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Samantha D. Slotkin

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TRADEMARK PIRACY IN LATIN AMERICA: A CASE STUDY ON REEBOK INTERNATIONAL LTD.

I. INTRODUCTION

A pervasive problem in Latin American and other developing countries is the unauthorized registration of internationally known trademarks by "pirates" prior to registration by actual owners.¹ After registering the trademark, a pirate has several options: (1) sell the trademark back to the rightful owner;² (2) distribute goods bearing the trademark to consumers who believe they are genuine;³ (3) exclude the rightful owner from the market by threatening an infringement suit;⁴ or (4) use the trademark to market products that differ from those sold by the actual owner.⁵ In countries lacking adequate intellectual property protection, some companies and individuals specialize in registering well-known trademarks.⁶ Many of these entities earn their livings by registering trademarks and selling them back to companies that want to reclaim their trademarks.⁷ One Brazilian attorney estimates that companies pay from \$10,000 to \$1,000,000 to regain the rights to their trademarks.⁸ Pirates who cannot or do not want to sell the trademarks to the rightful owners manufacture and sell "legal"

1. John T. Masterson, Jr., *Protection of Intellectual Property Rights in International Transactions*, in 1 THE COMMERCE DEPARTMENT SPEAKS ON INTELLECTUAL TRADE & INVESTMENT 1994, at 333, 349 (PLI Corp. Law & Practice Course Handbook Series No. 863, 1994).

2. *Reebok Calls Upon Latin American Leaders to Curb Trademark Piracy in Developing Countries; Reebok Executive Discusses GATT, Future Extension of NAFTA*, Business Wire, Dec. 8, 1994, available in WESTLAW, LATNEWS Database [hereinafter *Reebok*]; Kenneth Parks et al., *Mercosur Nations Examine Trademark Piracy*, 4 J. PROPRIETARY RTS. 37 (1995).

3. *Reebok*, *supra* note 2; Neil A. Smith, *Obtaining Trademark and Copyright Enforcement in the United States for Infringement Abroad*, in GLOBAL TRADEMARK AND COPYRIGHT 553, 555 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Series No. 393, 1994).

4. Smith, *supra* note 3, at 555.

5. *Reebok*, *supra* note 2.

6. *Id.*

7. Lise Alves, *Trademark Piracy Hinders Brazil Ahead of Free Trade Deal*, Reuter European Business Report, Dec. 27, 1994, available in LEXIS, News Library, CURNWS File.

8. *Id.*

counterfeit products.⁹ The products are legal because the pirate is the registered owner in that country.

This Note examines trademark piracy in Latin America, focusing on the problems experienced by Reebok International, Ltd. (Reebok). Part II discusses the background of trademark piracy, the reasons behind Latin America's reluctance to adopt strong intellectual property laws, and the history of Reebok's legal struggles to reclaim its trademark in Peru. Part III addresses the attempts of the international community, Latin America, and the United States to protect trademarks and discusses the success and failure of those remedies. Part IV focuses on the best remedies available to U.S. companies in Latin America, including: the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPS Agreement),¹⁰ which is part of the General Agreement on Tariffs and Trade 1994 (GATT 1994);¹¹ the Paris Convention for the Protection of Industrial Property (Paris Convention);¹² and an international registration system. This Note argues that an international registration system as part of the TRIPS Agreement provides the best solution to trademark piracy because it eliminates the need for multi-country registration. Companies would protect their trademarks worldwide by registering them with the international organization. In addition, member countries would have to implement substantive laws in accordance with the TRIPS Agreement.

II. BACKGROUND

A. *The Problem of Trademark Piracy*

Generally, trademark piracy occurs more often in civil law

9. Reebok, *supra* note 2.

10. *Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods*, GATT Doc. MTN/FA I-A1C (Dec. 15, 1993) [hereinafter *TRIPS Agreement*], reprinted in *THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS—THE LEGAL TEXTS* 365-403 (World Trade Org. ed., 1995) [hereinafter *THE RESULTS OF THE URUGUAY ROUND*]; 33 I.L.M. 1125, 1197-1225 (1994).

11. *General Agreement on Tariffs and Trade*, GATT Doc. No. MTN/FA (Dec. 15, 1993) [hereinafter *GATT 1994*], reprinted in *THE RESULTS OF THE URUGUAY ROUND*, *supra* note 10, at 21-38; 33 I.L.M. 1125, 1154-66 (1994).

12. *Paris Convention for the Protection of Industrial Property*, done July 14, 1967, 21 U.S.T. 1629 (1970), 828 U.N.T.S. 305 (1977) [hereinafter *Paris Convention*].

countries than in common law countries like the United States.¹³ This is because in civil law countries, the first party to register the trademark acquires the right to use it.¹⁴ Registration allows the registrant to enforce trademark rights against others.¹⁵ In common law countries, on the other hand, the first use of the trademark establishes ownership, although the countries still require registration. Therefore, the first party to use the trademark usually prevails over the first party to register it, unless use of the trademark established registration.¹⁶ In civil law countries, trademark use without registration affords no protection to the user. Some civil law countries, however, do provide protection if the trademark is notorious, meaning it is well-known or famous.¹⁷ In order to avoid trademark piracy, especially in civil law countries, a company must register its trademark in each country where it plans to market its products.¹⁸ Multi-country registration is required because "trademark registration stops at the border and does not give rights outside of [that country]."¹⁹ A company must first decide in which countries to market its goods and then register its trademark in those countries before any pirates do so. In 1986, the International Trade Commission estimated that U.S. companies lost between forty-three and sixty-one billion dollars due to inadequate intellectual property protection.²⁰

Once a pirate has appropriated a trademark, a company may regain control of it by bringing a legal action against the pirate or paying the pirate. Either method is likely to be expensive.

13. The common law system comes from England. Joseph Dainow, *The Civil Law and Common Law: Some Points of Comparison*, 15 AM. J. COMP. L. 419, 421 (1967). Common law courts are bound by precedent, and cases are tried before juries. *Id.* at 425, 430.

The civil law system, on the other hand, is based on old Roman law. *Id.* at 420. In civil law courts, cases are tried before judges. *Id.* Precedent generally is not binding because the main source of law is legislation or the codes. *Id.* at 424, 426.

14. Jill S. Riola, *Worldwide Trademark Law Changes Create New Opportunities for International Protection*, 5 J. PROPRIETARY RTS. 10 (1995).

15. Thomas J. Hoffman, *International Trademark Practice*, in ADVANCED SEMINAR ON TRADEMARK LAW 1995, at 247, 254 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Series No. 410, 1995).

16. *Id.*; Riola, *supra* note 14.

17. Hoffman, *supra* note 15, at 254.

18. Jeffrey M. Samuels & Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 GEO. WASH. J. INT'L L. & ECON. 433, 433 (1993-94). Parties can register a trademark in 173 countries. Hoffman, *supra* note 15, at 252.

19. Hoffman, *supra* note 15, at 252.

20. Gary M. Hoffman et al., *Commercial Piracy of Intellectual Property*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 556, 556-57 (1989).

Lawsuits can last four to five years until final resolution.²¹ In addition, many foreign countries have lax enforcement²² and corrupt legal systems,²³ making it difficult to obtain a fair determination through litigation.

B. Reasons Behind Latin America's Lagging Efforts to Provide Protection

For many reasons, Latin America provides inadequate protection of intellectual property. The main reasons are economic and social.

1. Economic Reasons

Developing countries, such as those in Latin America, are unwilling to increase intellectual property protection for economic reasons. They need access to Western intellectual property to facilitate their development, and they believe that enforcing intellectual property rights will impede that development.²⁴ Developing countries fear that expanding protection will allow corporations to establish global monopolies, leading to an increase in the price of goods.²⁵

Developing countries have these fears because they are "importers," as opposed to "creators" of technology.²⁶ Because technology is not created within the country, it must either be imported or pirated. Importation and increased protection bring increased costs,²⁷ such as: royalty payments to the creator;²⁸ set-up costs for enforcement agencies;²⁹ and loss of local business because companies devoted to piracy must close or open businesses elsewhere.³⁰ In addition, foreign licensors have superior bargain-

21. Alves, *supra* note 7.

22. Smith, *supra* note 3, at 556.

23. Rob Guth et al., *S.O.S. (Save Our Software): Government Corruption, Mob Activity and Social Problems Fuel International Piracy. But I.S. Vendors and Foreign Users Are Fighting Back*, COMPUTERWORLD, July 31, 1995, at 87.

