520 (2003) (citing *Taurus-Film GmbH & Co. v. OHIM*, 2001 E.C.R. II-379 (C.F.I. 2001)).

20 *In re Spirits Int’l*, 563 F.3d 1347, n. 5 (Fed. Cir. 2009) [hereinafter “*Spirits Int’l*”], (citing 2 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 29:4 (4th ed. 2009) [hereinafter “*McCarthy*”]).

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

22 John R. Renaud, *How NAFTA and GATT Have Reduced Protection for Geographical Trademarks*, 26 BROOKLIN J. INT’L L. 1097, 1108 (2001).

23 NAFTA, Art. 1712.

tion of "primarily geographically deceptively misdescriptive" marks by adding subsection (e)(3):

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 (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 4, (3) **when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them**, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.<sup>24</sup>

This amended provision is the statutory framework with which we are concerned.

It was enacted as a consequence of the United States' international obligations but is nevertheless in line with the Lanham Act's intent and purpose. Generally, the Lanham Act protects consumers by promoting efficient commercial identification and intends to "regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . [and] provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations."<sup>25</sup> While these treaties are not self-executing in United States law, it is evident that they provide legislative motivation or inspiration for provisions in the Lanham Act. Nevertheless, it is a matter for the courts to say what the law is.<sup>26</sup>

## II. An Overview of the Doctrine of Foreign Equivalents

The doctrine of foreign equivalents is a flexible tool developed by the judiciary. Under the doctrine of foreign equivalents, words from a modern foreign language<sup>27</sup> may be translated into English to assist trademark examiners in determining genericness, descriptiveness, and similarity of connotation in order to ascertain confusing similarity with English word marks.<sup>28</sup> For foreign

<sup>24</sup> Lanham Act, § 1052 (emphasis added).

<sup>25</sup> Lanham Act, § 1127.

<sup>26</sup> See *Marbury v. Madison*, 5 U.S.137, 177 (1803) ("It is emphatically the province and duty of the judicial department to say what the law is. Those who apply the rule to particular cases, must of necessity expound and interpret that rule.").

<sup>27</sup> The doctrine of foreign equivalents is generally restricted to modern and not obscure languages. "Foreign words from dead languages such as Classical Greek, or from obscure languages such as those of the Hottentots or Patagonians, the Taino Indians of the Dominican Republic, or the Native American Miwok tribe, might be so unfamiliar to any significant segment of the American buying public that they should not be translated into English for descriptive purposes." McCarthy, § 11:34 (citations omitted). The list of modern languages is not exhaustive but includes: Chinese, French, German, Hungarian, Italian, Japanese, Polish, Russian, Serbian, Spanish, and Yiddish. See *id.*

<sup>28</sup> *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée en 1772*, 396 F.3d 1369, 1377 (Fed. Cir. 2005).

generic words, there are two policies underlying the use of the doctrine of foreign equivalents.<sup>29</sup> First, the purpose of the rule is to protect the perceptions of ordinary multilingual Americans.<sup>30</sup> Second, “foreign generic names should not be given trademark status in the United States as a matter of international comity, regardless of whether any U.S. customers know of the term’s generic significance.”<sup>31</sup> These two policies are not limited to the field of generic words but may also justify use of the doctrine for examinations involving descriptiveness, likelihood of confusion, and as I argue, geographic misdescription.

### ***A. Protection of Multilingual Americans***

Because some marks used in the United States may contain non-English words, the doctrine of foreign equivalents presumes “that a word in one of the common, modern languages of the world will be spoken or understood by an appreciable number of U.S. consumers for the product or service at issue.”<sup>32</sup> Although English is the dominant language of the United States, many citizens speak or understand another modern language, and the doctrine aims to protect the perceptions of those individuals.

The Second Circuit explained in *Otokoyama Co.*:

[that] there are (or someday will be) customers in the United States who speak that foreign language. Because of the diversity of the population of the United States, coupled with temporary visitors, all of whom are part of the United States marketplace, commerce in the United States utilizes innumerable foreign languages.<sup>33</sup>

The assumption is that for the modern languages of the world, there are a significant number of customers in the United States who will understand the meaning of a term expressed in that non-English language.<sup>34</sup> Thus the doctrine is a flexible tool that adjusts to the fluctuating identities comprising the consuming public.

