This examination consists of a single essay question. You have 24 hours after picking up the exam from the Registrar to compose your answer (preferably typed or printed from a computer) and return both the exam and your answer to the Registrar. Your answers must be limited to 10 double-spaced typed pages, 1-inch margins, 12-point type (or roughly 3000 words).

You are not permitted to discuss any aspect of the problem or any issue raised by the problem with other people, whether or not class members, but you are permitted to use or refer to any written or (noninteractive) electronic materials you like in composing your answer. You may not cite as authority for any proposition of law anything that is not found in the textbook, any class handout materials, your class notes, or the materials found at the Course Materials page of the class web site. In other words, if you know of a case that we did not study but that you think is dispositive of an issue, you will get no points for saying “Under the principle of A v. B, issue 1 must be decided in favor of X.” However, you may use the reasoning of A v. B and apply that, preferably with your own improvements, to the fact situation in the problem. In my opinion, an A++ answer can be written based solely on the materials that we have studied, and I would advise wasting no time looking for other cases or materials.

GOOD LUCK!
**Problem**

Nidas, Inc., a U.S. company, has registered its mark NIDAS for athletic shoes in the U.S. and in most of the rest of the world. Nidas is the largest selling manufacturer of athletic shoes in the U.S., with some 40% of the U.S. market. It also has 20% (in both dollars and unit volume) of athletic shoe sales worldwide. Nidas advertises heavily worldwide and has been a sponsor of every Olympic Games for some 30 years.

Nidas recently sought to register its NIDAS mark in Newstan, a former Soviet bloc state that has recently joined the WTO (and TRIPS). Its application was denied in Newstan, however, on the ground that the NIDAS mark had already been registered several years earlier by a Newstan Sports (NS), a manufacturer of sporting equipment, such as tennis rackets and skis (but not sports clothing). Nidas brought a legal action in Newstan to compel the Newstan trademark authority to register Nidas’s mark for athletic shoes and to cancel NS’s registration. While the Newstan trademark law tracks the relevant language of TRIPS, the Newstan courts denied both of Nidas’s demands. That decision is now final in Newstan.

Nidas persuaded the U.S. government to bring an action before the WTO (after all the prerequisites for consultations and so forth were duly followed). The U.S. argued that Article 6quinquies of Paris required Newstan to register the NIDAS mark for Nidas’s athletic shoes. The U.S. also argued that Article 16 of TRIPS required Newstan to cancel NS’s registration of the NIDAS mark for sporting equipment. Before the panel, the U.S. submitted evidence of consumer surveys showing that substantial numbers of Newstan residents recognized the NIDAS mark as evidencing Nidas as the source of athletic shoes. The U.S. also supplied evidence showing that for 30 years all telecasts of the Olympic Games, showing Nidas sponsorship, could be received on television sets in Newstan. Newstan did not offer any evidence in rebuttal on these points, and neither side attempted to show how many Newstan residents actually watched the Olympic Games on television in that country.

The panel agreed with the U.S. that Newstan was obliged to register Nidas’s mark for athletic shoes. However, the panel partially sided with Newstan on the second issue. While finding that the NIDAS mark was well known in Newstan, the panel concluded that Newstan need not cancel NS’s registration provided that the packaging for NS’s products include the disclaimer, “This product is not produced by or in any way associated with Nidas, Inc., a United States manufacturer of athletic shoes.” Both the U.S. and Newstan appeal to the Appellate Body.

As to Nidas’s right to register its mark for athletic shoes, Newstan argues that, as a “first to file” jurisdiction for trademarks, it is bound to recognize NS’s mark and that Nidas’s mark, being identical, would cause confusion among Newstan consumers. Consequently, Newstan should not be required to accept Nidas’s application to register the NIDAS mark. On this issue, the U.S. responds that Nidas’s mark must be registered under Paris Article 6quinquies.
As to cancellation of NS’s mark, the U.S. argues that the panel’s finding that Nidas’s mark was well known in Newstan is binding on the Appellate Body. Consequently, the Appellate Body must accept that finding and hold, as a matter of law, that Article 16 of TRIPS and Article 6bis of Paris require cancellation of NS’s mark. Newstan responds that, by requiring only a disclaimer, the panel found as a matter of fact that, with the disclaimer, NS’s products are sufficiently distinct from Nidas’s that cancellation is not mandated by TRIPS. Moreover, Newstan argues that TRIPS Art. 16(3) does not apply in this case because trademark law is not extraterritorial and Nidas is not the registered owner of the mark in Newstan.

