

WHETHER A TRADEMARK QUALIFIES AS A WELL-KNOWN MARK?-APPLICATION OF BAD FAITH IN DETERMINING THE DEGREE OF WELL-KNOWNNESS

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ABSTRACT

In 1995, McDonald's opened its first restaurant in South Africa. Prior to its opening, a local businessman decided to call his burgers "Big Mac," knowing perfectly well that McDonald's had been using this name in other countries and a lot of South Africans associated the name "Big Mac" with McDonald's. Should we enjoin the local businessman from using the mark? What if he has no intention to take advantage of McDonald's mark? What if South Africans barely associate "Big Mac" with McDonald's? What if McDonald's is a regional fast food chain that only operates in the Americans?

The answers to these questions related to the protection of well-known marks. Generally speaking, when a trademark is recognized as a well-known mark in a given jurisdiction, the proprietor of the mark can prevent others from using or registering the mark prior to registration. This article examines how much fame/reputation is needed for a mark to be qualified as a well-known mark. As we will discuss later, the evidences used to prove the degree of fame/reputation can be divided into objective and subjective evidence of bad faith, i.e., intention to take advantage of consumer recognition. This article purports that marks should be considered as well-known when objective evidence of fame/reputation falls within a certain range. Within this range, courts should be able consider subjective bad faith evidence and determine whether the mark is well-known. This article explores how courts apply subjective evidence to determine the requisite fame/reputation needed in different jurisdiction. For reasons discussed below, this article is of the view that laws should not require a set percentage of consumer recognition within this range.

Keywords: Well-known mark, well-knownness, fame, reputation, bad faith, subjective evidence, famous mark, dilution

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I. Introduction

There are two types of trademark priority systems in the world: first-to-use and first-to-register, also called first-to-file.¹ As the name suggests, the first person to use a mark in first-to-use jurisdictions has priority of the mark, while the first person to register his or her mark with an official registrar enjoys trademark rights in first-to-register jurisdictions. Trademark rights acquired within each jurisdiction are subject to the principle of territoriality, which “permits ownership of a mark by separate parties in separate nations, regardless of consumer perception.”²

However, globalization has reshaped the concept of territoriality.³ With the ever-increasing trans-border traveling and prevalence of internet communications, goods and services can be provided beyond borders and potential consumers can be anywhere in the world.⁴ In such an economy, the fame/reputation of a mark may exist in a jurisdiction without physical presence of any goods or services.⁵ Under the traditional theory of territoriality, a person can take advantage of such fame/reputation in a first-to-register jurisdiction by registering a mark originating in a foreign jurisdiction before the foreign trademark owner.⁶ Well-known marks are vulnerable to such squatting because (1) success has already been proven in other markets, and (2) most likely, a certain degree of consumer recognition has already occurred in the intended market of the squatter.

¹ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16.4 (4th ed. 2011).

² MCCARTHY § 29.8. Territoriality is defined as “(1) a state's laws have force only within the state's boundaries; (2) anyone found within the state's boundaries is subject to the state's authority; and (3) comity will discipline sovereign exercises of authority so that the territorial effect of each state's laws is respected.” BLACK'S LAW DICTIONARY, *Bad Faith* (9th ed. 2009) (citing PAUL GOLDSTEIN, *INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE* 64 (2001)). See also Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation State*, 41 HOUS. L. REV. 885, 924 (2004).

³ Dinwoodie, *supra* note 2, at 955.

⁴ *Id.*

⁵ GEORG HENDRIK CHRISTIAAN BODENHAUSEN, UNITED INTERNATIONAL BUREAUX FOR THE PROTECTION OF INTELLECTUAL PROPERTY, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY, AS REVISED AT STOCKHOLM IN 1967 91 (World Intellectual Property Organization 1968), available at http://books.google.com/books?id=EDfuIoT5rxQC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false. “A trademark may be well known in a country before its registration there and, in view of the possible repercussions of publicity in other countries, even before it is used in such country.” *Id.*

⁶ See JOON SEOK LEE, *INTERNATIONAL NORMS FOR WELL-KNOWN MARK PROTECTION ACROSS NATIONAL BORDERS AND IN CYBERSPACE: CURRENT STATUTE AND FUTURE DIRECTIONS* 11, 12 (2002).

Article *6bis* of the Paris Convention was designed to combat this phenomenon.⁷ In essence, Article *6bis* of the Paris Convention obliges member states to refuse or cancel registration, or to prohibit use of a trademark in identical or similar goods which could create confusion as to another trademark that has been recognized as well-known by competent authorities.⁸ For the purpose of this article, we will call a trademark capable of being recognized as well-known by competent authorities a “foreign mark,” and the squatter’s trademark “local mark.” More often than not, the foreign mark owner would be the plaintiff in a proceeding seeking to prohibit the local mark user from taking advantage of the fame/reputation of the foreign mark in the squatter’s intended market (the “target market”). Despite its contribution to the protection of well-known marks, Article *6bis* of the Paris Convention left a number of issues unresolved; among them is the requisite degree of well-knownness, which is to be decided “by the competent authority of the country of registration or use,” in the target market.⁹

In a continuing effort to define the degree of well-knownness required under Article *6bis*, the World Intellectual Property Organization (“WIPO”) adopted the Joint Recommendation Concerning Provisions on the Protection of Well-known Marks (“Joint Recommendation”) in 1999, which provides factors for the determination of well-knownness.¹⁰ These factors can be divided into two categories, objective and subjective, which will be discussed further later.¹¹ The subjective factor is bad faith, defined as the intention to take advantage of the fame/reputation of the foreign mark in the target market. The bad faith factor seems to function independently of the objective factors. However, the Joint Recommendation did not explain the relationships between the subjective and objective factors. The main argument/proposal of this article is that the degree of well-knownness falls between level of recognition required to establish ordinary trademark right (“secondary meaning”) and the fame/recognition needed to be protected as a famous mark worthy of dilution protection. We will call this range of well-knownness the “zone of well-knownness.” Within this zone of well-knownness, bad faith functions as a tool for courts to exercise equitable discretion in determining whether a mark is well-known. Contrary to this view, some jurisdictions have developed and Professor McCarthy has

⁷ WIPO Intellectual Property Handbook: Policy, Law and Use (“WIPO IP Handbook”), para. 5.83, available at <http://www.wipo.int/about-ip/en/iprm/>.

⁸ Protection of Industrial Property [hereinafter, Paris Convention], art. *6bis*, Sept. 28, 1979, 828 U.N.T.S. 305.

⁹ Paris Convention, art. *6bis*.

¹⁰ Joint Recommendation, art. 2, 3(2).

¹¹ *Id.*

suggested a benchmark degree supported by survey evidence.¹² This article disagrees with such method, and is of the view that due to the potential inaccuracies and bias of survey evidence and courts' equitable power to prohibit local squatting, a benchmark degree of well-knownness is too draconian a method in assessing such a question of fact.

To explain the interrelation between bad faith and the degree of well-knownness required for the protection of Article 6*bis* of the Paris Convention, this article follows the following structure: It begins by introducing Article 6*bis* of the Paris Convention and the objective and subjective factors identified in the Joint Recommendation. It then discusses the concept of the zone of well-knownness, and explains why the subjective factor, bad faith, functioning independently to the objective factors, should not affect the degree of fame/reputation outside the zone of well-knownness. Subsequently, this article examines how bad faith is proved or inferred and its relationship with the objective evidence establishing well-knownness and analyzes several illustrative cases, demonstrating (1) whether the mark fell within the zone of well-knownness and (2) how the courts utilized bad faith to establish the (or lack of) well-knownness of the marks. In conclusion, this article suggests that in light of the uncertainty created by the bad faith element in establishing a clearer standard on the degree of well-knownness, it is preferable for the Joint Recommendation to explicitly include the zone of well-knownness within which bad faith can be an independent factor. In addition, when a jurisdiction adopts bad faith as one of the elements in determining the degree of well-knownness, a benchmark percentage of well-knownness through survey evidence should be disfavored.

II. Well-known Mark Protection under Article 6*bis* of the Paris Convention and the Factor List in the Joint Recommendation

A. Well-known Mark under Article 6*bis* of the Paris Convention

Modern well-known mark jurisprudence derives from Article 6*bis* of the Paris Convention.¹³ The Article states:

- (1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to

¹² Frederick W. Mostert, *International Recognition and Protection of Famous and Well-known Marks*, in *INTELLECTUAL PROPERTY AND INFORMATION WEALTH: TRADEMARK AND UNFAIR COMPETITION* 275 (Peter K. Yu eds., 2007) (*citing* Germany as an example); MCCARTHY § 29:4 (suggesting “knowledge by more than half is an appropriate level to qualify for the ‘well-known’ marks exception from the normal rule of territoriality of marks.”).

¹³ MCCARTHY § 29:62. *See also* LEE, *supra* note 6, at 11. This article focuses on the application of the well-known mark doctrine originally envisaged by the Paris Convention.

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 the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.”¹⁴

As mentioned earlier, it was said that Article 6*bis* was designed to bridge the gap between first-to-use and first-to-register systems so that well-known mark proprietors who did not register their mark would have a tool to oppose those who attempt to take advantage of their fame/reputation in a first-to-register jurisdiction.¹⁵ As such, when Article 6*bis* was first introduced, its application only concerned refusal or cancellation of a prior similar or

¹⁴ Paris Convention, Article 6*bis*. The WIPO IP Handbook explains the rule as:

This Article was said to obliges a member country to refuse or cancel the registration and to prohibit the use of a trademark that is liable to create confusion with another trademark already well known in that member country. The effect of this Article is to extend protection to a trademark that is well-known in a member country even though it is not registered or used in that country. The protection of the well-known trademark results not from its registration, which prevents the registration or use of a conflicting trademark, but from the mere fact of its reputation.

The trademark that is protected by Article 6*bis* must be a ‘well-known’ trademark, as determined in a member country by its competent administrative or judicial authorities. A trademark may not have been used in a country, in the sense that goods bearing that trademark have not been sold there; yet that trademark may be well-known in the country because of publicity there or the repercussions in that country of advertising in other countries.

WIPO IP Handbook, para. 5.84.

¹⁵ See BODENHAUSEN, *supra* note 5, at 89.

identical “registration.” However, upon the passage of Article *6bis*, fame/reputation of famous foreign marks established through “prior local use” is also protected.¹⁶ The present text of Article *6bis* gives priority rights to the trademark owner whose mark has acquired goodwill and a reputation in a member country over a subsequent applicant or user.¹⁷ The WIPO IP Handbook justifies the rule on the ground that:

The registration or use of a confusingly similar trademark would, in most cases, amount to an act of unfair competition and be prejudicial to the interests of the public, who would be misled by the use of a conflicting trademark for the same or identical goods than those in connection with which the well-known trademark is registered.¹⁸

It is to be noted that the protection contemplated under Article *6bis* of the Paris Convention only extends to identical or similar goods (not services), and the local mark user’s usage must be liable to create confusion.¹⁹ Besides these inherent limitations, Article *6bis* left many issues unresolved, such as whether a foreign mark needs to be used in the target market before it enjoys well-known mark protection, and whether the Convention is self-executing.²⁰ Among these issues was uncertainty over the degree of well-knownness required. Article *6bis* sheds little lights on how much fame/reputation is needed for the competent authority in a particular jurisdiction to recognize certain mark as well-known marks.²¹

B. 1999 Joint Recommendation on Well-known Marks

In order to provide further guidance on the degree of well-knownness, WIPO, the organization responsible for administering the Paris Convention, adopted the Joint Recommendation in 1999.²² Article 2 of the Joint Recommendation concerns the determination of whether a mark is well-known mark in a member state; it provides:

- (1) [Factors for Consideration]
 - (a) In determining whether a mark is a well-known mark, the competent authority shall take into account any

¹⁶ *Id.*

¹⁷ WIPO IP Handbook, para. 5.83.