24. Marshall A. Leaffer, *Protecting United States Intellectual Property Abroad: Toward a New Multilateralism*, 76 IOWA L. REV. 273, 283 (1991).

25. Alan S. Gutterman, *The North-South Debate Regarding the Protection of Intellectual Property Rights*, 28 WAKE FOREST L. REV. 89, 121 (1993).

26. Carlos A.P. Braga, *The Economics of Intellectual Property Rights and the GATT: A View from the South*, 22 VAND. J. TRANSNAT'L L. 243, 256 (1989).

27. *Id.*

28. *Id.*

29. *Id.* at 257. See also Gutterman, *supra* note 25, at 122.

30. Braga, *supra* note 26, at 256.

ing power, enabling them to force local companies to enter into exploitative contracts.³¹ Increased protection also makes self-sufficiency extremely difficult for developing countries dependent on technology importation³² because developing countries lack the necessary "scientific and financial infrastructure" that developed countries possess.³³ Even if a local company decides to market locally manufactured goods, becoming established and gaining a market share may be difficult because consumers are accustomed to foreign goods.³⁴

2. Social Reasons

Additionally, social reasons underlie the weak protection that developing countries provide. For example, these countries do not have many inventors, companies, or authors urging lawmakers to increase intellectual property protection.³⁵ Foreign governments are encouraging developing countries to increase protection for the benefit of foreign firms. Without internal lobbying, however, these countries have little incentive, and as a result, have made little effort to step up enforcement.³⁶

In addition, local interest groups with political clout have convinced the governments of developing countries that stronger intellectual property laws are not in the countries' best interests. Members of these interest groups include companies that manufacture and sell pirated goods.³⁷ Also, when poverty runs rampant and drug cartels greatly influence poor governments, intellectual property protection is not a high priority.³⁸

C. The Importance of Intellectual Property Protection

Protection is vital to creators of intellectual property in order to recover the costs of research and development, foster new research, and encourage the dissemination of new knowledge.³⁹ Without adequate protection, creators lose both income and rights

31. Leaffer, *supra* note 24, at 284.

32. *Id.* See also Gutterman, *supra* note 25, at 123.

33. Gutterman, *supra* note 25, at 121.

34. Leaffer, *supra* note 24, at 284.

35. *Id.* at 282.

36. *Id.*

37. Gutterman, *supra* note 25, at 124.

38. Guth et al., *supra* note 23.

39. Braga, *supra* note 26, at 254. See also Leaffer, *supra* note 24, at 277.

to pirates who can simply copy the products and sell them at a fraction of the price, without bearing any of the creation costs.⁴⁰ For example, a company may spend one million dollars creating a computer program and sell it for one hundred dollars in the United States. A pirate in the Far East may sell a copy of that program for five dollars. A company may spend millions of dollars advertising to create name recognition, and a pirate may register the name in another country and reap the benefits of the company's investment. If creators cannot recoup their investment, either they pass the costs on to the consumer⁴¹ or they cease creating intellectual products because they cannot compete.⁴²

The creators of intellectual property are not the only losers. Piracy causes decreased sales in U.S. products, which in turn causes lower production and results in the loss of jobs for U.S. workers.⁴³ Thousands of U.S. jobs are lost each year because of piracy.⁴⁴

Although intellectual property piracy occurs throughout the world, the focus has been on Asia. In February 1995, for example, the United States ordered China to pay one billion dollars in punitive tariffs for failing to properly enforce its intellectual property laws.⁴⁵ Although Latin America affords better protection than Asia, its intellectual property laws are not up to par.⁴⁶

D. Piracy of Reebok's Trademarks in Latin America

Reebok has been the frequent target of pirates in Latin America.⁴⁷ As of December 8, 1994, Reebok did not own its trademark in Peru, Guatemala, or Venezuela.⁴⁸ These three countries prohibit Reebok from selling its shoes and clothing because pirates own the Reebok trademark and the right to use the trademark on their own products. In response, Reebok has resorted to the courts.

40. Leaffer, *supra* note 24, at 280.

41. *Id.* at 281.

42. *Id.* at 280.

43. Hoffman et al., *supra* note 20, at 557-58.

44. A 1988 International Trade Commission study reported that inadequate protection of intellectual property caused a loss of 5374 jobs in 43 of the U.S. companies responding. *Id.* at 557.

45. Jane Bussey, *Piracy Still Big Business in Developing World*, THE STAR-LEDGER (Newark, N.J.), Feb. 21, 1995, available in WESTLAW, 1995 WL 5182410.

46. *Id.*

47. *Reebok*, *supra* note 2.

48. *Id.*

For over eight years, Reebok has been trying to reclaim its trademark in Peru through cancellation of the pirated registration.⁴⁹ Fucsa is the local Peruvian company that owns the Reebok trademark in Peru and manufactures and sells products bearing the Reebok logo.⁵⁰ Because Reebok was unaware of Fucsa's registration of its trademark, Reebok was unable to file an opposition within thirty days of registration, as Peruvian law requires.⁵¹ Reebok won the last round in the Court of Appeals, but Fucsa appealed to the Supreme Court of Justice.⁵²

Legal remedies, however, are limited because corruption runs rampant in Latin America, including Peru.⁵³ Court documents mysteriously disappear,⁵⁴ ex parte contract is not illegal,⁵⁵ and judges are bribed.⁵⁶ Some feel that the laws adequately protect intellectual property but that corruption is the more serious problem.⁵⁷ Others feel that the laws are inadequate and that the problem lies with enforcement.⁵⁸ Although Latin America has made some strides in protecting intellectual property, the recently implemented laws are not retroactive.⁵⁹ Thus, a company like Reebok finds no recourse under these laws because its injury has already occurred.⁶⁰ Moreover, the effects of such injury to Reebok will continue until Reebok regains the rights to its trademark in Latin America.

49. Telephone Interview with Marianne Alford, Intellectual Property Attorney, Reebok International, Ltd. (Sept. 26, 1995).

50. *Id.*

51. TRADEMARKS THROUGHOUT THE WORLD, at P-35 (Danielle G. Mazur ed., 4th ed. 1995).

52. Telephone Interview with Marianne Alford, *supra* note 49. The Peruvian Supreme Court of Justice is analogous to the U.S. Supreme Court or a state supreme court. The superior courts are below the Supreme Court of Justice and sit in the capitals of the judicial districts. FEDERAL RESEARCH DIVISION, LIBRARY OF CONGRESS, PERU: A COUNTRY STUDY 217 (Rex A. Hudson ed., 4th ed. 1993) [hereinafter PERU]. The courts of first instance sit in provincial capitals and include civil, criminal, and special branches. *Id.* Finally, justices of the peace sit in all local centers. *Id.*

53. PERU, *supra* note 52, at 217-18; Guth et al., *supra* note 23.

54. Guth et al., *supra* note 23.

55. Telephone Interview with Marianne Alford, *supra* note 49.

56. *Id.*

57. Guth et al., *supra* note 23.

58. Leaffer, *supra* note 24, at 275.

59. For example, the Andean Pact countries, which include Peru, Venezuela, Ecuador, Bolivia, and Columbia, recently enacted the Andean Pact Decisions, which have enhanced intellectual property protection in these countries. See *infra* notes 115-34 and accompanying text.

60. Reebok, *supra* note 2.

III. EFFORTS BY THE INTERNATIONAL COMMUNITY, LATIN AMERICA, AND THE UNITED STATES TO CURB TRADEMARK PIRACY

The international community, Latin America, and the United States have made efforts to curb trademark piracy. The international community has responded with multilateral treaties and trade-based agreements. Latin America has responded by joining the international treaties and agreements and by implementing new laws. The U.S. has enacted statutory retaliatory measures and provides access to U.S. federal courts.

A. *Efforts by the International Community to Curb Trademark Piracy*

For years, the international community has been encouraging better protection for trademarks and other forms of intellectual property through international treaties, including the Paris Convention and the TRIPS Agreement. The Paris Convention is the predominant international trademark treaty,⁶¹ its purpose is to protect intellectual property worldwide.⁶²

1. Paris Convention for the Protection of Industrial Property

The Paris Convention went into force in 1884.⁶³ As of May

61. The Paris Convention is an international, multilateral treaty. A multilateral treaty is one with more than two members and provides benefits to its members.

62. Leaffer, *supra* note 24, at 293.

63. INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 5 (Marshall A. Leaffer ed., 1990) [hereinafter INTERNATIONAL TREATIES]. The Paris Convention concluded on March 20, 1883 and was originally signed by eleven states. *Id.* The Convention has been revised many times since 1883. The last revision took place in Stockholm in 1967. *Id.* at 17.

