



June 2014

The Registrability of Primarily Geographically Deceptively Misdescriptive Marks: The Development of § 1052(e)(3)

Courtney Liotti

Follow this and additional works at: <https://digitalcommons.tourolaw.edu/lawreview>



Part of the [Intellectual Property Law Commons](#), and the [Marketing Law Commons](#)

Recommended Citation

Liotti, Courtney (2014) "The Registrability of Primarily Geographically Deceptively Misdescriptive Marks: The Development of § 1052(e)(3)," *Touro Law Review*: Vol. 22 : No. 2 , Article 6.
Available at: <https://digitalcommons.tourolaw.edu/lawreview/vol22/iss2/6>

This Notes and Comments is brought to you for free and open access by Digital Commons @ Touro Law Center. It has been accepted for inclusion in Touro Law Review by an authorized editor of Digital Commons @ Touro Law Center. For more information, please contact lross@tourolaw.edu.

TRADEMARK

**THE REGISTRABILITY OF PRIMARILY GEOGRAPHICALLY
DECEPTIVELY MISDESCRIPTIVE MARKS: THE
DEVELOPMENT OF § 1052(e)(3)**

*Courtney Liotti**

I. INTRODUCTION

Within the last twenty years, the registrability of primarily geographically deceptively misdescriptive (PGDM) marks has noticeably changed. While section 1052(e) of the Lanham Act¹ protects consumers from deception, *In re California Innovations, Inc.*² and *In re Les Halles de Paris J.V.*³ created a gap in consumer protection by enabling the immediate registration of non-arbitrary geographically false marks. Absent a secondary meaning requirement, consumers may still purchase a product in part because of a goods/place association. Thus, the most drastic consequence of the development of PGDM marks is the negative consumer impact, which results from increased consumer deception through the immediate registration of non-arbitrary geographically false marks.

Prior to the North American Free Trade Agreement⁴

* J.D. candidate, Touro Law Center, May 2007; B.A., Montclair State University, May 2004.

¹ Lanham Act, 15 U.S.C. § 1052(e) (2000) [hereinafter section 2].

² *In re Cal. Innovations*, 329 F.3d 1334 (Fed. Cir. 2003).

³ *In re Les Halles de Paris J.V.*, 334 F.3d 1371 (Fed. Cir. 2003).

⁴ North American Free Trade Agreement, U.S.-Can.-Mex., Dec. 8, 1992, 107 Stat. 2057, 32 I.L.M. 605 [hereinafter NAFTA].

(NAFTA) amendments, the Lanham Act provided that PGDM marks could only be registered upon a showing of secondary meaning.⁵ Conversely, geographically deceptive marks, unlike PGDM marks, were permanently denied registration.⁶ In response to NAFTA, Congress amended section 1052(e) of the Lanham Act.⁷ Congress' amendments instituted the first major change in the registrability of PGDM marks—permanently barring such marks from registration under section 2(e)(3) and (2)(f).⁸

The second major change to the registrability of PGDM marks occurred when the Court of Appeals for the Federal Circuit decided *California Innovations* and *Les Halles* which elevated the test for section 2(e)(3) marks.⁹ *California Innovations* and *Les Halles* are criticized for a variety of reasons, but neither the Federal Circuit nor Congress has altered its holdings. Recent Trademark Trial and Appeal Board (TTAB) cases illustrate how the Patent and Trademark Office (PTO) has interpreted *California Innovations* and *Les Halles*.¹⁰ While TTAB decisions have not resulted in widespread registration, they highlight the problems potential PGDM marks face post-*California Innovations*. Such problems include incorporating the heightened service mark standard established in *Les Halles* to marks for goods which may lead to more registration and increased

⁵ Lanham Act, 15 U.S.C. § 1052(f) (1988).

⁶ *Id.*

⁷ Lanham Act, 15 U.S.C. § 1052(e)-(f) (2000).

⁸ *Id.*

⁹ *See infra* Part III.A-C.

¹⁰ *See infra* Part IV.A-B.

consumer deception.¹¹

This Comment explores the changes to the registrability of PGDM marks. Part II discusses the early changes to the registrability of PGDM marks, including the purpose of the Lanham Act, the PGDM mark test before the NAFTA amendments, and finally the amendments to section 2 of the Lanham Act. Part III explains the new PGDM mark test set forth in the *California Innovations* and *Les Halles* decisions, the test's impact on the registrability of section 2(a) and 2(e)(3), and criticisms of the two decisions.