Nevertheless, courts recognize that the doctrine of foreign equivalents is not an absolute rule.<sup>35</sup> The doctrine should be applied only when circumstances suggest that the ordinary American purchaser would stop and translate the word into its English equivalent.<sup>36</sup> In one case the Trademark Trial and Appeal Board ac-

<sup>29</sup> See *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc.*, 175 F.3d 266, 270 (2d Cir. 1999) (“This rule protects the interest of the consuming public in understanding the nature of goods offered for sale, as well as a fair marketplace among competitors by insuring that every provider may refer to his goods as what they are.”).

<sup>30</sup> McCarthy, § 12:41.

<sup>31</sup> *Id.*

<sup>32</sup> *Spirits Int’l* (quoting *In re Spirits Int’l N.V.*, 2008 TTAB LEXIS 6 at 22, 86 U.S.P.Q.2d 1078 (T.T.A.B. 2008) [hereinafter “Spirits—TTAB”]).

<sup>33</sup> *Otokoyama*, 270-271.

<sup>34</sup> McCarthy, § 12:41.

<sup>35</sup> See *Palm Bay* at 1377 (finding that it is improbable that the average American purchaser would stop and translate the French word “VEUVE” into “widow”).

<sup>36</sup> See McCarthy, § 12:41.



cepted that "[t]here is no doubt, as applicant's expert indicated, that to the average American KABA will have no particular significance other than as a trademark for applicant's goods."<sup>37</sup> But the inquiry did not stop there.

In applying the doctrine, the Board confined its analysis to the relevant group of consumers that speak or understand the mark in the original language. It made clear that, we must concern ourselves with that segment of the purchasing public which is familiar with the Cyrillic writing system and/or with Serbian, Ukrainian, or other Slavic languages using this system . . . . [T]o these persons, KABA, as applied to applicant's goods which include coffee, will have no other meaning.<sup>38</sup>

Defining the relevant group of consumers proves to be the critical determining factor in analyzing the effect of a non-English mark, as I will discuss in greater detail following the discussion of the Federal Circuit opinion.

### ***B. Policy of International Comity and Free Trade***

Free trade in an integrated world economy "requires the free competitive use in all nations of the generic names of goods in any language."<sup>39</sup> If United States producers want to prohibit the registration of a

generic English word in a non-English speaking country, principles of reciprocity and international comity would require that the United States not permit registration of foreign generic words.<sup>40</sup>

Under a free trade policy and international comity, a non-English generic term could still be found unregistrable, "even if it would not be perceived by multi-lingual U.S. customers as a generic name."<sup>41</sup> In 2000, the Fifth Circuit explicitly embraced the policy of free international trade, explaining:

[T]he policy of international comity has substantial weight in this situation. If we permit [plaintiff] Chupa Chups to monopolize the term "Chupa," we will impede other Mexican candy makers ability to compete effectively in the U.S. lollipop market. Just as we do not expect Mexico to interfere with Tootsie's ability to market its product in Mexico by granting trademark protection to the word 'pop' to another American confectioner, so we cannot justify debilitating [defendant's] attempts to market "Chupa Gurts" in the United States by sanctioning [plaintiff] Chupa Chups' bid for trademark protection in the word "chupa."<sup>42</sup>

Granting an importer the exclusive right to a generic or descriptive word would ef-

<sup>37</sup> *In re Hag Aktiengesellschaft*, 155 U.S.P.Q. 598, 599-600 (T.T.A.B. 1967).

<sup>38</sup> *Id.*

<sup>39</sup> McCarthy, § 12:41, n.12 (citing J. Lightman, *Protection of Generic Words Against Trademark Registration Abroad*, 54 TRADEMARK RPTR. 80 (1964).

<sup>40</sup> *Id.*

<sup>41</sup> McCarthy, § 12:41.