The Paris Convention covers many forms of intellectual property, including: "patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source of appellations of origin, and the repression of unfair competition." Paris Convention, *supra* note 12, art. 1(2), 21 U.S.T. at 1630, 828 U.N.T.S. at 309. This Note focuses only on the provisions relating to trademarks.

The members of the Paris Convention comprise a Union. The Union consists of three governing bodies that carry out the aims of the Convention. These bodies are the Assembly, the Executive Committee, and the International Bureau of WIPO (World Intellectual Property Organization). The Assembly is made up of one delegate from each member country and serves as the main governing body. INTERNATIONAL TREATIES, *supra*, at 17. See also Paris Convention, *supra* note 12, art. 13, 21 U.S.T. at 1650-53, 828 U.N.T.S. at 341-45. The Assembly elects the Executive Committee. INTERNATIONAL TREATIES, *supra*, at 17. See also Paris Convention, *supra* note 12, art. 14(2)(a), 21 U.S.T.

1, 1993, 109 countries were party to the Paris Convention.⁶⁴ Venezuela and Peru acceded to the Paris Convention in 1993 and 1995, respectively.⁶⁵

The purpose of the Paris Convention is to protect industrial property and to promote uniformity in industrial property law.⁶⁶ An additional function is to form "special agreements" among member countries, so long as they do not contravene the provisions of the Paris Convention.⁶⁷

Three principles form the basis of the Paris Convention: national treatment, right of priority, and minimum rights. National treatment means that citizens of any country in the Union are entitled to the same rights and advantages as nationals in all other member countries with regard to protection of intellectual property and remedies for infringement.⁶⁸ This concept also applies to nationals of non-Union countries who live or own businesses in a member country.⁶⁹ National treatment avoids the problems of reciprocity where a country will protect nationals of another country only to the degree that their own nationals are protected in that other country.⁷⁰ This principle simplifies intellectual

at 1653, 828 U.N.T.S. at 345. The International Bureau performs the administrative tasks of the Union. *INTERNATIONAL TREATIES*, *supra*, at 17. See also Paris Convention, *supra* note 12, art. 15(1)(a), 21 U.S.T. at 1655, 828 U.N.T.S. at 349. WIPO administers most of the major treaties. The United Nations established WIPO in 1967, and its headquarters is located in Geneva. Leaffer, *supra* note 24, at 292.

64. 1a JEROME GILSON & JEFFREY M. SAMUELS, *TRADEMARK PROTECTION AND PRACTICE* § 9.06[1] (1995).

65. Peru acceded to the Paris Convention in April 1995. *USTR Announcement on Foreign Government Procurement (Title VII) and Intellectual Property Protection (Special 301)*, 12 Int'l Trade Rep. (BNA) No. 18, at 800 (May 3, 1995) [hereinafter *USTR Announcement*]. Venezuela acceded in 1994. U.S. TRADE REPRESENTATIVE, 1995 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIERS 258, 316 (1995) [hereinafter *NATIONAL TRADE ESTIMATE REPORT*].

66. *INTERNATIONAL TREATIES*, *supra* note 63, at 5.

67. Paris Convention, *supra* note 12, art. 19, 21 U.S.T. at 1660, 828 U.N.T.S. at 357. Trademark agreements formed as a result of Article 19 include: the Madrid Agreement Concerning the International Registration of Marks; the Trademark Registration Treaty; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks; the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods; and the Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration. *INTERNATIONAL TREATIES*, *supra* note 63, at 7 n.10.

68. Paris Convention, *supra* note 12, art. 2, 21 U.S.T. at 1631, 828 U.N.T.S. at 313.

69. *Id.* art. 3, 21 U.S.T. at 1631, 828 U.N.T.S. at 313.

70. *INTERNATIONAL TREATIES*, *supra* note 63, at 7.

property relations among member countries because it eliminates the need to negotiate or maintain bilateral agreements.⁷¹

The right of priority rule provides that any person who has filed an application for trademark registration in any country of the Union has a six-month right of priority in other member countries. Thus, if a person files an application in another member country within this six-month period, the effective filing date is the original filing date.⁷² For example, a company that files in the United States has six months to file abroad in countries that are members of the Paris Convention. Any applications filed within the six-month period are dated as of the U.S. filing date. Although the Paris Convention does not provide for a centralized registration system, the priority rule is beneficial because it gives trademark owners a six-month window in which to register without fear that a pirate will appropriate the trademark.

The Paris Convention also establishes minimum rights that each member country must observe. These minimum rights are substantive standards that member countries must incorporate into their respective national laws.⁷³ Two important reasons exist for these minimum standards: (1) to avoid imbalances that the national treatment principle creates; and (2) to eventually unify the laws in each member country.⁷⁴ Articles 6 through 11 set out the guidelines for trademarks.⁷⁵

The two most important articles of the Paris Convention for the protection of trademarks are Article 6^{bis} and Article 10^{bis}. Article 6^{bis} requires a member country to refuse or to cancel an unauthorized registration by a party other than the rightful owner when a mark is well-known.⁷⁶ Article 10^{bis} provides an alternate

71. *Id.* at 8.

72. Paris Convention, *supra* note 12, art. 4, 21 U.S.T. at 1631-35, 828 U.N.T.S. at 313-19.

73. INTERNATIONAL TREATIES, *supra* note 63, at 8.

74. *Id.* at 8-9.

75. Paris Convention, *supra* note 12, art. 6-11, 21 U.S.T. at 1639-49, 828 U.N.T.S. at 325-39.

76. Article 6^{bis}(1) provides:

The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to benefits of this Convention and used for identical or similar goods.

remedy—an action for unfair competition—to cancel an unauthorized registration of a well-known trademark.⁷⁷ The true owner of a trademark can claim that the unauthorized trademark misleads consumers into believing they are buying genuine goods.⁷⁸

The Paris Convention, however, has several shortcomings. The main problem is that protection is only as good as the laws in the member country where parties seek protection for their intellectual property.⁷⁹ For example, with regard to national treatment, the Paris Convention only requires a member country to provide nationals of other countries the same level of protection it provides to its own citizens. Thus, if the intellectual property laws in a country are inadequate or non-existent, the Paris Convention will not provide protection. In addition, the Paris Convention does not provide protection across Union members' borders.⁸⁰ As a result, trademark owners must register in each country where they want to do business and rely on the laws of that country for protection.

Also, each country has its own standard for determining whether a mark is well-known. As such, one member country may consider a trademark well-known while another member country may not, even if the mark is well-known internationally.⁸¹ For example, the standard in Peru to determine if a trademark is well-known or notorious requires evidence of its notoriety. Evidence of notoriety may include: filing copies of foreign trademark registrations worldwide in many different classes; demonstrating extensive international advertisement of the trademark, including some advertisement in Peru; and showing a connection between the goods protected in the opposed application and the goods protected in the registration of the well-known mark.⁸² Such a standard

Id. art. 6^{bis}(1), 21 U.S.T. at 1640, 828 U.N.T.S. at 325.

77. Article 10^{bis}(3) prohibits "all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor." *Id.* art. 10^{bis}(3)1, 21 U.S.T. at 1648, 828 U.N.T.S. at 337.

78. Masterson, *supra* note 1, at 351.

79. Harriet R. Freeman, *Reshaping Trademark Protection in Today's Global Village: Looking Beyond GATT's Uruguay Round Toward Global Trademark Harmonization and Centralization*, 1 ILSA J. INT'L & COMP. L. 67, 74 (1995).

80. See Minde G. Browning, *International Trademark Law: A Pathfinder and Selected Bibliography*, 4 IND. INT'L & COMP. L. REV. 339, 341 (1994).

81. Masterson, *supra* note 1, at 350.

82. Stephen Bigger & Barbara L. Kagedan, *Peru: Opposition Proceeding Involving Well-Known Trademark*, 76 TRADEMARK REP. 423, 429 (1986).

may be difficult to meet.

These aspects of the Paris Convention cause trouble for a company like Reebok. As previously noted, Peru and Venezuela recently became members of the Paris Convention. As such, none of the protections available in the Paris Convention are available to Reebok because the provisions are not retroactive. Even if they were retroactive, and if Peru and Venezuela were members of the Union when the pirates appropriated Reebok's trademark, Reebok would still face a difficult fight. The trademark laws in Latin America do not provide a great deal of protection, and Reebok would be limited to this level of protection.

Although the Paris Convention may have its shortcomings, it represents the international community's first attempt to protect intellectual property.