Finally, Part IV analyzes recent TTAB decisions interpreting *California Innovations* and *Less Halles* to determine whether the new test is being applied in a manner that may lead to more registration and increased consumer deception. Part IV also discusses the registrability of various hypothetical marks under the new PGDM mark test and proposes future amendments to the Lanham Act. Three hypothetical marks are discussed during the course of this article: "Miami Rays," "Texas Leather," and "London Mist."¹² "Miami Rays" is a mark for a line of sunglasses that is manufactured outside Miami. "Texas Leather" is a mark for leather cowboy boots manufactured in Illinois and made from Italian leather. Finally, the mark "London Mist" describes a line of umbrellas made in America. "Miami Rays" will be used to demonstrate how registration varies depending upon the geographic mark test employed throughout this Comment, while "Texas Leather" and "London Mist" are discussed

¹¹ See *infra* Part IV.A.

¹² See *infra* Part IV.C.

only in Part IV.¹³

This Comment concludes that *California Innovations* and *Les Halles* made non-arbitrary geographically false marks easier to register, creating additional consumer deception. The decisions should not be overruled, but future amendments to the Lanham Act are necessary to provide adequate consumer protection.

II. BACKGROUND: THE EARLY CHANGES TO THE REGISTRABILITY OF PRIMARILY GEOGRAPHICALLY DECEPTIVELY MISDESCRIPTIVE MARKS

The Lanham Act amendments permanently denied PGDM marks registration, drastically changing the status of such marks. This Part first explains the Lanham Act's role in consumer protection. Then, this Part discusses the PGDM mark test created by the judiciary prior to the Lanham Act amendments, which distinguished various types of geographic marks. Finally, this Part explains the Lanham Act amendments, their impact, criticisms, and the judicial response.

A. Consumer Protection as Provided Through the Lanham Act

The Lanham Act protects consumers through trademark laws. To understand the implications of a decision like *California Innovations*, one must first understand the importance of the Lanham Act in serving the interests of both consumers and trademark owners.

Trademarks serve various purposes in the marketplace.

¹³ See *infra* Part IV.C.

“Without marks, a seller’s mistakes or low quality products would be untraceable to their source. Therefore, trademarks create an incentive to keep up a good reputation for a predictable quality of goods.”¹⁴ Thus, trademarks protect consumers because trademark owners must be responsible for their goods or services.¹⁵ Manufacturers would not strive to produce quality goods without trademark protection because consumers would no longer distinguish between “high-or low-quality brands.”¹⁶ Trademarks also benefit consumers because they enable product identification, which saves consumers time and money when making purchasing decisions.¹⁷

Furthermore, trademarks benefit their owners, serving as important investments.¹⁸ Without trademarks, “sales would tend to go to manufacturers who reduced their price by cutting corners on quality. The result would be a race to produce inferior products, rather than competition to produce better ones.”¹⁹ By striving to attain a certain level of quality in their products, trademark owners

¹⁴ J. THOMAS MCCARTHY, 1 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:4 (4th ed. 2005).

¹⁵ *Id.*

¹⁶ *Id.* (quoting The Craswell Report 7, FTC Policy Planning Issues Paper: Trademarks, Consumer Information and Barriers to Competition, FTC Office of Policy Planning, 1979).

¹⁷ *Id.* § 2:5.

Trademarks reduce the buyer's cost of collecting information about products by narrowing the scope of information into brand segments rather than have the buyer start anew with each single product...trademarks are essential to reduce the costs of finding a level of quality and price that the consumer desires, according to his or her individual tastes. No busy working person in a developed society has hours to spend agonizing anew over every single purchase at the supermarket or elsewhere.

Id.

¹⁸ *Id.* § 2:4.

¹⁹ MCCARTHY, *supra* note 14, § 2:4 (quoting *The Craswell Report*).

are likely rewarded with more sales.