<sup>42</sup> *Id.* (quoting *Enrique Bernat F, S.A. v. Guadalajara, Inc.*, 210 F.3d 439, 445 (5th Cir. 2000).)

fectively embargo similar goods from entering the United States and “give that importer a competitive advantage that the law of trademark should not allow.”<sup>43</sup> “No merchant may obtain the exclusive right over a trademark designation if that exclusivity would prevent competitors from designating a product as what it is in the foreign language their customers know best.”<sup>44</sup> However, application of the doctrine of foreign equivalents for purposes of international comity and free trade is complicated by a court’s interpretation of the genericness test and its framing of “the relevant public.”<sup>45</sup>

Although the doctrine of foreign equivalents is primarily aimed at marks that are generic or merely descriptive, or for analyzing likelihood of confusion, the doctrine may also be applied to non-English language geographic marks.<sup>46</sup>

### III. A Brief History of Moskovskaya Vodka and The Trademark Trial and Appeal Board

“Moskovskaya (Moscow vodka) with a small epithet *osobaya* (special) appeared as a patented trademark in 1894, and was seemingly the first brand to claim the [mark] . . . .”<sup>47</sup> As one of the oldest vodkas still in existence, it has its roots in the national wine monopoly operating from 1894–1914.<sup>48</sup> By the Soviet era (1924), the vodka became known as the “Moscow special” and was owned by State enterprises.<sup>49</sup> Around that time, baking soda and acetic acid were added to the traditional vodka mixture.<sup>50</sup> During the “Great Patriotic War,” commonly known as the Eastern Front of World War II, the notation “special” was dropped from the mark.<sup>51</sup> It was also affixed with a green label, for which it is still known.<sup>52</sup>

43 *Orto Conserviera Cameranesa d Giacchetti Marino & C. s.n.c. v. Bioconserve, s.r.l.*, 49 U.S.P.Q.2d 2013, 1999 WL 47258 (S.D.N.Y. 1999), judgment *aff’d*, 205 F.3d 1324 (2d Cir. 2000).

44 *Otokoyama* at 271.

45 As an act of Congress, the Lanham Act is restrained to uses in commerce. It could be argued, then, that the relevant public would denote only the United States public. See McCarthy, § 12:41, n. 19.

46 See, e.g., *Spirits—TTAB*, 9-10 (citing *In re Joint-Stock Co.*, 2006 TTAB LEXIS 196, 80 U.S.P.Q.2d (T.T.A.B. 2006) (Baikalskaya, translated as “from Baikal,” is primarily geographically descriptive of vodka from Lake Baikal)).

47 NICHOLAS ERMOCHKINE & PETER IGLIKOWSKI, 40 DEGREES EAST: AN ANATOMY OF VODKA 123 (Susan Boriotti et al. eds., Nova Science Publishers 2003), available at [http://books.google.com/books?id=uWB2ZyTO7\\_sC&dq=Nicholas+Ermochkine,+Peter+Iglkowski+%282003%29+%2240+Degrees+East:+An+Anatomy+of+Vodka%22&printsec=frontcover&source=bn&hl=en&ei=2WwmS7DmLc3jIAeLz9XzCQ&sa=X&oi=book\\_result&ct=result&resnum=4&ved=0CBkQ6AEwAw#v=onepage&q=moskovskaya&f=false](http://books.google.com/books?id=uWB2ZyTO7_sC&dq=Nicholas+Ermochkine,+Peter+Iglkowski+%282003%29+%2240+Degrees+East:+An+Anatomy+of+Vodka%22&printsec=frontcover&source=bn&hl=en&ei=2WwmS7DmLc3jIAeLz9XzCQ&sa=X&oi=book_result&ct=result&resnum=4&ved=0CBkQ6AEwAw#v=onepage&q=moskovskaya&f=false).

48 See Вади́м Ша́рапов *История водочной этикетки* July, 31 2007, <http://society.presscom.org/other/20538.html> (last visited December 15, 2009).

49 *Id.*

50 *Id.*

51 *Id.*

52 *Id.*

In 1997, Russian businessman Yury Shefler acquired a brand ownership company.<sup>53</sup> Over a span of eight years and through aggressive corporate acquisitions, he formed Spirits International B.V. (SPI) and acquired the rights to the Moskovskaya mark through consolidation of a "disparate group of formerly state-owned companies operating in Russia and the Baltic states."<sup>54</sup> Today, SPI describes its product as "one of the leading international vodka brands . . ."<sup>55</sup>