¹⁸ *Id.*

¹⁹ Paris Convention, art. *6bis*.

²⁰ LEE, *supra* note 6, at 20-21.

²¹ Paris Convention, art. *6bis*.

²² Joint Recommendation, Preface.

circumstances from which it may be inferred that the mark is well known.²³

(b) In particular, the competent authority shall consider information submitted to it with respect to factors from which it may be inferred that the mark is, or is not, well known, including, but not limited to, information concerning the following:²⁴

1. the degree of knowledge or recognition of the mark in the relevant sector of the public;²⁵
2. the duration, extent and geographical area of any use of the mark;²⁶
3. the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
4. the duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
5. the record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities;²⁷

²³ The foreign mark owner bears the burden of prove. Explanatory Notes to the Joint Recommendation [hereinafter Explanatory Notes], para. 2.1.

²⁴ The six factors are merely examples of the criteria which, “if submitted, must be considered by a competent authority.” *Id.* at para. 2.2. However, the authority must not insist on any particular criteria, and the “non-fulfillment of any particular criterion cannot itself lead to the conclusion that a given mark is not well-known. *Id.*”

²⁵ Paragraph 2.3 of the Explanatory Notes emphasizes: “[t]he degree of knowledge or recognition of a mark can be determined through consumer *surveys and opinion polls*. The point under consideration recognizes such methods, *without setting any standard for methods to be used or quantitative results to be obtained.*” (emphasis added) *Id.* at para. 2.3.

²⁶ Paragraph 2.4 of the Explanatory Notes noted that actual use in the locality in question should not be required as indicated in Article 2(3)(a)(i). *Id.* at para. 2.4. It also pointed out the use in neighboring territories may be relevant in establishing knowledge of the mark in a given state. *Id.* Internet was specifically said to be included in the term “use.” *Id.* at para. 2.5.

²⁷ Enforcement was said to be “construed broadly, also covering opposition procedures in which the owner of a well-known mark has prevented the registration of a conflicting mark.” *Id.* at para. 2.8.

6. the value associated with the mark.²⁸

Article 2(2) defines “relevant sector of the public” as the following:

- (a) Relevant sectors of the public shall include, but shall not necessarily be limited to:
 - (i) actual and/or potential consumers of the type of goods and/or services to which the mark applies;²⁹
 - (ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies;
 - (iii) business circles dealing with the type of goods and/or services to which the mark applies.³⁰
- (b) Where a mark is determined to be well known in at least one relevant sector of the public in a Member State, the mark shall be considered by the Member State to be a well-known mark.³¹
- (c) Where a mark is determined to be known in at least one relevant sector of the public in a Member State, the mark

²⁸ Paragraph 2.9 of the Explanatory Notes suggests that value associated with a mark may be an indicator in determining whether the mark is well-known, but no particular method of trademark evaluation should be adopted. *Id.* at para. 2.9.

²⁹ Paragraph 2.12 of the Explanatory Notes noted that consumer should be understood in a “wide sense.” “Groups of actual and/or potential consumers may be identified with the help of parameters such as the target group for the goods and services in relation to which the mark is used or the group actual purchasers.” *Id.* at para. 2.12.

³⁰ Paragraph 2.14 of the Explanatory Notes provided that “[t]he business circles which deal with the goods and/or services to which a mark applies are in general constituted by importers, wholesalers, licensees or franchisees interested and prepared to deal in the goods or services to which the mark applies.” *Id.* at para. 2.14.

³¹ The rationale for limiting well-knownness to the relevant sector is:

[M]arks are often used in relation to goods or services which are directed to certain sectors of the public... An extensive definition of the sector of the public which should have knowledge of the mark would not further the purpose of international protection of well-known marks, namely to prohibit use or registration of such marks by unauthorized parties with the intention of either passing off their goods or services as those of the real owner of the mark, or selling the right to the owner of the well-known mark.

Id. at para. 2.15.

may be considered by the Member State to be a well-known mark.³²

- (d) A Member State may determine that a mark is a well-known mark, even if the mark is not well known or, if the Member States applies subparagraph (c), known, in any relevant sector of the public of the Member State.³³

Article 2(3) emphasizes the factors which shall *not* be required as the following:

- (a) A Member State shall not require, as a condition for determining whether a mark is a well-known mark:
 - (i) that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, the Member State;
 - (ii) that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in or in respect of, any jurisdiction other than the Member State; or
 - (iii) that the mark is well known by the public at large in the Member State.
- (b) Notwithstanding subparagraph (a)(ii), a Member State may, for the purpose of applying paragraph (2)(d), require that the mark be well known in one or more jurisdictions other than the Member State.

Article 3(2) of the Joint Recommendation provides member states with the authority to consider bad faith in determining whether a mark is well-known.³⁴ It reads: “(2) [Consideration of Bad Faith] Bad faith may be considered as one factor among others in assessing competing interests in applying Part II of these Provisions.”³⁵

³² This provision was to make sure that member states are free to protect “marks which are merely known by a relevant sector of the public.” *Id.* at para. 2.16.

³³ Paragraph (2)(d) clarifies that paragraph 2(b) merely sets up a minimum standard, and that members are “free to afford protection to marks that are... well known only outside the State in which the protection is sought.” *Id.* at para. 2.17.

³⁴ Joint Recommendation, art. 3(2).

³⁵ Paragraph 3.3 of the Explanatory Notes recognizes that well-known mark controversy often involves the element of bad faith, and therefore often the option for member states to

Article 2(1)(c) of the Joint Recommendation emphasizes that the factors are non-exhaustive and the application of one does not preclude the usage of another; it reads.³⁶

The above factors, which are guidelines to assist the competent authority to determine whether the mark is a well-known mark, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in subparagraph (b) Such additional factors may be relevant, alone, or in combination with one or more of the factors listed in subparagraph (b)...

1. Rigid Benchmark Percentage of Well-Knownness Disfavored

In setting up the threshold of fame/reputation required to enjoy protection under Article 6*bis* of the Paris Convention, a benchmark percentage based on survey evidence seems to be an easy solution, given that the level of well-knownness is theoretically objective. Indeed, such approach was proposed during the first session of the WIPO Committee of Experts on Well-Known Marks held in November 1995, but was rejected by member states in favor of a more flexible, factor-based approach.³⁷ The Delegation of Canada in the Expert Committee stated that “any rigid, quantitative or qualitative approach, dependent upon knowledge by a fixed percentage of a particular sector, or

take bad faith into consideration in balancing the interests of the parties. Explanatory Notes, para. 3.3.

³⁶ Joint Recommendation, art. 2(1)(c). The preference for a more flexible non-exhaustive factor list can also be found in the Preface of the Joint Recommendation, which found:

If Member States judge it to be in their interests so to proceed, a more flexible approach may be taken towards the harmonization of industrial property principles and rules, and coordination of administration, so that results can be achieved and applied more rapidly, ensuring earlier practical benefits for administrators and users of the industrial property system.

Joint Recommendation, Preface.

³⁷ Report, WIPO Committee of Experts on Well-Known Marks [hereinafter WIPO Expert Report I], WKM/CE/I/2, para 67. The report stated: “[a]fter a full discussion on the question whether a certain percentage should be established in respect of the public (or the relevant sector of the public) to which the mark should be known, the Chairman concluded that there was no support for the setting of such a percentage.” *Id.*

dependent upon a minimum financial value” should not be favored because the question of well-knownness is essentially an issue of fact and “each case must be assessed on its own merits.”³⁸

When used to show a specific percentage of well-knownness, survey evidence is subject to potential bias because more often than not, information is collected for the purpose of impending or foreseeable litigation.³⁹ In addition, survey evidence unavoidably involves inaccuracies due to its inherent methodological difficulties in assembling meaningful, accurate and admissible evidence.⁴⁰ The universe of the survey is defined as “relevant sector of the public” under Article 2(2). Such definition by itself does not present a bright-line range of people. As a result, credibility of the assumption can easily be attacked. Nevertheless, survey evidence is very persuasive and effective in establishing the degree of well-knownness when it is properly conducted and not used as the sole element to establish well-knownness.⁴¹ Several jurisdictions rely heavily on survey evidence in proving the required degree of well-knownness, and have developed certain minimum percentages of fame/reputation consequently.⁴² For example, approximately forty percent of the relevant public is required to be a well-known mark in Germany.⁴³

Since hard-line survey evidence may be too arbitrary to be taken as a universal rule, a more flexible standard should be adopted.⁴⁴ The most common standard is the “substantial segment of the public” test.⁴⁵ Dr.

³⁸ *Id.* at para 15.

³⁹ Patrick M. Bible, *Defining and Quantifying Dilution under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 296, 318 (1999) (*citing* the following comment from Judge Posner: “any experts are willing for a generous (and sometimes for a modest) fee to bend their science in the direction from which their fee is coming.”). *See also* SHARI SEIDMAN DIAMOND, REFERENCE GUIDE TO SURVEY RESEARCH, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE, FEDERAL JUDICIAL CENTER (2d ed. 2000), *available at* http://www.au.af.mil/au/awc/awcgate/fjc/survey_rese_ref.pdf (*explaining* that bias may occur in the process of framing the survey questions, using of interviewers, modifying/rephrasing questions after pretests, etc.).

⁴⁰ Bible, *supra* note 39, at 316-18.

⁴¹ *E.g.*, McDonald’s Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd., 1997 (1) SA 1 (Supreme Court of South Africa 1996) (pages numbered according to <http://www.saflii.org.za/za/cases/ZASCA/1996/82.html>) (hereinafter, *Joburgers* case).

⁴² Mostert, *supra* note 12, at 275.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.* *E.g.*, Anheuser-Busch Inc. v Budejovicky Budvar NP, [2000] EWCA (Civ) 30 (Eng.); Indian Trade Marks Act (1999), § 2(zg), defining well-known mark as “in relation to any goods or services, means a mark which has become so to the substantial segment of the public ...” *Id.*, *available at* http://www.wipo.int/wipolex/en/text.jsp?file_id=128108; Grupo

Mostert suggests that a “substantial segment of the public... need not permeate the whole country but that within a particular country a high degree of recognition among the relevant sector of the public in any one location or region, or [to] a lesser degree of recognition in a number of locations or regions across the country, should be sufficient.” Similarly, the Ninth Circuit in *Grupo Gigante SA De CV v. Dallo & Co., Inc.* indicated that “substantial segment of the public” denotes a degree of recognition more than the requirement for secondary meaning, but less than the requirement for dilution protection for famous marks.⁴⁶ The level of fame required to be protected as famous mark will be discussed later in this article. It is sufficient to note here that a higher degree of well-knownness is required for a famous mark because it enjoys the protection of dilution. A mark can be diluted through blurring and tarnishment; both causes of action do not require a plaintiff to prove confusion and the protection of dilution covers dissimilar goods and services.⁴⁷ Professor McCarthy further suggested that “substantial percentage” should mean “50% of the relevant group.”⁴⁸ He reasoned that “knowledge by more than half is an appropriate level to qualify for the “well-known” marks exception from the normal rule of territoriality of marks.”⁴⁹

2. The Subjective and Objective Factors: Bad Faith as a Reason for Rejecting of Rigid Benchmark Percentage of Well-Knownness

The factors provided under the Joint Recommendation can be divided into two categories, objective, the six non-exhaustive factors in Article 2(1)(b), and subjective, bad faith under Article 3(2). The relationships of the two will be discussed later in this article. At this juncture, it is worth noting that Article *6bis* of the Paris Convention emphasizes that there should be no time limit on the cancellation of a well-known mark if it is adopted in bad faith.⁵⁰

When viewed together with the bad faith element in establishing the well-knownness of a mark, it is not appropriate to set a more-than-fifty

Gigante SA De CV v. Dallo & Co., Inc., 391 F.3d 1088 (9th Cir. 2004). See also Amir H. Khoury, *Well-Known and Famous Trademarks in Israel: TRIPS from Manhattan to the Dawn of a New Millennium!*, 12 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 992, 1001-02 (2002).