The Lanham Act is vital because its purpose is to “place all matters relating to trademarks in one statute and to eliminate judicial obscurity, to simplify registration and to make it stronger and more liberal, to dispense with mere technical prohibitions and arbitrary provisions, to make procedure simple, and relief against infringement prompt and effective.”²⁰ Therefore, section 2 of the Lanham Act benefits both trademark owners and the vast consumer population.

B. Section 2 Before the NAFTA Amendments

Prior to the 1993 NAFTA amendments, registration of a PGDM mark was a relatively uncomplicated process. At that time, the Lanham Act contained three different types of geographic marks: deceptive, primarily descriptive, and primarily deceptively misdescriptive marks.²¹ Case law and the requirements of section 2(e) during the pre-NAFTA era illustrate the clear differences that existed between the registrability of section 2 marks. The usage of noticeably different tests, a more rigorous standard for geographically deceptive marks as opposed to PGDM marks, made the distinction more obvious than in the post-NAFTA era and protected consumers from a PGDM mark’s misdescriptive nature.

In the pre-NAFTA era, section 2(e)(2) denied registration for

²⁰ See *id.* § 5:4 (quoting S. Res. No. 1333, 79th Cong. 2d Sess. (1946), U.S.C.C.A.N. 1274).

²¹ Geographically deceptive marks fell under section 2(a), while primarily geographically descriptive and PGDM marks fell under section 2(e)(2). Lanham Act, 15 U.S.C. §§ 1052(a), (e)(2) (1988).

both PGDM marks and primarily geographically descriptive marks.²² Marks denied registration under section 2(e)(2) were placed on the supplemental register until they became distinctive in accordance with section 2(f).²³ Once an applicant proved the mark was distinctive, through the establishment of secondary meaning, the mark could be placed on the principal register.²⁴ Conversely, a mark categorized as geographically deceptive was permanently barred from registration.²⁵

Courts used two different tests for geographically deceptive marks and PGDM marks before the Lanham Act amendments. A service mark or mark for goods was PGDM if: 1) its primary significance was due to a generally known geographic location; and 2) a goods or services/place association existed, meaning consumers would likely believe that the goods or services came from the place identified by the mark when the goods or services originated elsewhere.²⁶

²² *Id.* § 2(e)(2) (stating that a trademark could not be registered if the mark “(e)(2) when used on or in connection with the goods of the applicant is primarily geographically descriptive . . . or deceptively misdescriptive of them”).

²³ *Cal. Innovations*, 329 F.3d at 1337 (quoting Lanham Act § 2(f) (“Except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.”)).

²⁴ *Id.* Secondary meaning or distinctiveness exists when the primary significance of the mark according to the consuming public is the source of the product and not the product itself. *Id.* (citing *Inwood Labs., Inc. v. Ives Labs*, 456 U.S. 844, 851 n.11 (1982)). Additionally, prima facie evidence of distinctiveness, or secondary meaning, existed when the applicant used the mark in connection with the applicant’s goods in commerce continuously and exclusively for five years prior to claiming distinctiveness. Lanham Act, § 2(f) (1988).

²⁵ Lanham Act, § 2(a). Unlike section 2(e)(2), section 2(a) is not limited to marks that were geographical in nature, but consisted of any mark that was deceptive. *Id.*

²⁶ *Cal. Innovations*, 329 F.3d at 1340 (citing *In re Loew’s Theatres*, 769 F.2d 764, 768 (Fed. Cir. 1985)); see also *In re Municipal Capital Markets Corp.*, No. 74/469,155, 1999 WL 545532 (T.T.A.B. Mar. 23, 1999) (finding that service marks followed the same two-

The Federal Circuit in *Loew's Theatres* held that the mark "DURANGO" for chewing tobacco produced outside of Durango, Mexico was a PGDM mark.²⁷ "DURANGO" satisfied the first prong of the test because Durango, Mexico was a geographic area known by Mexicans and Mexican Americans.²⁸ Also, "DURANGO" satisfied the goods/place association requirement because tobacco crops were a principal crop in Durango, which consumers were likely to associate with the area, regardless of the fact that Durango was a location in other areas of the world.²⁹ Additionally, because the court found no acquisition of distinctiveness through section 2(f), "DURANGO" was denied registration until distinctiveness could be established.³⁰

Hence, in the pre-NAFTA era, the PTO would analyze the mark "Miami Rays," for a line of sunglasses manufactured in New Jersey under the two-pronged test to determine its registrability. "Miami Rays" would satisfy the first prong because Miami is a major American city and Americans would primarily think of Miami when viewing the mark.³¹ Also, the mark would satisfy the second prong because consumers would likely believe that the sunglasses were

pronged test and goods). *Loew's Theatres* provided that the geographic area did not have to be well known or noted for the goods in question and the burden was on the PTO to establish a reasonable basis for the likelihood of the association. *Cal. Innovations*, 329 F.3d at 1338 (citing *Loew's Theatres*, 769 F.2d at 768).