In 1993, Spirits International N.V. (precursor to Spirits International B.V.) filed an application to register the mark MOSKOVSKAYA for its Russian made vodka. The application was originally refused registration but "suspended on March 28, 1994 pending disposition of a number of earlier-filed applications that were potential citations under Section 2(d) . . . against the involved application."<sup>56</sup> Proceedings resumed in 2006, at which time a trademark examiner refused registration under Section 2(e)(3) for the mark MOSKOVSKAYA on the ground that the mark is primarily geographically deceptively midscriptive as applied to vodka that was not produced, manufactured or sold in Moscow, Russia. The examiner found and the applicant conceded "that MOSKOVSKAYA is the adjectival form of the word 'Moscow,' or in Russian, meaning 'of or from Moscow.'"<sup>57</sup> The applicant also

stated that the vodka would not have any connection with Moscow.<sup>58</sup>

The applicant appealed the examiner's rejection to the Trademark Trial and Appeal Board, arguing that the examiner misapplied the doctrine of foreign equivalents. The Board noted that "[a]lthough the doctrine most often arises in cases involving likelihood of confusion and marks that are generic or merely descriptive, the doctrine also applies to issues concerning geographic marks."<sup>59</sup> According to the test, "the doctrine should be applied when it is likely that the ordinary American purchaser would 'stop and translate [the term] into its English equivalent.'"<sup>60</sup>

The Board explained that the relevant group for analysis under the doctrine of foreign equivalents centers on the relevant consumer who speaks or understands the non-English language. The impetus of the doctrine, it explained, is the extension of the Lanham Act's protective purpose to consumers in the country who speak other languages in addition to English.<sup>61</sup> The applicant attempted to define the relevant ordinary purchaser as an average American purchaser, no more knowledgeable in a non-English language than his neighbor. But the Board argued that to adopt the applicant's definition "would undermine the principle on which the doctrine of foreign equivalents is based . . . [and] would permit

53 See SPI Group, <http://www.spi-group.com/about-spi-group/history> (last visited December 15, 2009) (S.P.I. Group was founded in 1997 by chairman Yury Shefler).

54 *Id.*

55 *Id.*

56 See Spirits—TTAB at 3.

57 *Id.* at 6.

58 *Id.*

59 *Id.* at 9-10.

60 *Id.* at 11 (citing *Palm Bay* at 1376 (quoting *In re Pan Tex Hotel Corp.*, 190 U.S.P.Q. 109, 110 (T.T.A.B. 1976))).

61 *Id.* at 16.

or even encourage registration of foreign terms which have the potential to deceive an appreciable segment of the relevant consumers in the United States."<sup>62</sup> Accordingly, because the ordinary Russian speaking American purchaser would understand the mark to mean "of or from Moscow," and by inference, "in view of the strong connection between vodka and Moscow, [] purchasers are likely to be deceived into believing that the applicant's vodka will come from Moscow when in fact it will not."<sup>63</sup> Registration of the mark was therefore denied.

#### IV. The Appeal to the Federal Circuit

Following the Board's rejection of Spirits International N.V.'s registration application, Spirits International N.V. became SPI. The applicant appealed the Board's finding to the Federal Circuit in 2008. The court agreed with the Board's application of the doctrine of foreign equivalence, but it explained that the doctrine contains a threshold limitation and only applies "in those situations where the ordinary American consumer would stop and translate the mark into English."<sup>64</sup>

While the doctrine may be useful and generally applicable, it "is not an absolute rule and should be viewed merely as a guideline."<sup>65</sup> Where the ordinary American consumer who speaks the non-English language would not translate the non-English mark into English, the doctrine should

not be applied. "[T]here are foreign expressions that even those familiar with the language will not translate, accepting the term as it is . . ."<sup>66</sup> The inquiry is primarily contextual. Rather than automatically translating the mark into English, the marks are grounded in the situation in which they would be naturally found. As the Board stated in *Tia Maria*:

it is difficult to perceive that a person who had purchased "AUNT MARY'S" canned fruits and vegetables on the shelves of a supermarket would, upon dining at the "TIA MARIA" restaurant in Mexican decor and surrounded by a menu of Mexican delicacies, translate "TIA MARIA" into "AUNT MARY" and then mistakenly assume that the "TIA MARIA" restaurant and "AUNT MARY'S" canned fruits and vegetables originate from or are sponsored by the same entity. This stretches a person's credulity much too far.<sup>67</sup>

However, despite the court's lengthy attention to this limitation, the court noted that the applicant did not assert that the "specific context of the mark is such than an ordinary American purchaser sufficiently familiar with Russian would nonetheless take the mark at face value."<sup>68</sup>

The court then reasoned that once "the word or phrase is translated, its impact must be 'material' under subsection (e)(3)." And because subsection (e)(3) was added

<sup>62</sup> See *Spirits*—TTAB at 17.