⁴⁶ *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1088 (9th Cir. 2004). “Secondary meaning” was defined as “a mark’s actual ability to trigger in consumers’ minds a link between a product or service and the source of that product or service. That is, a mark has secondary meaning ‘when, in the minds of the public, the primary significance of a mark is to identify the source of the product rather than the product itself.’” *Id.* at 1095-96.

⁴⁷ MCCARTHY § 24:104.

⁴⁸ MCCARTHY § 29:4.

⁴⁹ *Id.*

⁵⁰ Paris Convention, art. *6bis*(3).

percent “substantiality.” Since “bad faith” is commonly present when a foreign well-known mark owners’ mark is used by the local mark user in target markets, the element was commonly used to “balance the interests of the parties,” especially when the determination was made by non-specialist judges.⁵¹ In addition, it was the concern of the member states that an analysis concentrated on facts should be reviewed on a case by case basis.⁵² Contrary to Professor McCarthy’s suggestion, the nature of bad faith as an equitable consideration, and the call for a more flexible approach in assessing the degree of well-knownness, the “substantial percentage” in “relevant sector of the public” should not be limited to any set percentage.⁵³ As long as the percentage of recognition is between the requirement of secondary meaning and famous marks, courts should have the ability to weigh evidence of bad faith with the objective evidence in order to determine the degree of well-knownness.

III. Determining the Zone of Well-knownness

A. The Upper Limit: Fame/Reputation that Entitles a Famous Mark to Protection against Dilution

1. Article 16 of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)

Article 16 of the TRIPS Agreement is another important source of modern well-known mark jurisprudence that builds on Article *6bis* of the Paris Convention. Article 16 of TRIPS is said to expand Article *6bis* of the Paris Convention;⁵⁴ the Article provides:

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

⁵¹ Explanatory Notes, para. 3.3; WIPO Expert Report I, *supra* note 37, at para 43

⁵² WIPO Expert Report I, *supra* note 37, at paras 15, 55-56.

⁵³ MCCARTHY § 29:4.

⁵⁴ FREDERICK W. MOSTERT, FAMOUS AND WELL-KNOWN MARKS: AN INTERNATIONAL ANALYSIS 16 (Butterworths, 1997) (hereinafter, FAMOUS AND WELL-KNOWN MARKS).

2. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
3. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

Article 16.2 first extends protection under Article 6bis of the Paris Convention to services.⁵⁵ It then limits well-knownness to “relevant sector of the public” to whom the goods or services attach.⁵⁶ The relevant sector of the public refers to the public within a specific country/jurisdiction, not consumers internationally.⁵⁷

On the other hand, Article 16.3 extends the protection under Article 6bis of the Paris Convention to “dissimilar” goods or services, as long as the use of the mark “would indicate a connection between those goods or services” and the mark owner is likely to suffer from damage from such usage.⁵⁸ No confusion is required here under Article 16.3 of TRIPS Agreement.⁵⁹

It is obvious that Article 16 of the TRIPS Agreement affords foreign mark owners more protection than Article 6bis of the Paris Convention, but no extra or higher degree of fame/reputation is required under the wording of the Agreement.⁶⁰ Nor is any separate approach of proving fame/reputation promulgated. The differences between the protection of well-known marks

⁵⁵ TRIPS, art. 16.2.

⁵⁶ *Id.*

⁵⁷ LEE, *supra* note 6, at 25 (*citing* Annette Kur, Trademark Provisions of the TRIPS Agreement, in From GATT to TRIPS 1254 (Friedrich-Karl Beier & Gerhard Schrickler eds., 1996), *reprinted in* The International Intellectual Property System: Commentary and Materials (Frederick Abbott at el ed., 1999)).

⁵⁸ TRIPS, art. 16.3. It is to be noted that as the text suggested, to be protected under Article 16(3), a mark needs to be registered.

⁵⁹ The lack of requirement on confusion led to debate about whether this Article obligate WTO members to protect marks against dilution. LEE, *supra* note 6, at 25-26.

⁶⁰ Article 16, TRIPS.

and famous marks lie in the degree of fame/reputation; i.e., both are subject to the same analysis of well-knownness. This article is of the view that if marks are to be protected without the proof of confusion, a higher degree of consumer recognition is needed. Such concept was discussed in the first session of WIPO Committee of Experts on Well-Known Marks in 1995.⁶¹ The participants pointed to Article 16.3 of the TRIPS Agreement and noted that extended protection of well-known marks used by local mark users with regard to dissimilar goods or services was available for a “special category of well-known mark, namely *marks of high renown or famous marks ...*” (emphasis added)⁶² This distinction is made under national laws. For example, in the United States, “famous mark” is relevant to anti-dilution laws, which is deemed as a “lofty status of very strong and widely recognized mark.”⁶³ One rationale of protecting “famous marks” with the anti-dilution laws is said to be:

[I]f customers or prospective customers see the plaintiff's famous mark used by other persons to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be “diluted” or weakened. This diminution of the strength of the famous mark could occur even though no confusion as to source, sponsorship, affiliation or connection has occurred.⁶⁴

2. Rationale for Setting the Upper Limit as the Fame/Reputation of a Famous Mark

Generally, “famous marks,” as discussed earlier, are defined as those that are “known to a large section of the general public with a broad reputation that extends to various goods or services.”⁶⁵ Bad faith is a subjective element used by the court or relevant authorities to balance the interest of the parties.⁶⁶ When a mark is “known to a large section of the general public with a broad reputation that extends to various goods or services,” objective evidence such as that under Article 2(1)(b) is readily available for the foreign mark owners. If the objective evidence alone is unable to prove by

⁶¹ WIPO Expert Report I, *supra* note 37, at para 81.

⁶² *Id.*

⁶³ MCCARTHY §29.61.

⁶⁴ MCCARTHY §29.69.

⁶⁵ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 20 (*citing* International Association for the Protection of Industrial Property (“AIPPI”), Question 100: Protection of Unregistered but Well-Known Trademarks (Article *6bis*, Paris Convention) and Protection of Highly Renowned Trademarks, Summary Reports (Volume 1) 1990 Barcelona Executive Committee Conference, 89)

⁶⁶ Explanatory Note, para. 3.3.

preponderance of the evidence that the mark is famous, granting the mark the protection of dilution claims may “swallow up all competition (and give the) exclusive right that led to the rule against a trade mark ‘right-in-gross.’”⁶⁷

Although “a highly precise, strict differentiation between ‘famous’ and ‘well-known’ marks is not possible as these concepts are relative,”⁶⁸ bad faith should not be the determinative factor establishing that a mark is “famous.” While courts mention bad faith in famous as well as well-known mark cases, in famous mark cases subjective evidence is used in the determination of confusion rather than the degree of fame/reputation.⁶⁹

B. The Lower Limit: Consumer Recognition that Amounts to Secondary Meaning

The Ninth Circuit of the United States pointed out in *Grupo Gigante* that well-knownness of a mark should not be lower than the fame/reputation required in establishing secondary meaning.⁷⁰ Secondary meaning is the “acquired distinctiveness” which qualifies a non-inherently distinctive mark to be protected under trademark laws.⁷¹ Although certain designation lacks the capacity of being indicia of origin, distinctiveness is acquired through consumer’s usage of such designation as a trademark to identify and distinguish a single commercial source.⁷² The determination of whether a mark has acquired secondary meaning, like the question of whether a mark is well-known, is essentially a question of fact. A non-exhaustive factor-list below is helpful in proving a famous mark: “(1) the length and manner of its use, (2) the nature and extent of advertising and promotion of the mark, and (3) the efforts made to promote a conscious connection, in the public’s mind, between that mark and a single source.”⁷³ In short, secondary meaning is the “drawing power” and “commercial magnetism” in the minds of the consuming public, and the law of secondary meaning is the “law’s recognition of the psychological effect of trade symbols upon the buyer’s mind.”⁷⁴

⁶⁷ MCCARTHY §24.67.

⁶⁸ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 21.

⁶⁹ *E.g. Joburger case, infra* Part VI(a).

⁷⁰ *Grupo Gigante SA De CV*, 391 F.3d at 1088.

⁷¹ MCCARTHY § 15:1.

⁷² *Id.* See also LOUIS ALTMAN AND MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES [hereinafter, CALLMANN] § 20:29 (4th Edition 2011).

⁷³ *Id.*

⁷⁴ MCCARTHY § 15:5.

If the mark does not have the “drawing power” and “commercial magnetism” in the relevant consuming public, it does not even qualify as a trademark. The criterion of consumer recognition for the establishment of secondary meaning is not a demanding one. The designation merely functions as an indicator of origin in the minds of its consumers. The factor list mentioned above does not include any subjective element. Unlike the law on well-known marks, which often involves bad faith trademark pirating,⁷⁵ the law of secondary meaning does not involve the assessment of subsequent user’s intent to take advantage of the consumer recognition established by a prior user because there was no “consumer recognition” to begin with. Consequently, in assessing whether the mark has the necessary “drawing power” and “commercial magnetism” among the relevant consuming public, only objective evidence should be taken into consideration.

IV. Bad Faith and the Well-Known Mark Doctrine

Article 3(2) of the Joint Recommendation points out that bad faith may be considered as one of the elements in establishing the well-knownness of a mark.⁷⁶ The following section discusses the interrelation between bad faith and the objective factors in Article 2(1)(b) of the Joint Recommendation on establishing the well-knownness of a mark.

A. Proving Bad Faith

Bad faith often refers to “dishonesty of belief or purpose.”⁷⁷ In the context of well-known marks, “[b]ad faith will normally exist when the person who registers or uses the conflicting mark knew of the well-known mark and presumably intended to profit from the possible confusion between that mark and the one he has registered or used.”⁷⁸ In the context of proving likelihood of confusion, bad faith denotes “an attempt by a junior user of a mark to exploit the good will and reputation of a senior user with the intent to sow confusion between the two companies’ products.”⁷⁹ Since bad faith probes a subjective state of mind, it is rarely proven by direct evidence.⁸⁰

⁷⁵ WIPO Expert Report I, *supra* note 37, at para 43.

⁷⁶ Joint Recommendation, art. 3(2).

⁷⁷ BLACK’S LAW DICTIONARY, Bad Faith (9th ed. 2009).

⁷⁸ BODENHAUSEN, *supra* note 5, at 93.

⁷⁹ MCCARTHY § 23:113. It is to be noted that bad faith courts sometimes may find bad faith in the absence of allegation from the plaintiff; this is probably the result of the equitable nature of bad faith. *See* MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 42 (*citing* John Walker & Sons Ltd v. Henry Ost and Co Ltd, [1970] R.P.C. 489, 503).

⁸⁰ “Direct evidence” is defined as “[e]vidence that is based on personal knowledge or observation and that, if true, proves a fact without inference or presumption.” BLACK’S LAW

The intent of the local mark user is most likely to be inferred from circumstantial evidence.⁸¹ It is said that “the actions of defendant speak louder than his words denying any intent to deceive people.”⁸²

Courts generally focus on two categories of evidence to prove a local mark user’s intention to take advantage of foreign mark owner’s reputation in the local market.⁸³ The two types of circumstantial evidence are access and substantial similarity between the foreign and local marks.⁸⁴ Evidence showing local mark user’s prior access or contact with the foreign mark owner draws “[a] compelling inference of knowledge on the part of the defendant where some prior business relationship existed between the plaintiff and the defendant, for example, where the defendant acted as licensee, franchisee, importer, distributor, agent or employee of the plaintiff.”⁸⁵ Access can also be presumed when the foreign mark is so famous in the target market that knowledge of the local mark user is presumed.⁸⁶ Such knowledge can also be inferred when the foreign mark is well-known in a relevant business sector or trade circle.⁸⁷

DICTIONARY, Direct Evidence (9th ed. 2009). It is nevertheless possible to establish intention of the local mark user through direct evidence. *See* MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 37-38 n.32.