You are a member of the Appellate Body panel assigned to draft an opinion resolving these two points on appeal. Do so.

Model Answer

The first issue is whether Newstan must register the NIDAS mark for Nidas under Paris Art. 6quinquies, with which Newstan is required to comply pursuant to TRIPS Art. 2(1), whether or not Newstan has acceded to Paris. Paris Art. 6quinquies says that “Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union,” subject to certain enumerated exceptions. We may assume that the country of origin for Nidas’s mark is the U.S. (or some other Paris member – else there is no problem), and we are told that the mark is registered there. Consequently, Newstan must comply with that provision’s requirement to accept the NIDAS mark for filing and protect it “as is” unless an exception applies. NIDAS cannot be “contrary to morality or public order” in Newstan under Art. 6quinquiesB.3, because Newstan has registered that mark on behalf of NS. It might, however, be deemed in Newstan to be “of such a nature as to deceive the public,” in which case Art. 6quinquiesB.3 would permit an exception. There is no indication that Newstan has denied Nidas’s application on the ground that NIDAS is “devoid of any distinctive character” under Art. 6quinquiesB.2. Indeed, that, too, would be belied by Newstan’s registration of the mark on behalf of NS. So, the only exceptions can be under B.3 (of such nature as to deceive the public) or B.1, in that registration of NIDAS in Newstan on behalf of Nidas would infringe the rights of third parties, namely, NS.

In addition, Art. 6quinquies is expressly subject to Art. 10bis, which requires in very general terms protection against unfair competition. It is difficult to see how this requirement could assist Newstan’s argument in favor of NS in this case, however. Here, it is Nidas that is in a sense seeking protection from unfair competition, not NS. Although NS would like to argue that allowing Nidas to register the NIDAS mark would be unfair to NS, it is far from clear that either Paris or TRIPS requires such protection of locals as opposed to nationals of other member states. Moreover, NS’s claims in this regard would be subsumed in the Art. 6quinquiesB.1 and B.3 exceptions, as NS’s only claim is that it rather than Nidas is entitled to use the NIDAS mark. The real issue remains whether registration of the mark by Nidas would infringe NS’s rights or
confuse the public. More specifically, the issue is whether Newstan’s implicit determination that registration by Nidas would do one or the other must be respected.

Whether registration of the mark on behalf of Nidas would infringe the rights of third parties depends on whether NS has legitimate rights to the mark in Newstan. We have seen in the Havana Club decision that Articles 15 and 16 of TRIPS specify the kinds of marks that are eligible for trademark protection and the kinds of rights that the owner of a mark must be afforded, but they do not specify who actually is the owner of a given mark that is eligible for trademark treatment. The question of mark ownership, unaddressed by either Paris or TRIPS, is a matter for local (municipal) law, unless that law conflicts with a provision of those agreements.

Similarly, whether NIDAS, registered on behalf of Nidas, would be of such a nature as to deceive the public should be considered after we take up Nidas’s claimed rights under TRIPS Art. 16 to have NS’s registration of that same mark cancelled. Generally speaking, precisely what “nature” of a mark will deceive the public is not specified in either Paris or TRIPS, so it would be a matter for municipal (local) law, unless in a given case a particular provision of one of these agreements were in conflict with that conclusion. If Newstan has validly registered NS’s mark for sports equipment, and if Newstan concludes that registration of the identical mark by Nidas for athletic shoes would deceive the public, any WTO panel and the Appellate Body must accept that conclusion absent a demonstrated conflict with another provision of the agreements binding all WTO members.

It therefore makes for a better logical flow if we deal with Nidas’s demand that Newstan cancel the NS registration first. Article 6bis of Paris requires cancellation of marks “considered . . . to be well known” in the country of registration as the mark of someone else and used for “identical or similar goods,” provided use of the mark is “liable to cause confusion.” TRIPS Art. 16(2) extends this to services and specifies that whether a mark is “well known” shall be determined in part by looking to knowledge of the mark in the “relevant sector of the public” and including knowledge acquired by promotion of the mark. Art. 16(3) of TRIPS then extends Paris 6bis to cover nonsimilar goods and services, provided that the owner is damaged and that use of the well known mark by another indicates a “connection” between the user and the owner of the well known mark.