<sup>63</sup> *Id.* at 28.

<sup>64</sup> *Spirits Int'l* at 1351.

<sup>65</sup> *Id.* at 1352 (quoting *Palm Bay* at 1377).

<sup>66</sup> *Spirits Int'l* at 1352 (quoting *In re Tia Maria, Inc.*, 188 U.S.P.Q. 524, 525-26 (T.T.A.B. 1975)).

<sup>67</sup> *Tia Maria* at 526.

<sup>68</sup> *Spirits Int'l* at 1352.

as a result of the NAFTA Implementation Act, the Court described a brief history of the section.

Previously, the PTO could easily deny registration on the principal register to geographical deceptively misdescriptive marks.<sup>69</sup> The NAFTA Act amended Lanham Act subsection (e)(2) to remove any mention of primarily geographically deceptively misdescriptive marks and created a new subsection (e)(3) to specifically deal with primarily geographically deceptively misdescriptive marks.<sup>70</sup> As the court observed, "Congress implicitly added a requirement that the PTO establish that the misdescription materially affect the public's decision to purchase the goods."<sup>71</sup> Though subsection (e)(3) does not expressly state that the mark may not materially deceive a substantial portion of the relevant consuming public, the court referred to the materiality tests developed under Lanham Act 1052(a), which bars immoral, deceptive, or scandalous marks as described in *California Innovations*. In interpreting this subsection, the Federal Circuit explained "that the appropriate inquiry for materiality purposes is whether a substantial portion of the relevant consumers is likely to be deceived, not whether any absolute number or particular segment of the relevant consumers (such as foreign language speakers) is likely to be deceived."<sup>72</sup>

In *California Innovations*, the Federal Circuit explained that because subsection (e)(3) is "subject to permanent denial of registration, the PTO may not simply rely on lack of distinctiveness to deny registration, but must make the more difficult showing of public deception."<sup>73</sup> In that case, the court warned that "[a] mere inference . . . is not enough to establish the deceptiveness that brings the harsh consequence of non-registrability under the amended Lanham Act. As noted, NAFTA and the amended Lanham Act place an emphasis on actual misleading of the public."<sup>74</sup> The three-prong test laid out by the Federal Circuit in *California Innovations* states that the PTO must deny registration under Section 2(e)(3) if:

- (1) the primary significance of the mark is a generally known geographic location;
- (2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place; and
- (3) the misrepresentation was a material factor in the consumer's decision.<sup>75</sup>

<sup>69</sup> *Id.* at 1353 (citing *In re Cal. Innovations, Inc.*, 329 F.3d 1334, 1337 (Fed. Cir. 2003)).

<sup>70</sup> See *supra* Part I.

<sup>71</sup> *Spirits Int'l* at 1353 (citing *Cal. Innovations*, 1339-40). However, some scholars argue that the "Federal Circuit's interpretation of the NAFTA amendments to [S]ection 2 of the Lanham Act may be contrary to the legislative intent underlying those amendments." Mary LaFrance, *Innovations Palpitations: The Confusing Status of Geographically Misdescriptive Trademarks*, 12 J. INTEL. PROP. L. 125, 126 (2004).

<sup>72</sup> *Spirits Int'l* at 1353.

<sup>73</sup> *Cal. Innovations* at 1340.

<sup>74</sup> *Id.* at 1340.

<sup>75</sup> *Id.* at 1341.

Though the Federal Circuit in *California Innovations* did not make a finding on the third prong of the test, the language clearly states that the misrepresentation must have been a material factor to a single consumer's decision. The court did not address the substantial portion test that the Federal Circuit now relies on and has read into the third prong of the original test.