⁸¹ “Circumstantial evidence” is defined as “[e]vidence based on inference and not on personal knowledge or observation. BLACK’S LAW DICTIONARY, Circumstantial Evidence (9th ed. 2009).

⁸² MCCARTHY § 23:113.

⁸³ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 37-38.

⁸⁴ *Id.* at 38.

⁸⁵ *Id.* (citing CHARLES GIELEN AND L. WICHERS HOETH, MERKENRECHT 217 (W.E.J. Tjeenk Willink 1992)).

⁸⁶ *See* Article 9(4), Protocol on Harmonization of Norms on Intellectual Property in Mercosur in Matters of Trademarks, Indications of Source and Appellations of Origin (signed Aug. 5, 1995 by Argentina, Brazil, Paraguay, and Uruguay) which obligates member states to prohibit the registration of a trademark “that the applicant *evidently could not fail to have recognized* as belonging to an owner established or domiciled in any of the Party States, or that is susceptible of causing confusion or association” (emphasis added), available at http://untreaty.un.org/unts/144078_158780/12/10/5009.pdf.

⁸⁷ Joint Recommendation, art. 2(2). *See also* Paragraph 2.12 of the Explanatory Notes, which explains consumers as relevant market by stating that the expression “‘consumers’ is to be understood in the wide sense of the term, and should not be restricted to those persons who actually and physically consume the product. Paragraph 2.13 of the Explanatory Notes recognizes that “channels of distribution” may differ due to different “nature of goods and services”. Paragraph 2.14 of the Explanatory Notes indicates that business circles in general consist of “importers, wholesaler, licensees, or franchisees interested and prepared to deal in the goods or services or services to which the mark applies.” Moreover, Paragraph 2.15 of the Explanatory Notes emphasized on the importance of not limiting the scope “relevant sector” by reasoning that goods and services are directed to certain market and

Another way to establish bad faith is by drawing an inference through substantial similarity between the foreign and the local marks.⁸⁸ A local mark user's defense that similarities between the marks are the result of coincidence is normally evaluated with hostility, especially when: (1) the mark is arbitrary or inherently distinctive, (2) local mark user has the freedom to choose from a wide range of other trademarks, or (3) explanation given by the local mark user is too elusive to be credible.⁸⁹

It may be helpful to take a brief look copyright law here since the method of proving bad faith is very similar to the law of proving copying under American Copyright law.⁹⁰ There are three tests to prove copying in the United States: the traditional "inverse ratio" test, the Ninth Circuit and the Second Circuit's copying test.⁹¹ All of the tests are attempts to articulate the relationships between evidence of access and substantial similarity in proving copying of an original work. First, the "inverse ratio test" suggests that the greater the proof of access, the less degree of probative similarity between the works needed.⁹² The Ninth Circuit adopted a different test.⁹³ Under its test, copying can be proved by access or substantial similarity, and substantial similarity is further divided in to two tests: extrinsic and intrinsic.⁹⁴ In the extrinsic test, the court examines the similarity between the protectable parts of the work.⁹⁵ If the works are similar under the extrinsic test, the courts then apply the intrinsic test, which involves a subjective

[a]n extensive definition of the sector of the public which should have knowledge of the mark would not further the purpose of international protection of well-known marks, namely to prohibit use or registration of such marks by unauthorized parties with the intention of either passing off their goods or services as those of the real owner of the mark, or selling the right to the owner of the well-known mark.

⁸⁸ *E.g.* Ten-Ichi Co. Ltd. v. Jancar Ltd., [1990] FSR 151, [1989] 2 HKC 330.

⁸⁹ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 38-39. *See* Orkin Exterminating Co. Inc. v. Pestco of Canada Ltd., 5 C.P.R. (3d) 433 (1985) and Apple Computer Inc. v. Apple Leasing & Industries (Delhi High Court, 4 May 1991) for illustration of the freedom to choose from a wide range of other trademarks. *See also* RH Macy & Co. Inc. v. Trade Accents (Singapore High Court, 27 June 1991) [1992] 1 SLR 581, and Re Omega (Hong Kong High Court, 21 April 1995) [1995] 2 HKC 473, at 478-79 for illustration of elusive explanation given by the local mark user that lost credibility.

⁹⁰ *Cf.* Lee S. Brenner and Sarah L. Cronin, *More or Less*, 34-MAY LALAW 29 (May 2011).

⁹¹ *Id.*, at 29-30.

⁹² HOWARD B. ABRAMS, 2 THE LAW OF COPYRIGHT § 14:12 (2011).

⁹³ Brenner and Cronin, *supra* note 90, at 29-30 (*citing* Kouf v. Walt Disney Pictures Television, 16 F.3d 1042. (9th Cir. 1994)).

⁹⁴ *Id.*, at 29-30

⁹⁵ *Id.*, at 30

comparison of whether an ordinary reasonable audience would find the two works substantially similar in “total concept and fell of the works.”⁹⁶ However, the Second Circuit developed a different approach.⁹⁷ To satisfy the Second Circuit’s copying test, one must prove two prongs: the first is the actual/in fact copying and the second is that the copying is unlawful due to substantial similarity between the protectable elements of the two works.⁹⁸ The first prong is often prove through circumstantial evidence of access and substantial similarity, examined with the unprotected element and said to be probative of copying.⁹⁹

The similarity between the two sets of law is no coincidence because the question of whether a copyright work has been copied is essentially a question of fact that is often proven by circumstantial evidence rather than direct evidence.¹⁰⁰ However, different nature of trademark and copyright laws distinguishes how the evidence is used. Besides protecting trademarks as property rights, the main purpose of trademark law is to protect consumers from confusion¹⁰¹ Trademark law aims to maximize social benefits through encouraging the production of quality products and reducing consumer search costs in identifying goods or services with preferable quality.¹⁰² Copying without creating confusion is thus not the core evil of trademark laws. Copyright laws, on the other hand, protect the original works of authorship that are fixed in any tangible medium of expression. Thus, in order to protect the effort of creativity, actual/in-fact copying is condemned.¹⁰³ The controversy in the copying test discussed above is triggered by lack of consideration of actual copying.¹⁰⁴ In well-known mark jurisprudence, the finding of bad faith is only one piece of evidence showing actual consumer recognition. More often than not, bad faith functions as an equitable cushion for the relevant authority to decide on the degree of well-knownness. On the other hand, bad faith copying in copyright law is the vice

⁹⁶ *Id.* The Ninth Circuit test was criticized for its failure to discuss the in fact/actual copying. *Id.*

⁹⁷ *Id.* (citing *Jorgensen v. Epic/Sony Records*, 351 F. 3d 46, 51 (2d Cir. 2003); *Tienshan, Inc. v. C.C.A. Int'l (N.J.), Inc.*, 895 F. Supp. 651, 656 & n.3 (S.D. N.Y. 1995); *Walker v. Time Life Films, Inc.*, 784 F. 2d 44, 52 (2d Cir. 1986); *Arden v. Columbia Pictures Indus., Inc.*, 908 F. Supp. 1248, 1258 (S.D. N.Y. 1995); *Denker v. Uhry*, 820 F. Supp. 722, 728 (S.D. N.Y. 1992); *Williams v. Crichton*, 84 F. 3d 581, 587 (2d Cir. 1996)).

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.*, at 29.

¹⁰¹ MCCARTHY § 2.1.

¹⁰² MCCARTHY § 2.3.

¹⁰³ 17 U.S.C. §102(a).

¹⁰⁴ *Brenner and Cronin, supra* note 90, at 30.

the law sets out to prohibit.¹⁰⁵ In addition, while evidence of access and substantial similarity is used to prove a subjective state in well-known mark jurisprudence, the same evidence is used to determine whether the objective act of copying took place in copyright law.

In spite of the differences, when trying to prove bad faith in a well-known mark dispute, methods of proving copying can shed some light.¹⁰⁶ One can use the “inverse ratio” test to argue that the more evidence on access that can be proven, the less similarity is required to show that the local mark user intended to confuse consumers in the target market. One can also use the first prong of the Second Circuit’s copying test to show access or “probative of bad faith.” It is worth noting that proving bad faith may not only lower the requisite degree of well-knownness, it may also provide a motive to confuse consumers.

B. The Effect of Bad Faith as a Factor in Determining the Degree of Well-knownness within the Zone of Well-knownness

When discussing whether bad faith should be a factor in determining the degree of well-knownness during the first session of WIPO Committee of Experts on Well-Known Marks, some said that “bad faith was mainly relevant for the sanctions against unauthorized use of a well-known mark” while others insisted that “bad faith was a strong indication that the mark was to be considered well known.”¹⁰⁷ Eventually they came to a compromised solution that member states should be allowed to adopt bad faith as an element to “balance the interest of the parties.”¹⁰⁸

Bad faith, as envisaged by the Joint Recommendation, is an independent factor that each member state is free to adopt as an equitable gauge upon assessing the degree of well-knownness.¹⁰⁹ Although “bad faith” should not depend on the finding of whether the mark is well-known,¹¹⁰ the finding of

¹⁰⁵ BRUCE P. KELLER, JEFFREY P. CUNARD AND ROBERT SPOO, PRACTISING LAW INSTITUTE: COPYRIGHT LAW, PLIREF-CPYT § 1:1.2.

¹⁰⁶ The Ninth Circuit’s copying test cannot be used in proving bad faith in well-known mark cases excludes unprotectable ideas in its substantial similarity prong.

¹⁰⁷ WIPO Expert Report I, *supra* note 37, at para. 73.

¹⁰⁸ Explanatory Note, para. 3.3.

¹⁰⁹ The structure of the Joint Recommendation implies such interrelation. While all the objective factors are listed in Article 2, the subjective evidence was listed in Article three separately.

¹¹⁰ International Trademark Association’s Amicus Brief for Tungsway Food & Beverage Holdings, Pte Ltd v. PT Istana Pualam Kristal, Case No.12/Kas/HKI-Merek/2005/PN.Niaga.Jkt.Pst Jo. No 68/HKIMerek/2004/PN.NIAGA/JKT.PST (Supreme Court of Indonesia), *available at*

<http://www.inta.org/Advocacy/Documents/INTATungswayIstana.pdf>.

bad faith inevitably affects the degree of well-knownness required to qualify a foreign mark for protection under Article 6*bis* of the Paris Convention.¹¹¹

The interrelation of bad faith and objective factors under Article 2 of the Joint Recommendation inevitably results in uncertainty about how much fame is required to qualify a mark for the protection under Article 6*bis* of the Paris Convention. Such uncertainty should be tolerated because the issue is essentially a question of fact. Although the degree of consumer recognition at a certain point in time cannot be proven unequivocally through objective evidence, bad faith functions as an intermediary factor alleviating the possible injustice created by the insufficiency of objective evidence. In such instances, bad faith either lowers the degree of requisite well-knownness or motivates the court to limit its determination of well-knownness to the narrowest relevant sector of the public a court can find. No matter how the bad faith element affects the degree of well-knownness, it is worth noting that a foreign mark owner should be able to prove through objective evidence that its mark qualifies for protection as a mark, meaning that the objective evidence of well-knownness should fall somewhere in the zone of well-knownness defined earlier.