2. The TRIPS Agreement

The TRIPS Agreement⁸³ is the most recent attempt at intellectual property protection. Unlike the Paris Convention, the TRIPS Agreement utilizes the trade-based approach to increasing intellectual property protection. By implementing new intellectual property laws in accordance with the TRIPS Agreement, countries can benefit from the trade provisions in GATT. The problem with multilateral treaties and the TRIPS Agreement, however, is that gaps exist and/or not all countries are parties to the agreements.

GATT came into existence after World War II. Negotiations between the twenty-three signatory countries concluded in October 1947, and GATT went into effect on January 1, 1948.⁸⁴ The purpose of GATT was to reduce tariffs and to limit the use of trade restrictions.⁸⁵ Five principles underlie the GATT agreement: (1) the most favored nation principle, which requires contracting parties to give benefits available to citizens to *all* contracting parties; (2) the national treatment principle, which prohibits the imposition of higher taxes or more burdensome regulation on imported products; (3) the tariff concession principle, which requires maintaining customs duties at the levels specified in the party's latest filed schedule; (4) the principle against nontariff barriers, which restrains contracting parties from erecting nontariff

83. *TRIPS Agreement*, *supra* note 10.

84. Freeman, *supra* note 79, at 84; Leaffer, *supra* note 24, at 298.

85. Freeman, *supra* note 79, at 85.

barriers that restrict trade; and (5) the fair trade principle, which enables contracting parties to protect local businesses from unfair trade practices through the use of reasonable, proportionate tariff measures and which discourages the promotion of exports through subsidies and dumping.⁸⁶

Since 1947, there have been seven rounds of GATT negotiation.⁸⁷ Delegates first discussed the protection of intellectual property during the sixth round in Tokyo. The discussions, however, focused only on trademark counterfeiting.⁸⁸ GATT finally provided protection for all forms of intellectual property with the passage of the TRIPS Agreement during the Uruguay round.⁸⁹

The Uruguay Round of GATT began on September 20, 1986,⁹⁰ ended on December 15, 1993,⁹¹ and resulted in GATT 1994.⁹² One hundred seventeen countries signed the agreement on April 15, 1994.⁹³ The governing body of GATT 1994 is the World Trade Organization (WTO).⁹⁴ GATT 1994 includes the TRIPS Agreement, which provides minimum standards for the protection of intellectual property, including trademarks. The general provisions of the TRIPS Agreement follow the Paris Convention, which protects many forms of industrial property, including trademarks.

The Paris Convention and the TRIPS Agreement provide for national treatment and most favored nation treatment.⁹⁵ As previously discussed, national treatment requires each signatory country to give nationals of other member countries the same

86. Leaffer, *supra* note 24, at 299. See also Freeman, *supra* note 79, at 85.

87. The seven rounds are: Annecy (1949), Tourquay (1950), Geneva (1956), Dillon (1961), Kennedy (1962-67), Tokyo (1973-79), and Uruguay (1986-93). The first five rounds focused on the reduction of tariffs for trade in goods. The sixth round focused on dispute resolution and the reduction of nontariffs for trade in goods. Freeman, *supra* note 79, at 85.

88. *Id.*; Leaffer, *supra* note 24, at 300-01.

89. TRIPS Agreement, *supra* note 10.

90. Samuels & Samuels, *supra* note 18, at 435.

91. Freeman, *supra* note 79, at 86.

92. GATT 1994, *supra* note 11.

93. *Id.* at 90.

94. See Marrakesh Agreement Establishing the World Trade Organization (Dec. 15, 1993) [hereinafter WTO Agreement], reprinted in THE RESULTS OF THE URUGUAY ROUND, *supra* note 10, at 2-18; 33 I.L.M. 1125, 1144-53 (1994).

95. Paris Convention, *supra* note 12, arts. 2-3, 21 U.S.T. at 1631, 828 U.N.T.S. at 305, 313. TRIPS Agreement, *supra* note 10, arts. 3(1), 4.

treatment afforded its own citizens.⁹⁶ Most favored nation treatment requires each signatory country to give *all* member countries "any advantage, favor, privilege or immunity" regarding intellectual property it grants to nationals of another country.⁹⁷

The TRIPS Agreement provides for certain trademark rights in articles 15 to 17.⁹⁸ Article 15 defines a trademark as "[a]ny sign . . . capable of distinguishing the goods or services of one undertaking from those of other undertakings."⁹⁹ Article 16(1) states that the owner of a trademark has the exclusive right to prevent others from using an identical or similar mark in trade when such use would lead to confusion.¹⁰⁰ Article 16(2) lays out how to determine whether a trademark is well-known, stating, "[a]ccount shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that Member obtained as a result of the promotion of the trademark."¹⁰¹ Article 17, however, allows member countries to provide limited exceptions to trademark rights if the countries take into account the interests of the owner and third parties.¹⁰²

Article 20 of the TRIPS Agreement provides additional trademark requirements. Article 20 prohibits a member country from "unjustifiably encumbering" a trademark with special requirements such as compelling use of the trademark with another trademark, use of the trademark in a special form, or use in a manner that hinders the ability to distinguish the goods and services of the trademark owner from goods and services of others.¹⁰³ A member country *can* require a trademark owner to identify the producer of goods or services along with, but not linked to, a trademark distinguishing the goods or services of the producer.¹⁰⁴

While the TRIPS Agreement has many benefits, it also has

96. *TRIPS Agreement*, *supra* note 10, art. 3.

97. *Id.* art. 4.

98. *Id.* arts. 15-17.

99. *Id.* art. 15(1).

100. *Id.* art. 16(1).

101. *Id.* art. 16(2). Additionally, Article 16 requires that each member country apply Article 6^{bis} of the Paris Convention to services and to goods and services that are not similar to those that the owner of the trademark distributes if use of the trademark would indicate a connection and would damage the owner. *Id.* art. 16(2)-(3).

102. *Id.* art. 17.

103. *Id.* art. 20.

104. *Id.*

drawbacks. One benefit for a company like Reebok is that many Latin American countries, including Peru and Venezuela, are signatories to GATT 1994.¹⁰⁵ Thus, these countries have agreed to implement legislation in compliance with the standards of the TRIPS Agreement. The biggest problem with the TRIPS Agreement is the gap in protection resulting from the grace period. The TRIPS Agreement gives developing countries, including those in Latin America, up to five years to comply with the provisions of the agreement.¹⁰⁶ Developed countries have a one-year grace period to implement the TRIPS Agreement and developing countries get an extra four years.¹⁰⁷ Consequently, pirates in developing countries, such as Peru and Venezuela, can continue to prosper until the new laws take effect.

Another problem for a company like Reebok is that the TRIPS Agreement is not retroactive.¹⁰⁸ For example, the GATT 1994 cannot assist Reebok in its present struggle to regain the rights to its trademark in those countries because a pirate has already registered Reebok's trademark in certain Latin American countries.

In addition, the signatories to the TRIPS Agreement need not require use of a trademark prior to registration. Actual use of a trademark is not a condition for filing an application.¹⁰⁹ Without a use requirement, the first party to file a trademark in the registration office obtains the rights to the trademark, unless the true owner can oppose or cancel the registration. Absence of a use requirement may not be a significant problem for companies with internationally well-known trademarks, such as Reebok, because the TRIPS Agreement and the Paris Convention provide better protection for well-known or notorious marks. In its efforts in Peru, however, Reebok cannot benefit from such trademark provisions of the Paris Convention or the TRIPS Agreement for two reasons: neither is retroactive, and Peru only recently became a member of the Paris Convention.¹¹⁰

105. See NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 316.

106. *Intellectual Property Core to GATT Deal*, SCREEN DIG. (Information Access Co.), Jan. 1, 1994, available in WESTLAW, 1994 WL 2694599. See also Freeman, *supra* note 79, at 91.

107. Freeman, *supra* note 79, at 91.

108. TRIPS Agreement, *supra* note 10, art. 70(1). See also Reebok, *supra* note 2.

109. TRIPS Agreement, *supra* note 10, art. 15(3).

110. USTR Announcement, *supra* note 65, at 800.

Nevertheless, the TRIPS Agreement has afforded increased protection to intellectual property. For example, member countries cannot require foreign companies to link their trademarks with indigenous marks of local firms,¹¹¹ impose on foreign trademark owners compulsory licenses that would give local companies the right to use the mark,¹¹² or deny trademark owners the right to assign the trademark.¹¹³ In addition, the TRIPS Agreement increases the protection that the Paris Convention grants to trademarks. Article 6^{bis} of the Paris Convention now covers services *and* goods and services that are not similar to those marketed by the trademark's true owner.¹¹⁴

The TRIPS Agreement is a step in the right direction for intellectual property protection because it requires member countries to implement new laws to protect all forms of intellectual property in order to benefit from GATT 1994's trade provisions.