The court also reasoned that the prohibition of deceptive marks codified in Lanham Act Section 43(a) can be traced back to common law standards of unfair competition. Embodied in equitable doctrines at common law, deceptive acts would not give rise to property value or exclusive rights.<sup>76</sup> However, courts limited the common law doctrine to instances of material effect, with some courts requiring that there be proof of a "tendency to deceive a *substantial portion* of the intended audience [and] that the deception is material in that it is likely to influence purchasing decisions."<sup>77</sup> But the substantial portion analysis is a judgment of proportionality and not of material effect. Material effect is limited to a single ordinary consumer's reaction to the deceptive act, whereas proportionality measures the cumulative impact of the material effect on a group of consumers.

As applied to the case at hand, the court acknowledged that "the Board properly recognized that in order to be deceptive, foreign language marks must meet the requirement that 'an appreciable number of consumers for the goods or services at issue

will be deceived."<sup>78</sup> However, the court reasoned that the Board improperly rejected a proportionality analysis when it "failed to consider whether Russian speakers were a 'substantial portion of the intended audience.'"<sup>79</sup> The court observed that only 0.25% of the U.S. population speaks Russian and that one quarter of one percent of the relevant consumers would not be a substantial portion of the intended audience. The case was remanded to the Board to apply the proportionality test as described by the court.

## V. The Federal Circuit Reliance on Materiality Imported from Section 43(a)

Though the Supreme Court has recognized that provisions dealing with registration and infringement could be construed together, it has not held that the two must be read in the same capacity. In *Wal-Mart Stores, Inc.*, the Supreme Court quoted its decision from *Two Pesos, Inc.*, stating that "the general principles qualifying a mark for registration under [Section] 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under [Section] 43(a)."<sup>80</sup> To determine whether a mark is indeed subject to protection under the Lanham Act, it is reasonable to analogize the eligibility requirements of Section 2 and Section 43(a). It would be peculiar for a mark to satisfy Section 2 registration

<sup>76</sup> See *Worden & Co. v. Cal. Fig Syrup Co.*, 187 U.S. 516, 528 (1903).

<sup>77</sup> *Spirits Int'l* at 1355 (quoting *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 129-30 (3d Cir. 1994) (stating that there must be proof that "at least a tendency to deceive a substantial portion of the intended audience [and] that the deception is material in that it is likely to influence purchasing decisions.")).

<sup>78</sup> *Spirits Int'l* at 1357 (citing *Spirits—TTAB* at 1085).

<sup>79</sup> *Spirits Int'l* at 1357.

<sup>80</sup> *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 210 (2000) (quoting *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992)).

requirements but fail to qualify for protection under Section 43(a). Here, however, the test for denying registration need not require the higher standard associated with determining likelihood of confusion.

Prohibiting the registration of MOSKOVSKAYA under Section 2, does not prohibit its use to identify a good or service. If the mark is used in commerce, it would still be subject to Section 43(a) unfair competition actions, which contains the proportionality and materiality tests for deception. Under Section 43(a), it would be proper to look to the relevant consuming public and rely on the cases, which require that a substantial portion of the audience be deceived. Within that rubric, if Russian speakers represent a minority of the actual consumers, the mark would not be generally deceptive and result in liability or be prohibited from use in commerce.

Nevertheless, the court inferred that subsection (e)(3) requires proportional materiality—that a significant portion of the relevant consuming public be deceived—and defined the relevant population as “the entire U.S. population interested in purchasing the product or service.”<sup>81</sup>

## VI. Absurd Results, Perverse Incentives and the Protection of Multilingual Americans

Even if courts continue to apply the same test of proportional materiality to Section 2 as transported from Section 43(a), the Federal Circuit’s application of the test has the potential to result in otherwise disparate treatment of marks based solely on the language of the mark. If an English language mark read “from Moscow” brand vodka, it

seems certain that the mark would fail the materiality test and not be registrable. But if the Trademark Trial and Appeal Board finds that the predominant consumer group of MOSKOVSKAYA Russian vodka is English speaking college students, SPI will retain exclusive use of its mark and may even preclude the registration of “from Moscow” brand vodka based on the doctrine of foreign equivalents.