C. Rationale of Bad Faith as a Factor to Determine the Degree of Well-knownness

The first reason for using bad faith as an element in proving the degree of well-knownness is necessity. A local mark owner's intention to take advantage of a foreign mark owner's reputation in the target market is the theme of many well-known mark controversies.¹¹² The inclusion of bad faith as an element was therefore a necessary and practical solution to resolve such well-known mark controversies.¹¹³

The second rationale given to include bad faith in determining the degree of well-knownness is that courts should have the equitable power to weigh the interests of the parties when objective evidence fails to resolve the issue definitively. Since Article 6*bis* of the Paris Convention and Article 16 of TRIPS did not establish a minimum degree of well-knownness, it is up to the relevant authorities to decide what is worth protecting within each member's own jurisdiction.¹¹⁴ Relevant authorities should be allowed the equitable discretion to weigh bad faith in determining whether the mark at issue is well-known as long as the foreign mark owner can prove through objective

¹¹¹ In other words, there is, inherently, a range of percentage of fame that courts are willing to recognize as well-known. The effect of bad faith often pushes such range to the lower end, although it does not affect the objective evidence of fame in a particular market.

¹¹² WIPO Expert Report I, *supra* note 37, at para. 43.

¹¹³ *Id.*

¹¹⁴ Paris Convention, art. 6*bis*; TRIPS, art. 16.

evidence that the fame/reputation is within the zone of well-knownness. After all, bad faith trademark pirating was the evil the first WIPO Expert Committee was trying to stop.¹¹⁵

The third reason to consider bad faith in proving the degree of well-knownness is that it offsets the unfairness resulting from the rigid application of objective evidence. As mentioned earlier, objective evidence often involves the use of survey evidence, which usually involves assumptions subject to bias.¹¹⁶ Even though the assumptions and method of conducting the survey are carefully considered, it should rarely be the sole evidence in proving well-knownness. Also, it is not hard to imagine that some members of the Paris Convention may lack the resources to analyze comprehensive survey evidence.

The last rationale is that having an equitable element actually makes the application of objective standards clearer. This article previously argued that bad faith may be deemed as an indication of why courts limit relevant sector of the public so that it is easier for foreign mark owners to establish the requisite degree of well-knownness in the target market.¹¹⁷ The “relevant sector of public” can never be precisely delineated because the concept of “potential purchasers” itself depends on a court’s line-drawing power. One could use bad faith as an indicator to predict whether the relevant authorities are likely to narrow the scope of the relevant sector of public.

V. Case Study – How Bad Faith Affects the Degree of Well-knownness

A. South Africa: *McDonald’s* Case—A High Level of Consumer Recognition and Bad Faith

¹¹⁵ WIPO Expert Report I, *supra* note 37, at para. 43.

¹¹⁶ *See Supra* Part III(b)(2). *See also* DAVID F. HERR, ANN. MANUAL COMPLEX LIT. § 11.493 (4th ed.). To lay the foundation for the survey evidence, the population needs to be properly chosen and defined; the sample chosen needs to be representative of that population; the data gathered needs to be accurately reported; and the data needs to be analyzed in accordance with accepted statistical principles. *Id.* After the survey evidence is admitted, courts would then look into:

[W]hether the questions asked were clear and not leading; whether the survey was conducted by qualified persons following proper interview procedures; and whether the process was conducted so as to ensure objectivity (e.g., determine if the survey was conducted in anticipation of litigation and by persons connected with the parties or counsel or by persons aware of its purpose in the litigation).

Id.

¹¹⁷ *Supra* Part V(b).

In *McDonald's Corporation v. Joburgers Drive-Inn Restaurant (PTY)*, the Supreme Court of South Africa held that McDonald's had established well-knownness in the trademarks MCMUFFINS and BIG MAC.¹¹⁸ There was a local fast food franchise owned by Mr. Sombonos, operating under the name Chicken Licken.¹¹⁹ At the time of the lawsuit, the restaurant had 175 stores in South Africa and claimed to be the biggest fried chicken fast food franchise in the world which did not have its origins in the United States.¹²⁰ Prior to the instant lawsuit against McDonald, Chicken Licken had successfully expunged the slogan "[i]t's finger lickin' good" registered by the local owner of Kentucky Fried Chicken.¹²¹ McDonald's had registered its large portfolio of fifty-two trademarks in South Africa in 1968, 1974, 1979, 1980, 1984 and 1985.¹²² However, the applications were subject to non-use cancellation.¹²³ McDonald's claimed that non-use should be excused because it was due to the sanctions the United States imposed on South Africa, and it intended to use as soon the "political circumstances made it possible."¹²⁴

Prior to the trademark application of MCMUFFINS and BIG MAC, Joburgers (owned by Mr. Sombono) published a newspaper article which stated "Big Macs may soon be eaten all over South Africa, but not because American hamburger giant McDonald's is entering the market."¹²⁵ This publication clearly established Mr. Sombono's knowledge of the well-knownness of McDonald's trademark portfolio, his intention to confuse the public, and, perhaps his determination to educate South Africans that MCMUFFINS and BIG MAC were his products, rather than McDonald's. In addition, after the inception of the law suit, Mr. Sombono acquired a local restaurant whose owner used the mark MacDonalD's prior to the time that the

¹¹⁸ *McDonald's Corp. v. Joburgers Drive-Inn Restaurant (Pty) Ltd.*, 1997 (1) SA 1 (Supreme Court of South Africa 1996).

¹¹⁹ *Id.* at 3-4. The lawsuit also involved another defendant, DAX Prop CC ("DAX"). *Id.* at 11. DAX is a franchisee of Chicken Licken. *Id.* Upon the commencement of lawsuit, Mr. Sombono acquired Asian Dawn, which owns the mark MACDONALDS and had been using the mark in relation to restaurant service in Durban, hoping to establish priority. Fearing being convicted contempt of Court, Mr. Sombono sold Asian Dawn to DAX, which later apply for the registration of MACDONALDS and was incorporated into the instant suit. See Louis J. van Wyk, Spoor and Fishèr, Pretoria, *South Africa, Defense of McDonald's Trademark in South Africa* (Nov. 27, 2011, 12:33 PM) (pages numbered according to print-out of <http://law.wustl.edu/Library/cdroms/IBL/License/Wyk.htm>).

¹²⁰ Wyk, *supra* note 119, at 4.

¹²¹ This action occurred prior to South Africa's adoption of Article 6bis of the Paris Convention.

¹²² Wyk, *supra* note 119, at 2.

¹²³ *Id.* at 3.

¹²⁴ *Id.* at 2.

¹²⁵ *Id.* at 5.

international restaurant chain gained its reputation in South Africa. The Court later used this evidence to say that Joburgers and DAX “have gone to considerable trouble and expense to obtain control over the McDonald’s marks” which indicated their recognition of the well-knownness of the McDonald’s marks.¹²⁶

The Court held that the marks at issue were protected by Section 35 of the South African Trade Marks Act.¹²⁷ The section incorporates the well-known mark doctrine under Article 6*bis* of the Paris Convention; it allows an unregistered well-known foreign mark owner to prohibit uses of the mark that “constitutes, or the essential part of which constitutes, a reproduction, imitation or translation of the well-known trade mark” in relation to identical or similar goods or services where such use is likely to cause deception or confusion.¹²⁸ In discerning the relevant public for the determination of well-knownness, McDonald’s argued that like the common law acts of passing off action, the reputation must extend to a substantial number of persons of the public in the trade in question. The defendants, on the other hand, argued that the well-known in the statute requires a large part of the population as a whole.¹²⁹ The Court reasoned that the purpose of the article is to extend the common law doctrine of passing off protection to the foreign well-known mark owners who have not used their marks in South Africa, and it ruled that the statute requires foreign mark owners to show that a “substantial number of the class of persons who would have an interest in the goods or services of the foreign trademark proprietor, would know the foreign trademark proprietor, and would be confused by its use by someone else in relation to the relevant goods and/or services.”¹³⁰

The Court reviewed the following evidence: 1) McDonald’s world-wide advertisement scheme, including sponsorship of 1990 Soccer World Cup and 1984 Olympics, implying the spill-over of the fame into South Africa.¹³¹ 2) McDonald’s receipt of requests from 242 South Africans expressing their desire to enter into franchise agreement; among them were prominent companies.¹³² 3) Two market surveys which contained a universe of 202 white adult males and females aged sixteen years and over living in houses in

¹²⁶ *Joburger* case, at 46-48

¹²⁷ *Id.* at 18-19.

¹²⁸ *Id.* at 18-19. This section went into force on May 1, 1995, which significantly changed the landscape of the lawsuit. *Id.* at 13.

¹²⁹ *Id.* at 35.

¹³⁰ *See also id.* at 35-37.

¹³¹ *Id.* at 44-46.

¹³² *Id.* at 46, 48-49.

higher income suburbs.¹³³ Among the universe, “[a] large majority of respondents were aware of the name MCDONALD’S and/or the MCDONALD’S logos/trademarks (77%). More than half had heard of MCDONALD’S and knew the logos/trademarks too (57%)”.¹³⁴ After reviewing this evidence, the Court ruled that McDonald’s had successfully demonstrated its well-knownness in South Africa and was entitled to enjoin Mr. Sombonos from using the trademarks MCMUFFINS and BIG MAC.

McDonald’s was able to prove 57 percent consumer recognition of BIG MAC and MCMUFFINS within relevant sector of the public, defined as “white adult males and females aged sixteen years and over living in houses in higher income suburbs.”¹³⁵ When used together with the brand MCDONALD’S, consumer recognition rose to 77 percent.¹³⁶ Besides the survey evidence, McDonald’s was also able to show objective factors under Article 2(b) of the Explanatory Notes. Advertising efforts could be proven by the World Cup sponsorship, and knowledge could be proven by the 242 South African requests expressing a desire to enter into franchise agreements with McDonald’s. The overwhelming objective evidence clearly suggested that the mark MCDONALD’S qualified as a famous mark, which is “known to a large section of the general public with a broad reputation that extends to various goods.”¹³⁷

Bad faith in this case was proven by direct evidence including Mr. Sombono’s publication of his advertisement which was meant to “educate” South Africans about the origin of MCDONALD’S.¹³⁸ Such evidence was a powerful admission of McDonald’s fame/reputation. The Court noted:

Quite obviously Joburgers and Dax both consider that the McDonald’s mark is a valuable asset, worth a great deal of trouble,

¹³³ *Id.* at 50. The Court in this case for the first time acknowledged that survey evidence may be the only practical way of measuring the perceptions of people. *Id.* at 55-60. As long as the survey is properly back checked and the other party is given full opportunity to examine the results and methods of the survey, it should be admissible in cases like this. However, instead of survey for the specific recognition of the marks MCMUFFINS and BIG MAC, the Court seemed to equate the recognition of MCDONALD’S trademark at large with the recognition of MCMUFFINS and BIG MAC. This may imply that when the Court recognized bad faith to confuse local customers, the South African courts may be more lenient in examining the survey evidence. For the purpose of this article, we assumed that this does not affect the outcome of the survey.

¹³⁴ *Id.* at 57. Another survey was very similarly defined and rendered in very similar result. *Id.* at 54.-55.

¹³⁵ *Id.* at 57.

¹³⁶ *Id.*

¹³⁷ MOSTERT, FAMOUS AND WELL-KNOWN MARKS, *supra* note 54, at 20.

¹³⁸ Wyk, *supra* note 119, at 5.

expense and risk to secure. They have not given any explanation for this attitude. If one assumes that they intend to trade under the name McDonald's or MacDonalds, there is only one possible explanation, namely that in their view the McDonald's marks enjoy a high reputation in this country.¹³⁹

Since the overwhelming objective evidence clearly established well-knownness in the relevant sector of the public, bad faith did not necessarily need to function as an equitable element to alleviate the insufficiency of law in punishing wrongful behavior. Nevertheless, the South African Supreme Court used bad faith as a powerful and persuasive factor in proving the well-knownness of McDonald's marks. This case demonstrates the Court's animosity towards Mr. Sombono's behavior, namely, trademark pirating.¹⁴⁰ Although the Court did not specifically rule on the matters, the argument that "Mr. Sombono's taking advantage of McDonald's reputation in South African should be go unpunished" was definitely one consideration in the mind of the South African Judges.