B. Efforts by Latin America to Curb Trademark Piracy

Protection of intellectual property has improved in Latin America. Many Latin American countries have become members of GATT 1994, which requires these countries to implement intellectual property laws that meet the standards set forth in the TRIPS Agreement. In addition, several countries have recently acceded to the Paris Convention. The Andean Pact Decisions represent the best evidence of increased protection for trademarks and other forms of intellectual property.

The Andean Pact originated in 1969 with the Agreement on Andean Subregional Integration, better known as the Cartagena Agreement.¹¹⁵ The Andean Pact is a free trade agreement

111. TRIPS Agreement, *supra* note 10, art. 20. See also J.H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under TRIPS Component of the WTO Agreement*, 29 INT'L LAW. 345, 362-63 (1995).

112. TRIPS Agreement, *supra* note 10, art. 21. See also Reichman, *supra* note 111, at 363.

113. TRIPS Agreement, *supra* note 10, art. 21. See also Reichman, *supra* note 111, at 363.

114. TRIPS Agreement, *supra* note 10, art. 16(2)-(3).

115. Agreement on Andean Subregional Integration, *opened for signature* May 26, 1969, translated in 8 I.L.M. 910 (1969) [hereinafter *Cartagena Agreement*]. See also Paul W. Moore & Rebecca K. Hunt, *The Andean Pact: In the Forefront of the Integration Movement*, BUS. AM., May 1, 1994, at 10; Mark Greenberg, Comment, *Recent Developments in Latin American Intellectual Property Law: The Venezuelan Response to Andean Pact Decision 313*, 25 U. MIAMI INTER-AM. L. REV. 131, 138 (1993).

The original members of the Pact were Bolivia, Chile, Colombia, Ecuador, and Peru.

intended to promote economic growth and to create a regional common market among its members.¹¹⁶ The Andean Pact Decisions address protection for intellectual property, although the member countries have always been and remain opposed to such protection.¹¹⁷

The history of the Andean Pact Decisions demonstrates the member countries' slow progress toward providing protection for intellectual property. In 1970, the Andean Pact enacted Decision 24, which regulated "foreign investment and technology transfer."¹¹⁸ In 1974, Decisions 84 and 85 passed.¹¹⁹ Decision 84 called for regional technological development.¹²⁰ Decision 85 dealt specifically with industrial property, including trademarks.¹²¹ On May 18, 1987, members of the Andean Pact ratified Decision 220, which replaced Decision 24.¹²² Decision 220 required each country to draft its own laws for technology transfer and foreign investment. When Decision 220 did not succeed, the Andean Pact approved Decision 291 in March 1991 to replace Decision 220.¹²³ This change signified a return to the liberalism that existed prior to Decision 24.

On February 14, 1992, the Andean Pact passed Decision 313.¹²⁴ The trademark provisions provided for the registration of trade and service marks¹²⁵ and for the protection of notorious marks subject to reciprocity.¹²⁶ Decision 313 also permitted Andean Pact members to join international conventions, which was prohibited under Decision 85.¹²⁷

The current laws are Decisions 344, 345, and 351 that went

Venezuela joined in 1973, and Chile withdrew in 1976. Moore & Hunt, *supra*, at 10.

116. Cartagena Agreement, *supra* note 115, art. 1. See also Moore & Hunt, *supra* note 115; Greenberg, *supra* note 115, at 139.

117. Greenberg, *supra* note 115, at 139.

118. *Id.*

119. *Id.* at 142.

120. *Id.*

121. *Id.*

122. *Id.* at 143.

123. *Id.* at 144.

124. *Id.* at 145.

125. *Id.*

126. *Id.* at 145-46.

127. Andean Group: Commission Decision 313—Common Code on Intellectual Property, Feb. 6, 1992, reprinted in 32 I.L.M. 180, 207 (1993).

into effect on January 1, 1994.¹²⁸ Decisions 344 and 345 cover patents and trademarks, and Decision 351 covers copyrights. The new provisions relating to trademarks include extending protection to well-known marks in other Andean Pact countries¹²⁹ and expanding the trademark registration system in member countries.¹³⁰

Although the Andean Pact countries have increased protection for intellectual property, the Decisions do not meet the requirements of the TRIPS Agreement.¹³¹ For example, Decision 344 does not give a great deal of protection to unregistered marks because no international, well-known trademark register exists.¹³² In fact, the Trademark Office in Peru *has* allowed the registration of trademarks that infringe upon internationally well-known trademarks.¹³³ Thus, registration is still the best protection against pirates. In addition, the Andean Pact Decisions do not provide procedures for enforcing intellectual property rights.¹³⁴ Nevertheless, the Andean Pact Decisions have made positive strides. Decision 313 now allows for Andean Pact countries to join international conventions. Consequently, Peru and Venezuela have become members of the Paris Convention, which has increased protection for intellectual property.

Although intellectual property protection has improved in the Andean Pact countries, Reebok has not benefitted from these new laws. Reebok filed suit against Fucsa in Peru eight years ago, long before implementation of the new Andean Pact Decisions. As a result, Reebok and companies similarly situated have been forced to rely on corrupt governments to enforce antiquated intellectual property laws. Even if Reebok could make use of the new laws, the limitations of these laws still result in inadequate protection for

128. *Andean Pact Decision Changes IP Laws*, 4 J. PROPRIETARY RTS. 40 (1994) [hereinafter *Andean Pact Decision*]; Moore & Hunt, *supra* note 115; *Decision No. 344—Common Provisions on Industrial Property* (Jan. 1, 1994), compiled in 8 INDUSTRIAL PROPERTY LAWS AND TREATIES, at Multilateral Treaties—Text 1-012 n.* (World Intell. Prop. Org. No. 609(E), Mar. 1994).

129. Moore & Hunt, *supra* note 115; INTELLECTUAL PROPERTY WORLD DESK REFERENCE, at Peru-1, Peru-3 (Thomas M.S. Hemmes et al. eds., 1992) [hereinafter IP WORLD DESK REFERENCE].

130. *Andean Pact Decision*, *supra* note 128.

131. Moore & Hunt, *supra* note 115.

132. IP WORLD DESK REFERENCE, *supra* note 129, at Peru-3.

133. *Id.*

134. NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 259, 316.

intellectual property.

C. U.S. Efforts to Curb Trademark Piracy

The United States has made an effort to protect U.S. trademarks in foreign countries. The United States can threaten to impose trade sanctions on countries who do not provide adequate protection for intellectual property. U.S. companies can also bring suit against infringers in federal court.

1. "Special" 301 of the 1988 Trade Act

The United States does encourage foreign countries to enhance intellectual property protection. In 1988, the United States enacted the Omnibus Trade and Competitiveness Act of 1988 (1988 Trade Act) which amended the Trade Act of 1974 (1974 Trade Act).¹³⁵ The 1988 Trade Act amended Section 301 of the 1974 Trade Act in order to provide better protection for intellectual property.¹³⁶ "Special" 301 of the 1988 Trade Act is the portion that relates to intellectual property. The aim of "Special" 301 is to encourage protection of intellectual property rights in foreign countries by threatening the imposition of trade sanctions in retaliation for inadequate protection.¹³⁷

"Special" 301 requires the United States Trade Representative (USTR) to identify within thirty days after the submission of the National Trade Estimate Report to Congress foreign countries that "(A) deny adequate and effective protection of intellectual property rights, or (B) deny fair and equitable market access to United States persons that rely upon intellectual property protection."¹³⁸ The USTR may identify countries that deny adequate protection or market access as "priority foreign countries."¹³⁹

135. Masterson, *supra* note 1, at 356. Section 301 is codified at 19 U.S.C. § 2411 (1994). See also Judith H. Bello & Alan F. Holmer, "Special 301": Its Requirements, Implementation, and Significance, 13 *FORDHAM INT'L L.J.* 259, 259 (1989-90); Jean H. Grier, *Section 301 and Its Future Use With the Uruguay Round Agreements*, in 1 *THE COMMERCE DEPARTMENT SPEAKS ON INTELLECTUAL TRADE & INVESTMENT 1994*, *supra* note 1, at 171, 173.

136. Three forms of Section 301 now exist: (1) "Super" 301; (2) "Special" 301; and (3) Telecommunications 301. See Grier, *supra* note 135, at 176-77.