²⁷ *Loew's Theatres*, 769 F.2d at 768-69.

²⁸ *Id.* at 768.

²⁹ *Id.* (noting that more than a de minimus segment of the public would make the goods/place association).

³⁰ *Id.* at 769-70 (denying the applicant's argument that since it already registered "Durango" for cigars registration of "Durango" for chewing tobacco was mandated).

³¹ See *infra* Part IV.C (discussing the registrability of "Miami Rays" under the *California Innovations* requirements).

made in Miami and not New Jersey.³² Thus, the PTO would deny registration of “Miami Rays” until consumers identified the mark as the applicant’s sunglasses, and not the geographic origin of the sunglasses. In contrast, secondary meaning would be unnecessary if the mark was “Miami” for a line of ski jackets made elsewhere. Then, “Miami” would not be a PGDM mark since the likelihood that consumers would believe the ski jackets were made in Miami is relatively slim.³³

Similar to marks for goods, service marks were analyzed under the same pre-NAFTA PGDM test. In *In re Compagnie Generale Maritime* the court determined the mark “FRENCH LINE,” for goods and services, was either PGDM or primarily geographically descriptive.³⁴ “FRENCH LINE” satisfied the first prong because “FRENCH” connotes the country France, a major commercial and manufacturing area.³⁵ As for the second prong, the court found that consumers “would believe that the products or services came from

³² *Id.* (discussing the registrability of “Miami Rays” under the second prong of the *California Innovations* test). The PTO would have to make an implicit or explicit determination that consumers were not relying on the goods/place association when making their purchasing decision. If consumers rely on the goods/place association then the mark would not be registrable under section 2(a) as well. *See infra* text and accompanying notes 39-41.

³³ *Loew’s Theatres*, 769 F.2d at 767 (noting that section 2(e)(2) reflects the common law principle that a geographic term used arbitrarily or fictitiously may be protected like other non-descriptive terms); *see infra* Part IV.C.

³⁴ *In re Compagnie Generale Maritime*, 993 F.2d 841, 844-45 (1993). The applicant argued the goods and services did not originate in France, while the Examining Attorney argued that all the goods and services the mark signified came from France because the applicant was a French company. *Id.* at 884 n.4-5. If the court accepted the Examining Attorney’s characterization the mark could be determined primarily geographically descriptive, whereas the applicant’s characterization could lead to the determination that the mark was PGDM. For analysis purposes, either characterization would not matter because PGDM and primarily geographically descriptive marks utilized the same test pre-NAFTA.

³⁵ *Id.* at 845.

France, rendering [the applicant's] mark primarily geographically descriptive if the goods and services actually come from France or primarily geographically deceptively misdescriptive if the goods and services do not come from France."³⁶ Thus, the court affirmed the board's decision and found "FRENCH LINE" primarily geographically descriptive.³⁷

In contrast to PGDM marks, the test for geographically deceptive marks under section 2(a) required an additional prong: that the geographic misrepresentation was a material factor in the consumer's purchasing decision.³⁸ The "materiality" prong, unlike the PGDM mark test, focused on the consumer's reaction to the goods. "[I]f there is evidence that goods like [the] applicant's or goods related to [the] applicant's are a principal product of the geographical area named by the mark, then the deception will most likely be found material and the mark, therefore, deceptive."³⁹

Under the pre-NAFTA test, "Miami Rays" might not meet the

³⁶ *Id.* at 844.

³⁷ *Id.* at 845 (finding that the mark was primarily geographically descriptive because the goods or services should be considered as if they originated in France because the applicant is a French company).