B. Singapore: *Amanresorts* Case—A High Level of Consumer Recognition in a Niche Market and Bad Faith

In *Amanresorts Ltd v. Novelty Pte Ltd.*, the High Court of Singapore ruled that Amanresorts has established well-knownness in Singapore.¹⁴¹ The plaintiff, Amanresorts, was the proprietor of various trademarks worldwide with the prefix AMAN, including the one at issue, AMANUSA, which is one of Amanresort's hotels in Bali.¹⁴² The defendant, Novelty Pte Ltd. ("Novelty") was a local real estate developer.¹⁴³ Novelty was developing a residential project ("Project") also named AMANUSA which consists of 36 three-story terrace houses with Balinese themes.¹⁴⁴

1. Facts

Amanresort Group was founded in the mid-1980s in the business of operating luxurious hotels and long-term apartments around the world, bearing names with the suffix AMAN.¹⁴⁵ AMANUSA is a registered trademark in Brunei, Hong Kong, Indonesia, Malaysia, Myanmar and the

¹³⁹ *Joburger* case, at 48.

¹⁴⁰ WIPO Expert Report I, *supra* note 37, at para. 43.

¹⁴¹ *Amanresorts Ltd v. Novelty Pte Ltd*, [2008] Part 1 Case 8 [HCSg] (High Court of Singapore 2007), *available at* [http://www.ipsufactoj.com/highcourt/2008/Part01/hct2008\(01\)-008.htm](http://www.ipsufactoj.com/highcourt/2008/Part01/hct2008(01)-008.htm).

¹⁴² *Id.* at para. 1.

¹⁴³ *Id.* at para. 2.

¹⁴⁴ *Id.* at para. 16.

¹⁴⁵ *Id.* at para. 5.

Philippines.¹⁴⁶ “Aman” means “peace” in Bahasa Indonesian and “nusa” means “island.”¹⁴⁷ Aman Nusa is not grammatically correct to denote as a peaceful island, which would be read as Nusa Aman.¹⁴⁸ The prior Singaporean AMANUSA registration lapsed in 2001.¹⁴⁹ Both the hotel and the long-term apartment developments of the Amanresort Group cater to the upper end of the market, emphasizing privacy and impeccable service.¹⁵⁰ In 2006, worldwide sales were around 86 million USD, with promotional and marketing expenses around 1.9 million USD.¹⁵¹ Marketing was done largely through online newspapers and credit card associations, focusing on the potential customers who are likely to consume Amanresort’s goods or services.¹⁵² The High Court emphasized Amanresorts’ reputation for quality rather than quantity by noting the fact that Amanresorts owned 18 resorts worldwide, but offered only 626 rooms.¹⁵³

The above evidence showing international fame/reputation was linked to the evidence showing fame/reputation in local Singaporean market through the following evidence: Amanresorts had received many requests from local Singaporean developers for using the brand name AMAN in return for a branding fee.¹⁵⁴ Amanresorts has an International Corporate Officer and International Reservations Office in Singapore.¹⁵⁵ Amanresorts also showed that there were more than 35,000 Singaporeans visiting Bali annually for the year 2003 to 2005, and some 1382 Singaporeans visited the AMANUSA resort in Bali between 1995 and 2005.¹⁵⁶

The bad faith element was proven by the elaborate scheme that Novelty claimed itself engaging in. They claimed that they did not know of the AMANUSA mark and selected the name based on the Bali theme chosen for the Project, and they claimed that they did not conduct further investigation on the Defendant’s prior usage because the name was approved by the

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at para. 15.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at para. 5.

¹⁵⁰ *Id.*

¹⁵¹ *Id.* at para 10.

¹⁵² *Id.*

¹⁵³ *Id.* at para. 12.

¹⁵⁴ *Id.* at para. 50

¹⁵⁵ *Id.* at para. 5. Amanresorts’ sales revenue showed that more than 30% of its revenue was attributable to the International Reservation Office in Singapore. *Id.* para 56. However, the Court did not put too much weight on this evidence in proving goodwill, since Amanresorts cannot prove that what portion of the Singaporean consumers did the sales derive from. *Id.*

¹⁵⁶ *Id.* para. at 13.

housing authority.¹⁵⁷ This claim was quickly dismissed by the High Court judge, who said that it was too much of a coincidence for Novelty to have expressed the idea of “peaceful island” in the same way, used Balinese theme, and stressed on privacy.¹⁵⁸

Claims were made under common law doctrine of passing-off and section 55(3)(a) of the Singaporean Trade Marks Act. The Court of Appeal affirmed the High Court’s decision holding Novelty liable under both claims.¹⁵⁹ The following legal analysis focuses on the opinion of the Court of Appeals, which is the highest court in Singapore.

2. Passing-off Claim

We shall examine the common law passing-off action first. The Court of Appeal agreed with the High Court and upheld Amanresorts’ claim of passing-off.¹⁶⁰ To succeed in a passing-off action in Singapore, one must prove three elements: goodwill, misrepresentation, and damage.¹⁶¹ Goodwill is defined as the “benefit and advantage of the good name, reputation, and connection of a business.... [*goodwill*] is worth nothing unless it has a power of attraction sufficient to bring customers home to the source from which it emanates.”¹⁶² The difference between having goodwill and being well-known is that goodwill requires the trade name to have an “attractive force” for consumers among the relevant sector of public.¹⁶³ The Court stated that “[a] desire to become a customer.... without the ability to actually be one, cannot ordinarily form the basis of goodwill.” From this definition, it seems that the fame/reputation required for goodwill also falls between that required for secondary meaning and dilution. Therefore, for the purpose of this article, the interrelation between bad faith and goodwill will also be taken into consideration.

¹⁵⁷ *Id.* para. at 23-26.

¹⁵⁸ *Id.* para. at 62.

¹⁵⁹ *Novelty Pte Ltd v. Amanresorts Ltd and Another*, [2009] SGCA 13, [2009] 3 SLR(R) 216 (Singapore Court of Appeal 31 March 2009), available at <http://www.commonlii.org/sg/cases/SGCA/2009/13.html>. For a brief introduction of the case, see Mirandah Connecting Asia, *Singapore Court of Appeal Affirms Protection of Well Known Marks in Novelty Pte. Ltd. v. Aman Resorts Ltd.*, Jul. 2, 2010, <http://www.mirandah.com/ja/categories/item/111-singapore-court-of-appeal-affirms-protection-of-well-known-marks-in-novelty-pte-ltd-v-aman-resorts-ltd.html>.

¹⁶⁰ The Court of Appeal is the highest court in Singapore. Supreme Court, Singapore, *Our Courts*, available at <http://app.supremecourt.gov.sg/default.aspx?pgID=43>.

¹⁶¹ Novelty, [2009] SGCA 13, para. 37.

¹⁶² *Id.*

¹⁶³ *Id.* at para. 60. The Court took an English case *Anheuser-Busch Inc v. Budejovicky Nudvar NP*, [1984] FSR 413 as an example. There, the American beer producer was held not to have goodwill in England because the beer was not physically available there at the time. See Novelty, [2009] SGCA 13, para. 61.

In terms of the business in respect of which goodwill in the AMAN names exist, the Court ruled that Amanresort's goodwill only covers hotels and resorts, not luxury residential developments.¹⁶⁴ It then acknowledged that goodwill can exist in Singapore even though the goods and/or services themselves do not exist in Singapore.¹⁶⁵ The Court ruled that goodwill existed among Amanresorts' "actual and potential customers in Singapore."¹⁶⁶ Due to Amanresort's efforts in keeping its ultra-luxurious villa business private and off-mainstream, its potential customers were held to be of a limited population.¹⁶⁷ The Court defined actual and potential customers as (1) well-heeled Singaporeans who visited Amanresorts or had been a target of the Amanresorts' selective marketing campaign,¹⁶⁸ (2) "potential customers who may be unable to stay at an Aman resort today, but he may nonetheless have been exposed to the AMAN names and thus aspire to visit one of the Aman resorts someday should his financial position improve" ("once-in-a-lifetime guests"),¹⁶⁹ and (3) those who are in high-end travel and resort industry.¹⁷⁰

The Court held that to prove misrepresentation under a common law passing off action, one must prove both misrepresentation and the likelihood of confusion.¹⁷¹ In setting up who would be the subjects of the confusion test, the Court held that it should be those whom the goodwill attached to, because only those people can link the misrepresentation back to the foundation of a passing off claim.¹⁷² The Court then turned its attention to

¹⁶⁴ *Id.* at para. 65.

¹⁶⁵ *Id.* at para. 48. The Court refused to uphold the goodwill in Amanresorts' 20 domain names, stating that domain name and web sites *per se* are purely technical matter which does not influence the extent of exposure of the AMAN names. It held that only hits originated in Singapore are sufficient evidence and Amanresorts was unable to produce such evidences. *Id.* at paras. 52-55. In addition, the Court discredit the survey evidence in the instance case submitted by Novelty because it was made through questionnaires to people who visit Novelty's show house; the content of which was not verified in anyway. *Id.* at para. 58. The Court indicated that for survey evidence to take on more weight, it should be submitted in the form of expert witness. *Id.*

¹⁶⁶ *Id.* at para. 44.

¹⁶⁷ *Id.* at para 49. The advertising scheme employed by Amanresorts targeted at the rich; for example, the American Express Centurion and Platinum members. *Id.* at para. 51.

¹⁶⁸ *Id.* at para. 58.

¹⁶⁹ *Id.* at para. 64.

¹⁷⁰ *Id.* at para. 66.

¹⁷¹ *Id.* at para. 77.

¹⁷² *Id.* at para 73. The Court justified this rule by saying that those who Amanresort's good attached to had access to defendant's mark because Novelty had made the Project available to the general public, including those public to whom Amanresorts' goodwill attach to. *Id.* at para 76.

confusion.¹⁷³ It presented the question of confusion as whether “the average reasonable person, with characteristics reflective of the relevant section of the public as identified under the examination of goodwill, is likely to be confused by defendant’s misrepresentation.”¹⁷⁴ The Court upheld the claim of misrepresentation under the theory that services was closely related and the fact that modern business often expand to related fields, making the dividing line between purely residential developments and luxury hotel or resort developments no longer pronounced.¹⁷⁵

In terms of damage, the Court held that Amanresorts successfully proved the likelihood of damage in the form of “(a) tarnishment of the goodwill attached to the ‘Aman’ names due to the difference in quality between the Aman resorts and the Project, and (b) restriction on [Novelty’s] expansion into the residential accommodation business in Singapore.”¹⁷⁶

3. Claim under Trade Mark Act

The Court then turned to the claim under Section 55 of the Trade Marks Act., which prohibits any use of a foreign trademark that “would indicate a connection between those goods or services and the proprietor, and is likely to damage the interests of a proprietor.”¹⁷⁷ Well-known trade mark is defined in section 2(1) of the Trade Marks Act as:

¹⁷³ *Id.* at para. 77.

¹⁷⁴ *Id.* at para. 80. d

¹⁷⁵ *Id.* at para. 85.

¹⁷⁶ *Id.* at para. 132.

¹⁷⁷ *Id.* at para. 66; Singaporean Trade Marks Act, ch. 332 (1999), § 55(3)(a), available at <http://www.ipos.gov.sg/NR/rdonlyres/138E6C9D-983E-4D81-8BC6-7F0848DC9CE1/1785/TradeMarksAct.pdf>. Relevant portion of § 55 provides:

(1) A well known trade mark shall be entitled to protection under this section –
(a) whether or not the trade mark has been registered in Singapore, or an application for the registration of the trade mark has been made to the Registrar; and (b) whether or not the proprietor of the trade mark carries on business, or has any goodwill, in Singapore...