In interpreting these provisions of Paris and TRIPS, the Appellate Body must be mindful of the evident policy underlying them, which is to encourage companies to adopt cost-efficient worldwide marketing strategies by protecting them from opportunistic usurpers of their means of identifying their products. Nevertheless, we must also abide by Art. 3(2) of the DSA, enjoining us not to “add to or diminish the rights and obligations provided in the covered agreements.” The issues include whether the NIDAS mark in the hands of Nidas is “well known” in Newstan; whether, if so, sporting equipment not including clothing is identical or similar to athletic shoes; and whether, if so, its use on sporting equipment is liable to cause confusion. If well known but
not used on similar goods, there remains an issue of whether its use on sporting equipment indicates a connection between Nidas and NS and, if so, whether Nidas was damaged.

We must first deal with the threshold issue of whether TRIPS Art. 16(3) applies at all. That provision applies Paris Art. 6bis to goods that are nonsimilar “to those in respect of which a trademark is registered.” Nidas, of course, has registered its mark in many countries but not in Newstan. If Nidas is successful in its claim here to have its mark registered, this aspect of Newstan’s defense would collapse, and the panel did order such registration. But Newstan has a potential defense against that claim, as discussed above, that registration would conflict with the rights of NS. If Art. 16(3) does apply only to marks actually registered in the country of enforcement, it would cease to have much meaning in first-to-file countries where pirates win the race to the trademark office to register well known marks. While Newstan is correct that intellectual property law, including trademark, is territorial, the question here is the meaning of the word “registered” in Art. 16(3). It has been suggested that the use of the term “registered mark” in Art. 16(3) was the result of oversight by the TRIPS drafters (Text p. 197). We are forbidden from adding to or subtracting from the rights and duties provided in TRIPS, but the question is what those rights and duties are in this case. If we eliminate the word “registered” in Art. 16(3), we would be changing language actually agreed to by all WTO members. We cannot say that all would have joined if that word had been deleted. Therefore, we do not pretend that the word “registered” is not there. However, TRIPS does not say where the mark must be registered. In particular, it does not say that the mark must be registered in the country in which enforcement is sought in order for Art. 16(3) to apply. We think that, in the case of well known marks, the registration in question is that of the country of origin. In this case, the NIDAS mark is registered, in the U.S. and in many other member states. We do not deviate from the text of TRIPS, therefore, in adopting this interpretation. While we do not take this step lightly, we believe that it is necessary to effectuate the evident purpose of this negotiated expansion of the rights of well known mark owners. Consequently, we conclude that Art. 16(3) does apply to this dispute, independently of Nidas’s registration of that mark in Newstan.

The panel found that NIDAS was “well known” in Newstan, presumably based on the evidence introduced by the U.S. of the consumer surveys and the Olympic telecasts in Newstan. The U.S. argues that this finding of the panel is a factual determination that binds the Appellate Body. DSA Art. 17.6 limits appeals to issues of law. We agree that the Appellate Body is not in a position to redetermine the results of the surveys offered into evidence by the U.S. or the fact that the Olympics have been telecast for some 30 years in Newstan. Newstan did not rebut these evidentiary offerings of the U.S. and we accept them as is. The record also shows that Nidas is a very large and successful manufacturer of athletic shoes, with 20% of the world market. These too are facts that we accept as a basis for our decision. That does not end the matter, however, for whether these facts are sufficient to allow a conclusion under TRIPS that NIDAS is a well known mark in Newstan is a question of law. India Pharmaceuticals Case (text p. 848).
We first note that Paris Art. 6\textsuperscript{bis} requires cancellation of marks “considered by the competent authority” of Newstan to be well known in that country. Here we do not know whether the trademark authority in Newstan considered the NIDAS mark to be well known there, although we do know that it refused to cancel NS’s registration. It may have refused on the ground that the goods were not similar or that use of the mark indicated no connection between the two companies, or that there was no likelihood of confusion, or that there were no damages. If in fact the NIDAS mark is well known, however, it seems unlikely that use of the mark without disclaimer would indicate no connection between the two companies or that there would be neither confusion nor damages to Nidas. The goods in question are, while not identical, so closely related that use of the well known mark of one maker on another’s goods is almost by definition confusing. Damages to Nidas by way of both blurring and tarnishment also seem likely.