³⁸ *In re Budge Mfg., Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988) (noting that geographic or non-geographic marks are deceptive if the marks: 1) misrepresent or misdescribe the goods; 2) would likely lead the public to believe the misdescription or misrepresentation; and 3) the misrepresentation would materially affect the public's decision to buy the goods); *Institute Nat'l Des Appellations D'Origine v. Vinters Int'l Co.*, 958 F.2d 1574 (Fed. Cir. 1992), *reh'g denied*, 1992 U.S. App. LEXIS 8514 (Fed. Cir. Apr. 22, 1992) (using the materiality test to find "CHABLIS WITH A TWIST" for a California wine to be registrable because "Chablis" was a generic name in the United States); see J. THOMAS MCCARTHY, 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 14:39 (4th ed. 2005) (noting the history of the materiality test).

³⁹ *In re House of Windsor, Inc.*, 221 U.S.P.Q. (BNA) 53, 57 (T.T.A.B. Dec. 14, 1983) (finding the mark "Bahia," for cigars produced outside that area, geographically deceptive because Bahia was an area known for cigar production, purchasers would likely believe the cigars originated there, and consumers would purchase the cigars as a result of that deception).

materiality component because the sunglasses are not the principal product of the area, nor is Miami famous for sunglass production. However, if the mark was “Florida Juice” for a line of orange and grapefruit juice not made in Florida, the mark may be geographically deceptive because Florida is famous for its citrus production, which is one of the state’s principal products. Given Florida’s fame, the materiality element would be satisfied because consumers would purchase “Florida Juice” based on their belief that the juice originated in Florida.⁴⁰

Although the difference between geographically deceptive marks and PGDM marks was disputed at the time of the Lanham Act’s adoption, the judicial creation of the three-pronged geographically deceptive test and the two-pronged PGDM test produced a clearer distinction.⁴¹ Section 2(e)(2)’s test used the goods/place association and section 2(f) to establish whether the mark was distinct in consumers’ eyes. Section 2(a)’s test required a goods/place association and the added materiality requirement to establish consumer deception. The usage of a more rigorous three-pronged test for geographically deceptive marks seemed necessary,

⁴⁰ Conversely, if the mark was “Miami Juice” instead of “Florida Juice,” it would be more difficult to determine whether the mark was deceptive. While Florida is famous for its citrus production, it does not necessarily follow that Miami is known for its citrus groves. Perhaps if the product was for a line of health drinks, given Miami’s renown for spas and other fitness activities, there may be some showing of a goods/place association. However, it is not likely that “Miami Juice” for a line of citrus juices or health food drinks would meet the materiality requirement.

⁴¹ *House of Windsor*, 221 U.S.P.Q. at 57. “In fact, the legislative history suggests that at least some of the drafters perceived no distinction at all.” *Id.* (citing Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents, 77th Cong., 1st Sess. 83 et seq. (1941)); Mary LaFrance, *Innovations Palpitations: The Confusing Status of Geographically Misdescriptive Trademarks*, 12 J. INTELL. PROP. L. 125, 129 (2004) (citing *House of Windsor* for a similar proposition).

given that the denial of registration under section 2(a) was permanent.⁴² Additionally, if a party filed a petition for cancellation, the timing provisions for both sections differed: PGDM marks were incontestable by third parties after a five year period, while geographically deceptive marks could always be challenged given their fraudulent nature.⁴³

Essentially, at this time one could distinguish whether a mark was geographically deceptive or PGDM once a goods/place association requirement was established by answering the following question: “Are purchasers likely to care whether or not the product comes from the place or region which the mark identifies? If the answer is in the negative, the mark is ‘deceptively misdescriptive’ but if the affirmative, it is ‘deceptive’ and unregistrable under another provision of the Act.”⁴⁴

Therefore, the judicially created PGDM mark test and the Lanham Act, pre-NAFTA, protected consumers from a PGDM mark’s misdescriptive nature by requiring secondary meaning.

⁴² *Cal. Innovations*, 329 F.3d at 1338; John R. Renaud, *Can’t Get There From Here: How NAFTA and Gatt Have Reduced Protection For Geographical Trademarks*, 26 BROOK. J. INT’L L. 1097, 1105 (2001) (explaining that deceptive marks required a more compelling showing of materiality than 2(e)(2) marks because deceptive marks could not establish secondary meaning).