...

(3) ... the proprietor of a well known trade mark shall be entitled to restrain by injunction the use in Singapore, in the course of trade and without the proprietor’s consent, of any trade mark which, or an essential part of which, is identical with or similar to the proprietor’s trade mark, in relation to any goods or services, where the use of the trade mark – (a) would indicate a connection between those goods or services and the proprietor, and is likely to damage the interests of the proprietor; or (b) if the proprietor’s trade mark is well known to the public at large in Singapore – (i) would cause dilution in an unfair manner of the distinctive character of the proprietor’s trade mark; or (ii) would take unfair advantage of the distinctive character of the proprietor’s trade mark.

(a) any registered trade mark that is well known in Singapore; or (b) any unregistered trade mark that is well known in Singapore and that belongs to a person who – (i) is a national of a Convention country; or (ii) is domiciled in, or has a real and effective industrial or commercial establishment in, a Convention country, whether or not that person carries on business, or has any goodwill, in Singapore.¹⁷⁸

Sections 2(7), (8) and (9) provide further clarification on “well-knownness” in Singapore:

(7) Subject to subsection (8), in deciding, for the purposes of this Act, whether a trade mark is well known in Singapore, it shall be relevant to take into account any matter from which it may be inferred that the trade mark is well known, including such of the following matters as may be relevant:¹⁷⁹ (a) the degree to which the trade mark is known to or recognised by any relevant sector of the public in Singapore; (b) the duration, extent and geographical area of – (i) any use of the trade mark; or (ii) any promotion of the trade mark, including any advertising of, any publicity given to, or any presentation at any fair or exhibition of, the goods or services to which the trade mark is applied; (c) any registration or application for the registration of the trade mark in any country or territory in which the trade mark is used or recognised, and the duration of such registration or application; (d) any successful enforcement of any right in the trade mark in any country or territory, and the extent to which the trade mark was recognised as well known by the competent authorities of that country or territory; (e) any value associated with the trade mark.¹⁸⁰

(8) Where it is determined that a trade mark is well known to any relevant sector of the public in Singapore, the trade mark shall be deemed to be well known in Singapore.¹⁸¹

¹⁷⁸ Singaporean Trade Marks Act, § 2(1).

¹⁷⁹ Singaporean Trade Marks Act, § 2(7).

¹⁸⁰ *Id.* These elements were taken from Article 2(1) of the Joint Recommendation. *See* Novelty, [2009] SGCA 13, para. 137. As the Joint Recommendation, it was said that “[t]he factors set out in s 2(7) are guidelines and not pre-conditions for determining whether a mark in question is a well-known trade mark. They “do not preclude the consideration of other matters not listed therein which may be found to be relevant in a particular case, whether by themselves or in combination with the listed factors.” *Id.* at para. 69.

¹⁸¹ Singaporean Trade Marks Act, § 2(8).

(9) In subsections (7) and (8), “relevant sector of the public in Singapore” includes any of the following: (a) all actual consumers and potential consumers in Singapore of the goods or services to which the trade mark is applied; (b) all persons in Singapore involved in the distribution of the goods or services to which the trade mark is applied; (c) all businesses and companies in Singapore dealing in the goods or services to which the trade mark is applied.¹⁸²

The Court stated that the relevant sector of the public in Singapore in Section 2(9) referred to actual and/or potential consumers of the type of goods and/or services to which the mark is applied.¹⁸³ Since AMAN names were well-known among relevant sectors of public in Singapore, it was deemed well-known in Singapore under section 2(8).¹⁸⁴ For one to claim protection under the well-known mark provision, section 55(3)(a), one needs to prove the likelihood of confusion by creating a connection between goods and services of the parties.¹⁸⁵ In holding that Novelty’s Project was likely to damage Amanresorts’ interests because there was a connection between the goods or services between the parties, the Court acknowledged that the test is similar to a passing-off action, but that no goodwill requirement is needed.¹⁸⁶ The Court then held that since the cause of action under section 55(3)(a) of the Trade Mark Act worked the same as the claim of passing-off in this situation, the claim under section 55(3)(a) of the Trade Mark Act was upheld on the same reasoning.¹⁸⁷

4. Analysis

This case illustrates a mark of which reputation was in a relatively narrow niche market. The Singaporean courts narrow the “relevant sector of the public” to actual and potential consumers under both the analysis of goodwill and section 55(3)(a) of the Trade Mark Act. The Court made it

¹⁸² Singaporean Trade Marks Act, § 2(9). These factors are essentially the same as the factors in Article 2(2) of the Joint Recommendation.

¹⁸³ Novelty, [2009] SGCA 13, para. 150. The term consumer was held to be understood in the wide sense, rather than those who actually consume certain products. *Id.* at para 150. The Court mentioned that that sections 2(8) and (9) could not be interpreted as meaning having recognition among general public at large because marks well known to the public at large in Singapore are afforded with wider protection under sections 55(3)(b) and 55(4)(b). *Id.*

¹⁸⁴ *Id.* at para. 154.

¹⁸⁵ *Id.* at para. 234. The dilution and unfair advantage claims under section 55(3)(b) was held to be applicable only to mark that are “well known to the public at large in Singapore.” *Id.* at para. 229.

¹⁸⁶ *Id.* at para. 234.

¹⁸⁷ *Id.*

clear that for protection affordable to famous mark under section 55(3)(b) of the Trade Mark Act, fame/recognition in the niche market is not enough.¹⁸⁸ The most influential objective evidence of the fame/reputation in this case were the requests from local Singaporean developers and International Corporate Officer and the International Reservations Office in Singapore. This was supported by other evidence of the mark's long use and international recognition.¹⁸⁹

Bad faith was not explicitly used for the establishment of well-knownness. In analyzing motive to misrepresent, the High Court judge mentioned:

[T]he defendant's architect was inspired by the Amanusa resort which he must have read about or seen pictures of in the course of his work or research and that he tried to replicate the ambience of a Balinese resort and, at the same time, pay the sincerest form of compliment by copying the famous name.¹⁹⁰

The High Court and the Court of Appeal did not point out the interrelation of bad faith and the degree of well-knownness explicitly because the judges were confident in the establishment of well-knownness by narrowing the relevant sector of the public. However, the High Court judge's statements definitely showed that he was affected by the underlying inference that "the foreign mark must have been well-known or well-received so that the local mark user adopted such mark and concept with the intention of maximizing their profits." This is precisely the situation that triggers the protection of well-known marks.¹⁹¹

By narrowing the scope of the relevant sector of the public to (1) Singaporeans who visited Amanresorts or had been a target of the Amanresorts' selective marketing campaign,¹⁹² (2) once-in-a-lifetime guests¹⁹³, and (3) those who are in high-end travel and resort industry,¹⁹⁴ it became increasingly technical and costly to use survey evidence to prove the degree of well-knownness because the universe of the survey is hard to identify. By using other objective factors rather than survey evidence, courts have more leeway to determine whether the mark is well-known. Bad faith, then, served as a subconscious reason for the courts' recognition of well-

¹⁸⁸ *Id.* at para. 229.

¹⁸⁹ *Amanresorts*, [2008] Part 1 Case 8 [HCSg], paras. 5, 13, 50, 56.

¹⁹⁰ *Id.* at para. 62.

¹⁹¹ WIPO Expert Report I, *supra* note 37, at para. 43.

¹⁹² *Novelty*, [2009] SGCA 13, para. 58.

¹⁹³ *Id.* at para. 64.

¹⁹⁴ *Id.* at para. 66.

knownness; i.e., that such tasteless squatting on the trademark of another should not be unpunished.

C. United States: *Grupo Gigante v. Dallo*—A Medium Level of Consumer Recognition in a Niche Market and an Inference of Bad Faith

In *Grupo Gigante SA DE CV v. Dallo & Co., Inc.*, the plaintiff had operated a large chain of grocery store in Mexico since 1962 under the mark GIGANTE.¹⁹⁵ The defendants were a small grocery store chain in San Diego operated since 1991 under the name of GIGANTE MARKET.¹⁹⁶ American courts have always struggled with the question of whether the well-known mark doctrine as envisaged under Article 6bis of the Paris Convention is recognized by the Lanham Act.¹⁹⁷ This case is important because the Ninth Circuit recognized the well-known mark exception to the territoriality principle in equity by stating that “[w]hen foreign use of a mark achieves a certain level of fame for that mark within the United States, the territoriality principle no longer serves to deny priority to the earlier foreign user.”¹⁹⁸

In determining the standard needed to achieve the level of well-knownness, the Court stated that it must be more than secondary meaning, but less than the fame requisite for dilution protection of famous marks.¹⁹⁹ The Court elaborated its version of the well-known mark exception: the plaintiff needed to prove “by a preponderance of evidence, that a *substantial* percentage of consumers in the relevant market are familiar with the foreign mark.”²⁰⁰ The relevant American market was defined as “the geographic area where the defendant uses the allegedly infringing mark.”²⁰¹ The Court then provided some pointers for the determination of well-knownness; it stated that “[i]n making this determination, the court should consider such factors as the intentional copying of the mark by the defendant, and whether customers of the American firm are likely to think they are patronizing the

¹⁹⁵ *Grupo Gigante SA DE CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1091 (9th Cir. 2004).

¹⁹⁶ *Id.*

¹⁹⁷ See Anne Gilson LaLonde, *Don't I know you from Somewhere? Protection in the United States of Foreign Trademarks that are Well Known but not Used There*, 89 TRADEMARK REP. 1379 (Nov-Dec 2008).

¹⁹⁸ *Grupo Gigante SA DE CV*, 391 F.3d at 1093.

¹⁹⁹ *Id.* at 1098, 1106 (Graber, J., concurring). For definition and proving secondary meaning, see MCCARTHY § 19.4. The District Court pointed out the relevant factors in determining whether a descriptive trademark has acquired secondary meaning include: (1) survey evidence; (2) direct consumer testimony; (3) exclusivity, manner and length of use of mark; (4) amount and manner of advertising; (5) amount of sales and number of customers; (6) established place in market; and (7) proof of intentional copying by defendant. *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 119 F. Supp. 2d 1083 (C.D. Cal. 2000).

²⁰⁰ *Grupo Gigante SA DE CV*, 391 F.3d at 1098.

²⁰¹ *Id.*

same firm that uses the mark in another country.”²⁰² The Court remanded the case to the district court to determine fame/reputation beyond that required for secondary meaning.²⁰³ Ultimately, since the Mexican mark owner had known the existence of the defendants’ marks across the border for years before initiating any objections, the Court rejected plaintiff’s claim on grounds of laches and estoppel.²⁰⁴

Objective evidence produced in the *Grupo Gigante* case involved a survey which was based on a universe of “78 people in San Diego County who were ‘Spanish-speaking, and had recently purchased Mexican-style food at a supermarket or other food store.’”²⁰⁵ Among the 78 people, 24 of them recognize defendant’s GIGANTE MARKET mark.²⁰⁶ The evidence was subjected to contest and was remanded for further consideration.²⁰⁷ Other objective evidence included: (1) the fact that the plaintiff’s market GIGANTE was very close to the US-Mexican borders and that there were large Hispanic populations in the San Diego area where defendants operated its GIGANTE MARKET grocery store.²⁰⁸ (2) Plaintiffs had been operating the GIGANTE markets for a long period of time (since 1962) in Mexico and had 100 stores in Mexico by the time the defendants opened its GIGANTE MARKET grocery store in San Diego.²⁰⁹

The bad faith issue was remanded for further findings,²¹⁰ but it seems that an intention to take advantage of consumer confusion existed at the time of adopting the mark and could be implied from the scale of the plaintiff’s business operations and the close geographic connection between the two marks at issue.²¹¹ The Ninth Circuit made it clear that intentional copying

²⁰² *Id.*

²⁰³ *Id.*

²⁰⁴ *Id.* at 1101-06.