137. *Id.* at 173. See also Bello & Holmer, *supra* note 135, at 259.

138. 19 U.S.C. § 2242(a)(1) (1994).

139. *Id.* § 2242(a)(2). The USTR may find a country denies "adequate and effective protection" of intellectual property even if that country is in compliance with the provisions of the TRIPS Agreement. *Id.* § 2242(d)(4).

Priority foreign countries are those: (1) "that have the most onerous or egregious acts, policies, or practices;"¹⁴⁰ (2) "whose acts, policies or practices . . . have the greatest adverse impact (actual or potential) on the relevant United States products;"¹⁴¹ and (3) "that are not . . . entering into good faith negotiations, or . . . making significant progress in bilateral or multilateral negotiations, to provide adequate and effective protection of intellectual property rights."¹⁴² The USTR also maintains a "priority watch list" and a "watch list" as an alternative to naming countries as "priority foreign countries" under "Special" 301.¹⁴³ The USTR places a country on the priority watch or watch list when a country has particularly lax intellectual property protection or imposes barriers to market access.¹⁴⁴

Once the USTR determines the priority foreign countries, it initiates an investigation.¹⁴⁵ The USTR has six to nine months, depending on the complexity of the case, to complete its investigation and to negotiate bilateral solutions.¹⁴⁶ If the "acts, policies or practices" continue, the USTR has the authority to retaliate by: (1) suspending, withdrawing, or preventing application of trade concessions;¹⁴⁷ (2) imposing duties or other import restrictions;¹⁴⁸ or (3) entering into binding agreements that require the countries to eliminate the offending practices.¹⁴⁹ The USTR's power to retaliate may be mandatory or discretionary depending upon the act, policy, or practice being investigated.¹⁵⁰

Many Latin American countries are either on the "priority

140. *Id.* § 2242(b)(1)(A).

141. *Id.* § 2242(b)(1)(B).

142. *Id.* § 2242(b)(1)(C).

143. Bello & Holmer, *supra* note 135, at 267.

144. *Id.*

145. See 19 U.S.C. § 2412(b)(2) (1994).

146. *Id.* § 2414(a)(3)(A)-(B).

147. *Id.* § 2411(c)(1)(A).

148. *Id.* § 2411(c)(1)(B).

149. *Id.* § 2411(c)(1)(D).

150. See *id.* § 2411(a)-(b). Action is mandatory when an act, policy, or practice: (1) "violates, or is inconsistent with, the provisions of, or otherwise denies benefits to the United States under, any trade agreement;" or (2) "is unjustifiable and burdens or restricts United States commerce." *Id.* Action is discretionary when an act, policy, or practice "is unreasonable or discriminatory and burdens or restricts United States commerce." *Id.* See also Bello & Holmer, *supra* note 135, at 262.

watch list" or the "watch list."¹⁵¹ The USTR placed Peru on the "Special" 301 watch list in 1992, and it remained on the list in 1993, 1994, and 1995.¹⁵² Despite Peru's new industrial property rights law, which it passed in 1992 in response to Andean Pact Decision 313, and despite the newest Andean Pact Decisions, which supersede the 1992 law,¹⁵³ Peru remains on the watch list because the Andean Pact Decisions fail to adequately enforce intellectual property rights.¹⁵⁴ Moreover, corruption in the courts hampers any enforcement measures,¹⁵⁵ and jurisdictional problems exist between the Peruvian justice system and the National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI).¹⁵⁶ Finally, the Peruvian government still needs to improve its efforts against piracy.¹⁵⁷

Venezuela is also on the "Special" 301 watch list.¹⁵⁸ Because Venezuela is an Andean Pact nation, the recent Decisions have increased intellectual property protection within the country, but problems still exist. The USTR did not upgrade Venezuela to the priority watch list because it passed a new copyright law in 1993.¹⁵⁹ The Venezuelan government, however, has not implemented the new law, so the United States continues to monitor its implementation, as well as recently enacted provisions for expedited patent and trademark applications.¹⁶⁰

2. Other U.S. Efforts to Curb Trademark Piracy

The United States can help a trademark owner whose mark has been infringed in other ways. Trademark owners can utilize

151. The Latin American countries on the watch list are: Argentina, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Peru, and Venezuela. Brazil is on the priority watch list. *USTR Announcement*, *supra* note 65, at 795-98.

152. NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 258; *USTR Announcement*, *supra* note 65, at 796, 797.

153. NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 258-59.

154. *Id.* at 259.

155. Guth et al., *supra* note 23.

156. NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 259. INDECOPI was created in 1992. *Id.* For the text of the *Law on the Organization and Functions of the National Institute for the Defense of Competition and Intellectual Property Protection (INDECOPI)*, see 5 INDUSTRIAL PROPERTY LAWS AND TREATIES, at Peru—Text 1-002 (World Intell. Prop. Org. No. 609(E), Mar. 1995).

157. *USTR Announcement*, *supra* note 65, at 797.

158. *Id.* at 798; NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 316.

159. NATIONAL TRADE ESTIMATE REPORT, *supra* note 65, at 316.

160. *USTR Announcement*, *supra* note 65, at 798.

the U.S. federal courts to protect their rights, so long as the court has subject matter jurisdiction.¹⁶¹ A U.S. court can obtain jurisdiction over a trademark infringer in three ways. First, if a U.S. court has personal jurisdiction that subjects the person to U.S. trademark law, the court also has subject matter jurisdiction when a foreign national labels and imports goods with an infringing mark into the United States.¹⁶² Second, a court has subject matter jurisdiction under the Lanham Act¹⁶³ when the activity is within a U.S. foreign trade zone.¹⁶⁴ A foreign trade zone is a government-bonded warehouse where imported goods are stored, repacked, and relabeled.¹⁶⁵ Third, U.S. courts may have subject matter jurisdiction through the extraterritorial reach of the Lanham Act. The Lanham Act applies when a foreign national's activities indirectly affect commerce between the United States and foreign countries.¹⁶⁶

In 1952, the U.S. Supreme Court decided the landmark case *Steele v. Bulova Watch Co.*,¹⁶⁷ which discussed the extraterritorial reach of the Lanham Act. In *Bulova Watch*, the defendant bought watch parts in the United States, shipped the parts to Mexico for assembly, and later sold the watches with the "Bulova" mark. Although the defendant did not import or sell the watches in the United States, U.S. consumers bought these watches in Mexico, thinking they were genuine, and brought them back to the United States.¹⁶⁸ The plaintiff, Bulova Watch Co., brought suit in the United States after receiving complaints from jewelers when the Mexican-made watches were brought in for repair. The Court had personal jurisdiction over the case because the defendant was a U.S. citizen. The Court also broadly interpreted the Lanham Act¹⁶⁹ and determined it had subject matter jurisdiction under the act because the defendant's "operations and their effects were not

161. Smith, *supra* note 3, at 556.

162. 4 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 29.24[1] (3d ed. 1995); John F. Sweeney et al., *Using U.S. Courts and International Treaties to Protect Against Infringement Abroad, and at Home*, in GLOBAL TRADEMARK AND COPYRIGHT, *supra* note 3, at 9, 18.

163. 15 U.S.C. §§ 1051-1073 (1994).

164. 4 MCCARTHY, *supra* note 162, § 29.24[1]; Sweeney et al., *supra* note 162, at 19.

165. 4 MCCARTHY, *supra* note 162, § 29.24[1].

166. Smith, *supra* note 3, at 556.

167. 344 U.S. 280 (1952).

168. *Id.* at 284-85.

169. 4 MCCARTHY, *supra* note 162, § 29.24[2].

confined within the territorial limits of a foreign nation."¹⁷⁰

Other courts have since interpreted *Bulova Watch*. The Second Circuit Court of Appeals in *Vanity Fair Mills v. T. Eaton Co.*¹⁷¹ created a three-part test to determine whether a court has subject matter jurisdiction through the extraterritorial reach of the Lanham Act: (1) the defendant's conduct must substantially affect U.S. commerce; (2) the defendant must be a U.S. citizen; and (3) there cannot be a conflict with the trademark rights conferred by the foreign country, meaning there cannot be a valid registration in the foreign country.¹⁷² The *Vanity Fair Mills* court derived this test from *Bulova Watch*.¹⁷³

The Ninth Circuit also developed a test for acquiring subject matter jurisdiction under the guise of the Lanham Act in *Timberlane Lumber Co. v. Bank of America*.¹⁷⁴ The *Timberlane* three-part test requires: (1) some effect on U.S. foreign commerce; (2) the effect must be sufficiently great to injure a plaintiff in violation of federal law; and (3) the impact on U.S. commerce must be sufficiently great in relation to the impact on other nations to justify extraterritorial jurisdiction.¹⁷⁵

Although U.S. courts provide remedies to U.S. companies whose trademarks have been infringed abroad, resorting to U.S. courts is not a viable remedy for Reebok because the courts cannot obtain subject matter jurisdiction in any of the three ways discussed above.¹⁷⁶ First, Fucsa does not export their counterfeits.¹⁷⁷ Although Fucsa does not import or sell these "legal" counterfeits in the United States, they may reach the United States when U.S. citizens return from visits to Peru. If Fucsa imported its goods into the United States, they could be seized, and a U.S. court might be able to obtain subject matter jurisdiction over the Peruvian company.¹⁷⁸ A U.S. court, however, would have a difficult time obtaining personal jurisdiction over Fucsa because it is a foreign company that does not import goods into the United States.