⁴³ Renaud, *supra* note 42, at 1106 (citing Lanham Act §§ 1064-65). Differences in cancellation treatment between PGDM marks and geographically deceptive marks exist as well.

⁴⁴ *House of Windsor*, 221 U.S.P.Q. at 57 (quoting Daphne Leeds, *Trademarks-The Rationale of Registrability*, 26 GEO. WASH. L. REV. 653, 662-63 (1958)); LaFrance, *supra* note 42, at 129-30 (quoting same).

2006] *THE DEVELOPMENT OF § 1052(e)(3)* 523

C. The Lanham Act Amendments and Their Immediate Impact on PGDM Marks

In response to NAFTA, Congress amended the Lanham Act, thus initiating the first step in a series of changes in the status of geographic marks. The amendments resulted in the permanent denial of PGDM marks, barring PGDM marks from establishing secondary meaning. Congress' amendments suffered heavy criticism and courts were left to consider the applicability of the pre-NAFTA test. Unfortunately, the status of PGDM marks was not decided by courts until *California Innovations*, nearly ten years after the Lanham Act amendments.⁴⁵

Article 1712 of NAFTA led to the Lanham Act amendments when it provided that:

1. Each Party shall provide, in respect of geographical indications, the legal means for interested persons to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a territory, region or locality other than the true place of origin, in a manner that misleads the public as to the geographical origin of the good⁴⁶

Since article 1712 of NAFTA emphasized public deception, Congress determined that section 2(e) violated NAFTA because PGDM marks were considered to be misleading.⁴⁷ As a result, section 2(e) of the

⁴⁵ The court decided *California Innovations* in 2003. *Cal. Innovations*, 329 F.3d. at 1334. Congress amended the Lanham Act in 1993, with the NAFTA Implementation Act. NAFTA Implementation Act, Subtitle C—Intellectual Property, Pub. L. No. 103-182 § 333, 107 Stat. 2114 (1993) (codified at 19 U.S.C. §§ 3301-3473 (2006)).

⁴⁶ NAFTA, Dec. 17 1992, art. 1712, 32 I.L.M. 605, 698.

⁴⁷ NAFTA Implementation Act, 19 U.S.C. §§ 3301 et seq. (2005).

Lanham Act currently denies trademark registration where the application:

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional original may be registrable under section 4, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them . . .

⁴⁸

PGDM marks are now covered under section 2(e)(3), while geographically descriptive marks remain under section 2(e)(2). Initially, it appeared that the creation of section 2(e)(3) would hardly impact the registrability of PGDM marks. However, in addition to amending section 2(e), Congress also amended section 2(f) as follows:

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(f) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before [December 8, 1993].⁴⁹

⁴⁸ Lanham Act, 15 U.S.C. § 1052(e) (2000).

⁴⁹ Lanham Act, § 2(f); December 8, 1993 is the date when NAFTA became effective through the NAFTA Implementation Act.

This amendment means that PGDM marks can no longer acquire distinctiveness under section 2(f) unless they became distinctive prior to December 8, 1993.⁵⁰ Accordingly, PGDM marks are now treated like deceptive marks under section 2(a) since both provisions permanently deny registration.

Clearly, prohibiting the registration of PGDM marks largely impacted their status. “Miami Rays” would no longer have the benefit of establishing secondary meaning after the Lanham Act amendments.⁵¹ Similar to the geographically deceptive mark, “Florida Juice,” “Miami Rays” would be permanently barred as a PGDM mark.⁵² Critics argued that the amendments were a misinterpretation of article 1712.⁵³ First, subjecting “Miami Rays” to the same legal consequences as “Florida Juice” was incorrect because PGDM marks like “Miami Rays” would not “mislead” consumers, inducing them to purchase sunglasses because they believed the sunglasses were made in Miami.⁵⁴ Hence, it was suggested that courts should use a test for deception which “requires the

⁵⁰ If a section 2(e)(3) mark acquired secondary meaning then presumably it would not longer be considered misleading. Yet, the Lanham Act denies registration before section 2(e)(3) marks have a chance to acquire secondary meaning.

⁵¹ See *infra* Part III.A.