Moreover, as the Trademark Trial and Appeal Board warned, the Federal Circuit’s ruling may even encourage the registration of deceptive foreign language marks, so long as those marks are targeted at English speaking consumers.<sup>82</sup> This would have the effect of prejudicing those individuals that do speak the non-English language even though collectively they are not a “substantial portion” of the consuming public by virtue of being a minority population.

To avoid that prejudicial effect, the materiality doctrine should be analyzed in the context of the doctrine of foreign equivalents. Given the underlying assumptions of the doctrine of foreign equivalents as discussed above, the relevant audience should be limited to those individuals that understand and would translate the non-English mark. Once the relevant group is identified, courts should determine whether a substantial portion of *that* group would be deceived by the use of the mark. This would ensure that those individuals that do speak a modern non-English language would still be protected from misleading marks, despite not being the intended audience.

Even if the Federal Circuit does not apply the three-prong test as described in *Cal-*

<sup>81</sup> *Spirits Int’l* at 1356.

<sup>82</sup> *Spirits*—TTAB at 17.

*ifornia Innovations*, the relevant consumer group should be attentively defined when determining the harmful material effect of a non-English language mark.

Allowing deceptively misdescriptive non-English marks to survive subsection (e)(3) scrutiny by virtue of a minority population has perverse incentives for non-English language mark registrants. Scientific studies explain that:

[w]hen communicators have an identical stake in the success of information transfer, natural selection will favour the evolution of communication channels that convey messages as efficiently and unambiguously as possible (Krebs & Dawkins 1984; Noble 1999). However, it is less clear what will happen when the interest of sender and receiver do not fully overlap, because then sender and receiver need not necessarily 'agree' about what the signal means (Godfray 1991; Johnstone & Grafen 1992; Gragen & Johnstone 1993; Maynard Smith 1994; Noble 1999, 2000; Grassley *et al.* 2000; Lachmann *et al.* 2000, 2001; Noble *et al.* 2001).<sup>83</sup>

This area of miscommunication fits squarely within the doctrine of materiality. Where a mark miscommunicates but does not materially effect a substantial number of receivers, the mark may be deemed

harmless and registrable.<sup>84</sup> The report warns that "[b]ecause individuals in any interaction almost inevitably have diverging interests (Van Baalen & Jansen 2001)[,] selfish usage of signals may therefore lead to the erosion of the meaning of signals (Grassly *et al.* 2000)."<sup>85</sup>

The same study reasons that "[w]hen individuals interact with individuals taken at random from the entire population cheating is the only evolutionary stable strategy."<sup>86</sup> In the arena of international trade, where the senders and receivers may be on different continents and never directly interact, the likelihood of cheating rises dramatically. Of course, recurring interactions might diminish that likelihood; still, it would probably not disappear altogether and ultimately have negative effects on marketplace confidence and impact international trade. "This process could thus lead to the unstable coexistence of signaling strategies. Then, the dynamics of the meaning of a suite of signals will fluctuate, and symbols may continuously acquire and lose meaning, reflecting the dynamics of honest use and cheating in the system."<sup>87</sup>

If the underlying purpose of the doctrine of foreign equivalents is to be preserved, and in conjunction with the explicit purpose of the Lanham Act to prevent deceptive behavior, non-English marks should not be registrable if they result in material deception to consumers who may translate the mark.

<sup>83</sup> *van Baalen*, *supra* note 3.

<sup>84</sup> *See, e.g.*, *Coca-Cola Co. v. Koke Co. of America*, 254 U.S. 143, 144-47 (1920).

<sup>85</sup> *van Baalen*, *supra* note 3.

<sup>86</sup> *Id.* at 70.

<sup>87</sup> *Id.* at 69.



## VII. Conclusion

As American trademark law continues to develop, it should reflect the diversity of the United States and be mindful of different classes of ordinary consumers. This paper argues that the doctrine of foreign equivalents should be readily integrated for purposes of geographic misdescriptive marks in light of its underlying assumptions and the protective policies it supports. To the extent that trademark law

values efficient communication between consumers and mark users, the Federal Circuit's interpretation of subsection (e)(3) leads to an erosion of that link. If the Lanham Act does not seek to reward deceptive behavior, disparate treatment of similar marks differentiated only by virtue of a confusion of tongues, Congress should either explicitly define the test for deceptively misdescription or courts should not be wary to apply the doctrine of foreign equivalents as intended.