170. *Bulova Watch*, 344 U.S. at 286.

171. 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

172. *Id.* at 642. See also 4 MCCARTHY, *supra* note 162, § 29.24[3].

173. *Vanity Fair Mills*, 234 F.2d at 642. See also 4 MCCARTHY, *supra* note 162, § 29.24[3].

174. 549 F.2d 597 (9th Cir. 1976).

175. *Id.* at 613. See also 4 MCCARTHY, *supra* note 162, § 29.24[3].

176. See *supra* notes 161-66 and accompanying text.

177. Telephone Interview with Marianne Alford, *supra* note 49.

178. *Id.*

Second, there is no activity in a U.S. foreign trade zone. Third, the court cannot justify extraterritorial application of the Lanham Act to reach Fucsa's activities under either the *Vanity Fair Mills* or *Timberlane* tests.

Reebok could not use *Vanity Fair Mills* to bring suit because Fucsa is not a U.S. company and because Fucsa has a valid trademark in Peru. Also, Reebok would have difficulty arguing that Fucsa's activities in Peru have a substantial effect on U.S. commerce. Although Reebok is losing money in Peru, the effect on U.S. commerce is tenuous. Using the *Vanity Fair Mills* test, a New York court found that the Lanham Act did not apply to a foreign national whose activities were solely within his home country.¹⁷⁹ Under the *Timberlane* test, as well, Reebok would also lose because the court would lack personal jurisdiction and there would only be minimal effects on U.S. commerce.

IV. THE BEST SOLUTION: AN INTERNATIONAL REGISTRY

The appropriation of Reebok's trademark in Latin America and the inability of Reebok to regain its trademark demonstrate the inadequacy of the current methods of protection for international trademarks; however, the framework for increased protection is in place. The best solution to trademark piracy is an international registration system based on the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol),¹⁸⁰ used in conjunction with GATT 1994 and the TRIPS Agreement, which incorporates the Paris Convention.

A. Development of International Registration

There have been previous attempts at international registration. The Madrid Agreement Concerning the International Registration of Marks (Madrid Agreement),¹⁸¹ adopted in 1891, represents the first such attempt. As of May 1, 1993, thirty-five

179. *C. Cure Chem. Co. v. Secure Adhesives Corp.*, 571 F. Supp. 808, 821 (W.D.N.Y. 1983).

180. *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks*, adopted June 28, 1989, 9 INDUSTRIAL PROPERTY LAWS AND TREATIES, at Multilateral Treaties—Text 3-007 (World Intell. Prop. Org. No. 609(E), July/Aug. 1989) [hereinafter *Madrid Protocol*].

181. *The Madrid Agreement Concerning the International Registration of Marks*, adopted Apr. 14, 1891, 828 U.N.T.S. 389 (1977) [hereinafter *Madrid Agreement*].

countries were party to the Madrid Agreement.¹⁸² Peru, Venezuela, and the United States are not presently members.¹⁸³

The Madrid Agreement allows for the international registration of an approved trademark with the International Bureau of the World Intellectual Property Organization (WIPO), which is the governing body of the Madrid Agreement.¹⁸⁴ The agreement also provides for a single filing in one language with one fee.¹⁸⁵ Procedurally, the Madrid Agreement requires registration of the trademark in the country of origin¹⁸⁶ before allowing entry in the international register.¹⁸⁷ As a result, the Madrid Agreement favors countries with the least exacting requirements for registration. For this reason, many countries, including the United States, have chosen not to become members of the Madrid Agreement.¹⁸⁸

Other factors account for the small membership to the agreement. One such factor is that if a country wishes to refuse a trademark registration, it must do so within a twelve-month period.¹⁸⁹ Many countries find a year to be too short because approval is a long process.¹⁹⁰ Another factor is the "central attack" provision, which requires protection to end after a successful attack on a registration within the first five years.¹⁹¹ The United States, in particular, finds fault with the "central attack" provision because other member countries do not recognize many of the grounds available to attack a U.S. registration.¹⁹² The Madrid Agreement is not universally accepted because many countries have found fault with it. The international community, however, continues its efforts to create an international registration

182. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[2].

183. See INTERNATIONAL TREATIES, *supra* note 63, at 231.

184. *Id.* at 229.

185. *Id.*

186. The country of origin is "the country . . . where the applicant has a real and effective industrial or commercial establishment; if he has no such establishment . . . the country . . . where he has his domicile; if he has no domicile . . . but is a national . . . the country of which he is a national." Madrid Agreement, *supra* note 181, art. 1(3), 828 U.N.T.S. at 393.

187. INTERNATIONAL TREATIES, *supra* note 63, at 229-30.

188. *Id.* at 230; 1a GILSON & SAMUELS, *supra* note 64, § 9.06[2].

189. See Madrid Agreement, *supra* note 181, art. 5, 828 U.N.T.S. at 399-401.

190. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[2]. See also Freeman, *supra* note 79, at 77.

191. See Madrid Agreement, *supra* note 181, art. 6(3), 828 U.N.T.S. at 403.

192. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[2].

system suitable to more countries.

The next attempt at an international register was the Trade-mark Registration Treaty (TRT).¹⁹³ Eight countries signed the TRT on June 12, 1973.¹⁹⁴ As of January 1, 1990, however, only five countries were party to the TRT.¹⁹⁵ The TRT's administrative body is also the International Bureau of WIPO.¹⁹⁶ The TRT allows direct registration with the WIPO, eliminating the Madrid Agreement provision requiring registration in the country of origin.¹⁹⁷ In addition, under the TRT, a member country cannot cancel or refuse a trademark for non-use within the first three years.¹⁹⁸ A member country can, however, require owners of trademarks to state their intentions to use the mark.¹⁹⁹ The United States never ratified the TRT because the non-use provisions would have required changes in U.S. trademark law.²⁰⁰ The international community views the TRT as a failure because only five countries have ratified it.²⁰¹ In fact, WIPO recently decided to suspend the TRT's operations.²⁰²

With the TRT's failure came the Madrid Protocol.²⁰³ Although signed on June 28, 1989, the Madrid Protocol is not yet in force.²⁰⁴ The Madrid Protocol is similar to the Madrid Agreement, but several changes were made in an attempt to increase membership. First, an applicant may base international registration on a national application as well as national registration.²⁰⁵ Second, a member country may extend the period to refuse a registration to eighteen months, as opposed to twelve months under the Madrid Agreement.²⁰⁶ Third, the Madrid Protocol eliminates the negative effects of "central attack" by allowing a

193. Trademark Registration Treaty, June 12, 1973, 63 TRADEMARK REP. 640 (1973), reprinted in INTERNATIONAL TREATIES, *supra* note 63, at 293 [hereinafter TRT].

194. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[6].

195. INTERNATIONAL TREATIES, *supra* note 63, at 292.

196. *Id.* at 291.

197. *Id.*; TRT, *supra* note 193, art. 5(2).

198. TRT, *supra* note 193, art. 19(3)(a).

199. *Id.* art. 19(4)(a).

200. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[6].

201. Browning, *supra* note 80, at 346.

202. 1a GILSON & SAMUELS, *supra* note 64, § 9.06[6].

203. Madrid Protocol, *supra* note 180.

204. INTERNATIONAL TREATIES, *supra* note 63, at 231. See also Freeman, *supra* note 79, at 84.

205. Madrid Protocol, *supra* note 180, art. 2(1).

206. *Id.* art. 5(2)(b).

member country to transform a canceled international registration into a national application while retaining the original filing date.²⁰⁷ Even with these improvements, only Spain has ratified the Madrid Protocol.²⁰⁸ The Madrid Protocol, however, provides a solid foundation for an international registration system.