²⁰⁵ *Id.* at 1107 (Graber, J., concurring).

²⁰⁶ *Id.* Judge Graber in his concurring opinion attacked the sufficiency of the survey evidence and suggested that since GIGANTE attempts to serve both Hispanic and non-Hispanic population, the universe (relevant sector of the public) of the survey should not be limited to Spanish-speaking population, but rather all the potential customers from the San Diego County. *Id.* at 1106-09 (Graber, J., concurring). He also criticized the majority in suggesting such percentage (around 30 percent, subjected to drop since 1991, when the survey was conducted) of awareness could constitute “substantial percentage of consumers.” *Id.*

²⁰⁷ *Id.* at 1098.

²⁰⁸ *Id.* at 1091.

²⁰⁹ *Id.* at 1092.

²¹⁰ *Id.* at 1098.

²¹¹ *Id.*

should be one of the factors in determining whether the mark qualifies as a well-known mark.²¹²

This case demonstrates a borderline scenario where neither evidence of bad faith nor objective evidence of consumer recognition were very strong. Disregarding the laches and estoppel issue, this article analyzes the interrelation of bad faith and well-knownness with the available evidence because the remanded further proceedings never took place. It was clear that the Ninth Circuit thought bad faith taking advantage of the foreign owner's mark was a factor for determining whether a mark qualifies for well-known mark protection.²¹³ It is unclear what the Court would do if the plaintiff had successfully demonstrated bad faith. However, as argued by Judge Graber, the court is likely to limit consumers to actual or potential GIGANTE shoppers.²¹⁴ Once the narrow universe is defined, plaintiff could buttress it with evidence such as the large percentage of people who travel between Mexico and Southern California, and plaintiff's longstanding use. Bad faith may then function to push the percentage requirement to the lower end of the zone of well-knownness, or serve as a motive to narrow the relevant sector of public to the narrowest possible.

D. *United States: ITC Ltd. v. Punchgini, Inc.*—A Low Level of Consumer Recognition and Bad Faith

In *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135 (2d Cir. 2007), the plaintiff was the owner of the BUKHARA mark for restaurant services in New Deli, Singapore, Kathmandu, and Ajman.²¹⁵ A former employee of BUKHARA opened two restaurants in New York under the name of BUKHARA GRILL.²¹⁶ As mentioned earlier, whether the well-known mark exception has been incorporated into the Lanham Act is an ongoing debate in the United States.²¹⁷ The Second Circuit took a different stance than the Ninth Circuit. It examined the text of the Lanham Act § 44(b) and (h) and found no conclusive evidence of Congress' intent to incorporate the well-known mark exception into the Lanham Act.²¹⁸ Failing to find a cause of action under

²¹² *Id.*

²¹³ *Id.* It is worth noting here that proving “by preponderance of the evidence” that a “substantial percentage” of consumers in the relevant American market recognize the mark does not mean that the plaintiff must produce evidences of fame/reputation over 51 percent of the relevant public. *Id.* On the other hand, it means that whatever “substantial” percentage required, it should be proved “by preponderance of the evidence.” *Id.*

²¹⁴ *Id.* at 1106-09 (Graber, J., concurring).

²¹⁵ *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 143 (2d Cir. 2007).

²¹⁶ *Id.* at 144.

²¹⁷ See Anne Gilson, *supra* note 197.

²¹⁸ *Id.* at 142, 156-165.

federal law, the Court certified the question of whether an unregistered and unused well-known mark enjoys priority to the New York Court of Appeals.²¹⁹

The New York Court of Appeals answered that the action for misappropriation exists under law of tort.²²⁰ It concluded that “when a business, through renown in New York, possesses goodwill constituting property or commercial advantage in this state, that goodwill is protected from misappropriation under New York unfair competition law. This is so whether the business is domestic or foreign.”²²¹ Under New York law, misappropriation exists when there is bad faith copying of a foreign mark and when New Yorkers “primarily associate” the foreign plaintiff’s mark with the mark used or proposed to be used by the defendant.²²²

After receiving the opinion of the New York Court of Appeal, the Second Circuit in a later opinion refused to entertain the foreign BUKHARA’s claim under the theory that the mark had not obtained secondary meaning, even though deliberate copying was found.²²³ The foreign BUKHARA owner was only able to produce evidence showing that “a significant number of defendants’ customers are Indian or ‘well-traveled [people who] know what authentic Indian food tastes like.”²²⁴ Since all the evidence was related to the copying and bad faith of the defendant, rather than the goodwill of the plaintiff, the Second Circuit held that the plaintiff failed to prove his claim of misappropriation under New York law because “such evidence is no proof that defendants’ potential customers were even aware of the existence of ITC’s Bukhara.”²²⁵

Disregarding the issue of whether the Lanham Act encompasses the well-known mark protection, this case demonstrates that when a mark does not muster the fame/reputation required for secondary meaning, it does not matter whether the local mark user intended to take advantage of the fame/reputation of the foreign mark owner in the target market. Here, the foreign BUKHARA owner was unable to produce any objective evidence of

²¹⁹ *Id.* at 166-69.

²²⁰ ITC Ltd. v. Punchgini, Inc., 880 N.E.2d 852, 859 (N.Y. 2007).

²²¹ *Id.*

²²² *Id.* at 860.

²²³ ITC Ltd. v. Punchgini, Inc., 518 F.3d 159 (2d Cir. 2008). Secondary meaning was said to be proven by “(1) advertising expenditures, (2) consumer studies linking the mark to a source, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and (6) length and exclusivity of the mark’s use.” *Id.* at 162.

²²⁴ *Id.* at 163.

²²⁵ *Id.* at 164.

its fame/reputation in the relevant sector of the public in New York.²²⁶ All it was able to prove was the bad faith adoption, proven through prior access and its volume of sale abroad.²²⁷ Even though the Court recognize the well-known mark doctrine, it is unlikely that the plaintiff could have proven the requisite fame/reputation within the relevant sector of the public. Since BUKHARA could not be used to “identify the source of the product rather than the product itself,”²²⁸ bad faith does not affect the finding that the mark is not well-known in the given target market.

VI. Summary of Analysis

As discussed earlier in Part II(b)(1), the degree of well-knownness is a question of fact and the only sensible guideline is perhaps a non-exclusive factor list. Article 2 of the Joint Recommendation provides a good guideline on what the factors can be considered.²²⁹ The Joint Recommendation also allows bad faith as a factor in determining the degree of well-knownness.²³⁰ However, the document failed to explain the interrelation between the objective factors and bad faith. This article proposes that the following analytical tools be used in determining the interrelation between objective and subjective evidence.

First, bad faith should only affect the degree of well-knownness when objective evidence alone can prove the degree of recognition beyond that required for secondary meaning. The mark needs to at least have the ability to function as a source identifier for its product. The American BUKHARA case illustrated the situation where a plaintiff failed to prove the level of consumer recognition requisite to establish secondary meaning. Bad faith would not be able to help plaintiff’s case in such situation.²³¹

Second, in the event that a mark is known to a large section of the general public with a broad reputation that extends to various goods or services, such that the mark enjoys the protection from dilution, the mark is definitely well-known. In such situation, the presence of bad faith is not necessarily crucial in establishing the well-knownness of a mark, although it can be a very persuasive proof of the mark’s fame. The South African

²²⁶ *Id.* at 162. The Court referred to the relevant market as “potential customers for defendants’ New York restaurant.” This article is of the view that if the claim was to be made under the well-known mark doctrine, relevant sector of the public should be “actual and potential customers of the *plaintiff*’s New York restaurant.”

²²⁷ *Id.* at 162-63.

²²⁸ *Id.* at 161 (*quoting* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 766 n. 4, (1992)).

²²⁹ Joint Recommendation, art. 2.

²³⁰ Joint Recommendation, art. 3(2).

²³¹ *See supra*, Part VI(d).

McDonald's case demonstrated such situation.²³² The Court emphasized the bad faith adoption of the mark and used it as evidence of McDonald's fame/reputation. It should be noted that although McDonald's mark was held to be famous, the marks BIG MAC and MCMUFFIN were not necessarily "famous" when used in the absence of the brand McDonald's.

Thirdly, where objective evidence on degree of well-knownness falls between that to establish secondary meaning and the claim of dilution, bad faith serves as a mediating factor for the court to decide on the degree of well-knownness. One technique courts use is to limit the scope of the "relevant sector of the public." With the presence of bad faith, courts are more likely to narrow the relevant sector of the public, so that it is easier for the foreign mark owner to prove well-knownness. Within this range, a benchmark percentage of well-knownness should not be the conclusive evidence in determining the degree of well-knownness because courts should preserve the power to take bad faith as circumstantial evidence of fame if the facts and equity permit.

The Singaporean *Amanresort* case and the American *Grupo Gigante* case illustrate such a relationship. Recognizing the bad faith adoption of the mark, the Singaporean Court restricted the relevant sector to those who have an interest in the foreign mark.²³³ After limiting the relevant sector to the narrowest possible, it was easy for the Singaporean Supreme Court to say that a substantial number of those who are interested (actual and potential consumers) in the AMAN services recognize the AMAN mark. In the American *Grupo Gigante* case, although the precise issue of bad faith was remanded, the inferences of bad faith can be glimpsed from the facts and may be supposed to limit the relevant sector of public or shift the requisite degree of well-knownness to the lower end of the spectrum.

Lastly, while a local mark user's adoption of a foreign mark owner's mark is very persuasive evidence in proving that the mark is well-known among a certain sector of the public, the absence of which to a certain extent signifies that the mark is not well recognized in the target market. In other words, if local mark user without bad faith adopted a mark that is confusingly similar to a foreign mark, then the foreign mark is likely not well-known enough in the target jurisdiction to subject it to the protection of Article 6bis of the Paris Convention. In this sense, bad faith signals the strength of a foreign mark owner's case.

VII. Conclusion

²³² See *supra*, Part VI(a).

²³³ See *supra*, Part VI(b)(c).

The element of bad faith plays a subtle but powerful role in the determination of the requisite degree of well-knownness in infringement cases. Its importance is not to be ignored because the act of taking advantage of foreign mark owner's fame/reputation in a target market is precisely the unfairness Article 6*bis* of the Paris Convention was tries to stop.²³⁴ Since trademark law is the tool used by most countries to punish such act, consideration of bad faith must square with the fundamental principles of trademark law. Therefore, the lower limit of the zone of well-knownness, the recognition of secondary meaning, should be complied with.²³⁵ On the other hand, the higher limit, fame/reputation for the protection of famous mark for dilution, is a new creation by both international and domestic laws. The broad protection and the danger of the expansion of dilution law make it an unsuitable tool for courts to exercise their equitable power.²³⁶ The Joint Recommendation should specify this zone of well-knownness where bad faith, as an independent factor, plays an important role. Within the zone of well-knownness, laws on the degree of well-knownness should be flexible enough so that courts can analyze different factual scenarios in punishing bad faith trademark pirating. The court may use the function of zone of well-knownness either as a justification for pushing the requisite degree of well-knownness to the lower end or for limiting the relevant sector of public to make it easier for the foreign mark owner to prove it has a well-known mark. Either way, a rigid benchmark percentage or the sole use of objective evidence defeat the purpose of the law and should not be adopted.

Cited as:

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²³⁴ WIPO Expert Report I, *supra* note 37, at para. 43.

²³⁵ *See supra*, Part IV(b).

²³⁶ *See supra*, Part IV(a).