If, however, the Newstan decision was on the basis that NS’s use was not on “similar” goods (sporting equipment versus athletic shoes), the issue is whether the Appellate Body may review that decision. As with many of the substantive terms of Paris and TRIPS, the treaties do not define the degree of similarity that would lead to a violation of Paris Art. 6\textsuperscript{bis}. However, in view of TRIPS Art. 16(3), we may not have to reach this issue if the NIDAS mark is “well known” in Newstan. That provision requires cancellation of NS’s registration, if the mark is well known, even for use on nonsimilar goods provided that a connection is indicated and there are damages.

The panel did find that NIDAS was well known in Newstan, based on unrebutted evidence of consumer surveys and the fact of Olympics coverage on television, plus the size of Nidas’s market share worldwide. We believe that these facts at least prima facie show that NIDAS is well known in Newstan. It is difficult for us to imagine what else the U.S. could do to prove the mark’s reputation in that country. If there is evidence or argument that the consumer surveys were incorrect, or that they failed to cover the “relevant market,” or that Olympics coverage was not “promotion” under TRIPS Art. 16(2), or that few people in Newstan actually watched the Olympics when they were shown, we feel that it is fair to place the burden of producing such evidence on Newstan. Newstan has failed to carry that burden here, so we conclude, along with the panel, that NIDAS is “well known” in Newstan. To hold otherwise would conflict with the evident underlying policy of these Paris and TRIPS provisions to encourage investment in coherent worldwide marketing methods. NIDAS appears to be an “arbitrary” mark, in the sense Newstan has not shown that it is a word in its national language or any other. The only plausible reason we can think of for NS’s adopting the mark is that it was not yet registered in Newstan and that NS could play off the investment in the mark already made by Nidas. While looking at the underlying policy, we emphasize that we are not deviating or derogating from any of the explicit requirements of the treaties. While Newstan does have considerable freedom in determining just what marks are “well known” there, it must offer more
than a mere conclusion that a mark is not well known before it can justify refusing to cancel under TRIPS Art. 16.

If we take the NIDAS mark as “well known,” as did the panel, the question becomes whether the panel’s recommendation that NS’s registration need not be cancelled provided NS supplies a disclaimer would place Newstan in compliance with its TRIPS obligations. TRIPS Art. 16(3) says that a mark must be cancelled and use forbidden, even as to nonsimilar goods, provided its use would “indicate a connection” with the mark’s owner and damages to Nidas’s interests are likely. The panel concluded, and Newstan seems to agree, that adding a disclaimer on the packaging would eliminate the possibility that NS’s use of the mark would indicate a connection with Nidas. At issue, then, is whether the use of a disclaimer allows countries to refuse to cancel registration of well known marks used on nonsimilar goods (or, ultimately, even on similar goods if the disclaimer would eliminate the indication of a “connection”).

Again, neither TRIPS nor Paris specifies how to determine indication of a connection or likelihood of confusion. Within broad limits, therefore, these issues should generally left to the individual members to set the conditions, in good faith, to effect the goals of TRIPS. In the case of similar but not identical marks, we feel that the good faith determinations of member states on these issues are largely determinative, like the issue of “obviousness” under patent law or the “idea/expression” distinction under copyright. Where the marks are identical, however, and especially when they are both identical and arbitrary, we question whether the TRIPS goals can be adequately achieved if disclaimers allow the use of famous marks on dissimilar goods. Here the delicate balance between public use and private rights – which is reflected in the patent “obviousness” and copyright “idea/expression” issues – is not seriously involved. There is no reason to adopt a well known and arbitrary mark for dissimilar goods except to play off the goodwill already developed by the mark owner. The goals of TRIPS Art. 16(3) was to prevent this sort of free-riding. NS had an infinite variety of marks from which to choose when it went into the sporting equipment business. We therefore disagree with the panel that a disclaimer is sufficient to allow Newstan to refuse Nidas’s cancellation request.

Having decided that NS’s registration should be cancelled in Newstan, refusal to register Nidas’s mark can no longer be based on the rights of third parties. Moreover, in view of the mark’s being well known in Newstan as the mark of Nidas, use of the mark by Nidas in Newstan could hardly be said to be of such a nature as to deceive the public under Paris Art. 6quinquies B.3. The Appellate Body therefore recommends that Newstan bring itself into compliance with its TRIPS obligations by cancelling the NS’s registration of the NIDAS mark, prohibiting its further use by NS, and accepting the registration application of Nidas for that mark under Art. 6quinquies.