The Madrid Agreement, the TRT, and the Madrid Protocol have not succeeded in establishing an international registration system for numerous reasons, including: inadequate enforcement; lack of membership; and lack of uniform, substantive laws. Enforcement is a problem because, under multilateral agreements, countries can overtly disregard their duties under the treaty without fear of sanctions.²⁰⁹ In addition, the treaties have failed to attract a large membership, thus defeating the purpose of an international register. Under the existing treaties, companies like Reebok still must register in numerous countries to obtain protection. This is both time consuming and costly.

The current structure for an international registration system also has not succeeded because it does not solve all the piracy problems for international companies. The laws in many countries remain inadequate, allowing the appropriation of trademarks. The best solution would be an international registry as part of the TRIPS Agreement because the TRIPS Agreement requires member countries to make substantive changes to their laws.

B. Recommendation for an International Registration System

For successful intellectual property protection, the Madrid Protocol should be the basis for the international registry because it provides a workable framework for protection in its existing form. The Madrid Protocol, like the Paris Convention, could be incorporated into the TRIPS Agreement. In addition, GATT 1994 already has enforcement procedures in effect as part of its dispute settlement mechanisms. Thus, incorporating the Madrid Protocol into the TRIPS Agreement would ensure effective enforcement. Finally, GATT 1994 already has a large membership, with 117 signatories.²¹⁰ Incorporation would ensure that such a registry would truly be international.

207. *Id.* art. 9^{quinquies}.

208. Freeman, *supra* note 79, at 84.

209. Leaffer, *supra* note 24, at 300-01.

210. Freeman, *supra* note 79, at 90.

Many important questions remain: Who will administer the international registration system? Who will enforce it and deal with violations? And why is an international register as part of the TRIPS Agreement a better solution than international agreements?

1. Administration

Two bodies could administer an international registration system: the International Bureau of WIPO and the Council for TRIPS (Council) under the auspices of the WTO. The Council would be the ideal administrator for the new system, working in conjunction with the International Bureau of WIPO. This is especially true if the Madrid Protocol is incorporated into the TRIPS Agreement in its existing form because the International Bureau of WIPO will be the administering body of the Madrid Protocol. In fact, the TRIPS Agreement already provides for the Council to consult with WIPO.²¹¹

If provisions for an international register are appended to the TRIPS Agreement, the Council is the most sensible choice for administration of the international register as part of its duties under the TRIPS Agreement. This arrangement eliminates the need for an additional governing body because the Council is already in place. The Council, however, should consult with the International Bureau of WIPO because WIPO already has expertise in the trademark registration.

2. Enforcement

If the WTO includes an international registry as part of the TRIPS Agreement, enforcement becomes a non-issue. The Understanding on Rules and Procedures Governing the Settlement of Disputes (Understanding),²¹² which is part of GATT 1994, would deal with any enforcement problems. In previous rounds, countries could select to be bound by certain agreements. The WTO Agreement, however, specifically provides that all GATT 1994 multilateral trade agreements are binding on all members.²¹³

211. See *TRIPS Agreement*, *supra* note 10, art. 68.

212. *Understanding on Rules and Procedures Governing the Settlement of Disputes*, GATT Doc. MTN/FA II-A2 (Dec. 15, 1993) [hereinafter *Understanding*], reprinted in *THE RESULTS OF THE URUGUAY ROUND*, *supra* note 10, at 404-33; 33 I.L.M. 1125, 1226-48 (1994).

213. *WTO Agreement*, *supra* note 94, art. 2(2). See also Samuel C. Straight, Note, *GATT and NAFTA: Marrying Effective Dispute Settlement and the Sovereignty of the Fifty*

Thus, members must submit disputes to the decision-making body under the Understanding, and all member countries must abide by the determinations.

The Dispute Settlement Body (DSB) oversees the application of the Understanding.²¹⁴ Representatives from all WTO member countries comprise the DSB.²¹⁵ The duties of the DSB are: (1) to establish panels to hear disputes; (2) to adopt panel and Appellate body reports; (3) to oversee the implementation of panel recommendations the DSB adopts; and (4) to authorize retaliation, such as suspension of trade concessions.²¹⁶

The dispute resolution methods provided by GATT 1994 are far superior to those of multilateral agreements like the Paris Convention or the Madrid Protocol.²¹⁷ If a dispute arises under an agreement governed by the International Bureau of WIPO, the plaintiff must bring the dispute before the International Court of Justice, which has been an ineffective forum for dispute resolution.²¹⁸ Enforcement has been ineffective under multilateral agreements because of the political composition of WIPO, which sympathizes with countries that do not want to provide increased intellectual property protection.²¹⁹ Thus, an international registry for trademarks as part of GATT 1994 provides a better solution than an international registry as part of a multilateral agreement because of GATT 1994's superior dispute resolution mechanism.

The effectiveness of the new dispute resolution panel is still unknown.²²⁰ Some speculate that bureaucracy will overshadow its effectiveness.²²¹ Because of the significant changes, only time will tell how well the new dispute resolution mechanisms will work.

An additional method to resolve piracy problems in the United States is "Special" 301. GATT 1994 allows the United

States, 45 DUKE L.J. 216, 219-20 (1995).

214. See *Understanding*, *supra* note 212, art. 2.

215. James H. Carter, *Dispute Resolution and International Agreements*, in INTERNATIONAL COMMERCIAL AGREEMENTS 1995, at 435, 519 (PLI Com. Law & Practice Course Handbook Series No. 726, 1995).

216. *Understanding*, *supra* note 212, art. 2(1).

217. Leaffer, *supra* note 24, at 300-01.

218. *Id.* at 294, 301.

219. *Id.* at 294.

220. Katherine C. Spelman, *Combating Counterfeiting*, in GLOBAL TRADEMARK AND COPYRIGHT 1995: MANAGEMENT AND PROTECTION 309, 333 (PLI Patents, Copyrights, Trademarks & Literary Prop. Course Handbook Series No. 417, 1995).

221. *Id.* at 333.

States to continue pursuing "Special" 301 actions separate from the DSB of the WTO.²²² The effectiveness of "Special" 301 actions in the future is speculative because of international politics among competing and allied countries.²²³ Presently, however, "Special" 301 actions remain a viable alternative in disputes over trademark piracy.

3. The Better Solution: An International Registry Under the TRIPS Agreement

An international registration system for trademarks under the TRIPS Agreement is a better solution than one under a multilateral agreement for several reasons. One reason is that the TRIPS Agreement requires countries to make substantive changes to their intellectual property laws in order to comply with the provisions of the TRIPS Agreement. The first twelve articles and Article 19 of the Paris Convention were also incorporated into the TRIPS Agreement, requiring member countries to provide certain substantive rights to their citizens and citizens of member countries.²²⁴ Thus, the TRIPS Agreement provides a basis for harmonizing laws among countries. In addition, the TRIPS Agreement provides for national treatment and most favored nation treatment so that foreigners can benefit from newly instituted laws in member countries.

Another reason that an international register under the TRIPS Agreement is superior is because GATT 1994's dispute resolution system is better than the system provided under the International Bureau of WIPO with multilateral agreements. The DSB, unlike the International Bureau of WIPO, provides an effective forum to resolve disputes. A final reason is that GATT 1994 has many more members than the Madrid Agreement, the TRT, and the Madrid Protocol combined, making an international registry under GATT 1994 a true solution to the worldwide problem of trademark piracy.

V. CONCLUSION

Members of the international community should enact an international registration system to curb trademark piracy. An international registry as part of the TRIPS Agreement provides the

222. *Id.* at 332.

223. *Id.*

224. *TRIPS Agreement*, *supra* note 10, art. 2(1).

best solution. An international registry will prevent future piracy of trademarks because companies will have to file their trademarks only once. The TRIPS Agreement will protect against piracy because countries will have to make substantive changes to their intellectual property laws. This solution need not be retroactive because that would be unreasonable and impractical. Thus, this solution does not aid a company such as Reebok, whose trademark has already been appropriated by pirates. It, however, will assist international companies like Reebok in the future. Moreover, Reebok will benefit when and if it regains the right to its trademark in Peru.

*Samantha D. Slotkin**

* J.D. candidate, Loyola Law School, 1997; B.A., University of California, Los Angeles, 1993. I dedicate this Note to my parents who are my inspiration (but not necessarily for the topic of this Note). You are the most special parents. I thank my family and friends for all their love and support during the past year. I also thank the editors and staff of this Journal for their invaluable assistance.

