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Second Circuit Rules Recognition of a Famous Mark Used Abroad Cannot Create Trademark Rights in the U.S. Under Federal Law Absent Use in the U.S.

In *ITC Ltd. v. Punchgini Inc.*, the U.S. Court of Appeals for the Second Circuit affirmed summary judgment for the defendants and held that the plaintiff, who had stopped using its mark in the U.S., could not assert the famous marks principle to establish priority of use by relying on recognition of the mark in the U.S. based upon use outside the U.S. This decision emphasizes the importance of ongoing use to maintain trademark rights, and will make it harder for famous brand owners to prevent use of their marks in the U.S. unless they maintain a commercial presence here.

The plaintiff operated a restaurant in New Delhi, India, since 1977 called Bukhara. The plaintiff opened several Bukhara restaurants around the world, including one in New York in 1986 and one in Chicago in 1987, and registered the name Bukhara as a trademark in the U.S. for restaurant services. The New York restaurant closed in 1991 and the Chicago restaurant closed in 1997, although the plaintiff's restaurants in other countries continued to operate, and the original restaurant in New Delhi had gained international renown, as shown by its selection as one of the world's 50 best restaurants in "Restaurant" magazine.

In 1999, defendants formed a company to open a restaurant in New York and named it Bukhara Grill and later opened a second restaurant in New York called Bukhara Grill II.

The plaintiff sued for trademark infringement, unfair competition and false advertising under the Lanham Act, and unfair competition under New York common law. The district court granted summary judgment to the defendants on the federal law claims, and the appeals court affirmed.

Regarding the trademark infringement claim, the appeals court concluded that the plaintiff had abandoned its mark in the U.S., and therefore could not pursue a trademark infringement claim. The court cited the Lanham Act which states that non-use of a mark for three consecutive years is prima facie evidence of abandonment, and explained that the plaintiff had not offered evidence of its intent to resume use of the mark within the three-year period of abandonment.

Turning to the unfair competition claim, the appeals court noted that the plaintiff tried to get around the problem of having abandoned the mark in the U.S. by claiming that its mark was well-known outside the U.S. and had been used continuously outside the U.S. since 1977. The appeals court rejected this argument, discussing in detail the territoriality principle (a trademark has a separate legal existence under each country's laws) and explaining that U.S. law requires use in the U.S. to obtain priority rights in a mark. The court held that the famous marks principle (not to be confused with the definition of famous mark in the Trademark Dilution Act) derives from international trademark treaties but has not been incorporated into the Lanham Act and therefore does not apply to the plaintiff's claim for unfair competition under the Lanham Act. This decision is in tension with several rulings from the Ninth Circuit which more liberally interpreted the impact of foreign use of a well-known mark.

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The appeals court also held that the plaintiff lacked standing to pursue a claim for false advertising under the Lanham Act. A plaintiff must have both a reasonable interest to be protected from the competitor's false or misleading claims, and a reasonable basis for believing that this interest is likely to be damaged by the false or misleading advertising. In this case, the court held that since the plaintiff had abandoned the mark, and failed to provide sufficient evidence of an intention to use the mark again in the U.S., it could not show that it had an interest in the defendants' use of the name Bukhara Grill in advertising.

Finally, instead of deciding the claims relating to New York common law, the appeals court certified two questions for the New York Court of Appeals: (1) does New York common law permit the owner of a famous mark or trade dress to assert property rights therein by virtue of the owner's prior use of the mark or dress in a foreign country, and (2) how famous must a mark be to come within the famous marks doctrine?

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