⁵² Similarly the mark “Miami Juice,” discussed *supra* note 41, might satisfy the goods/place association requirement. If the product was for a line of health drinks, the PTO may hold that the mark was PGDM given the popularity of health spas and diet trends, like the “South Beach Diet.” If the mark was for citrus beverages it may satisfy the goods/place association requirement, though it would be a close call, given that the city of Miami does not necessarily produce the goods in question.

⁵³ See, e.g., Renaud, *supra* note 42, at 1110-11; see also LaFrance, *supra* note 42, at 134 (noting that scholars criticized the Lanham Act amendments had an overly cautious interpretation of NAFTA).

⁵⁴ Renaud, *supra* note 42, at 1111 (noting that it was faulty statutory interpretation to subject PGDM and geographically deceptive marks to the same legal consequences, especially since PGDM marks are not misleading since consumers will not purchase them based on the misinformation).

inaccuracies to be a motivating factor in the decision to purchase. This requirement is sound because property rights should not be cast aside if there is no possibility for consumers to actually be injured.”⁵⁵ Additionally, critics found Congress’ interpretation to be too strict because NAFTA did not specifically target or name PGDM marks when it found misleading geographic marks unregistrable.⁵⁶

Because Congress did not provide any guidance in the Lanham Act amendments as to whether a new test for PGDM marks was necessary, courts were left to respond to the amendments and suggestions of critics. Any alteration of the test for PGDM marks under section 2(e)(3) was not specifically addressed by courts immediately after the amendments. Two post-NAFTA marks for goods cases, *In re Save Venice NY, Inc.*⁵⁷ and *In re Wada*,⁵⁸ did not discuss any changes in the test for PGDM marks; however, *California Innovations* explained both cases satisfied the new requirements.⁵⁹ In the service mark area, *Municipal Capital* changed the registrability of PGDM service marks, but did not consider

⁵⁵ *Id.*

⁵⁶ *Id.* at 1110.

⁵⁷ *In re Save Venice NY, Inc.*, 259 F.3d 1346 (Fed. Cir. 2001).

⁵⁸ *In re Wada*, 194 F.3d 1297 (Fed. Cir. 1999).

⁵⁹ *Save Venice*, 259 F.3d at 1346 (finding that “Save Venice, Inc.” for goods including glassware, could not be registered because such goods were associated with traditional Venetian products); *Wada*, 194 F.3d 1297 (finding that “New York Ways Gallery” for a line of handbags not manufactured in New York could not be registered given New York’s reputation for designing and manufacturing leather handbags). *Cal. Innovations*, 329 F.3d at 1341 (noting that *Save Venice* satisfied the materiality requirement because the court stated that the public would believe they were purchasing Venetian products given the indistinguishable features between the applicant’s products and traditional Venetian products. Also finding that “New York Ways Gallery” satisfied the materiality requirement since the public would mistakenly believe the goods originated in New York’s world renowned fashion center, thus supporting a finding of materiality).

whether the amendments altered the test for section 2(e)(3) marks.⁶⁰ The board in *Municipal Capital* heightened the services/place association prong by requiring that “the Examining Attorney . . . present evidence that does something more than merely establish that services as ubiquitous as restaurant services are offered in the pertinent geographic location.”⁶¹ Thus, the board registered the mark “COOPERSTOWN” for restaurant services because evidence did not suggest that Cooperstown, New York was known for its food, people traveled there for a particular type of cuisine, or that a large number of restaurants in relation to the town’s size offered a particular kind of cuisine.⁶²

Before *California Innovations*, the registrability of PGDM marks under section 2(e)(3) was not specifically addressed in Federal Circuit or TTAB decisions. While Congress’ amendments attempted to provide consumers with more protections, the strict repercussions of the Lanham Act amendments, along with scholarly criticisms, paved the way for the Federal Circuit’s landmark decision in *California Innovations*.

III. THE NEW GUIDELINES PROVIDED BY CALIFORNIA INNOVATIONS AND LES HALLES AND THE RESULTING CRITICISMS

Responding to the Lanham Act amendments, both *California Innovations* and *Les Halles* altered the test for PGDM marks in a manner that created implications and vast criticism. This Part

⁶⁰ *Municipal*, 1999 WL 545532, at *2.

⁶¹ *Id.*

⁶² *Id.* (finding that the connection was simply too tenuous).

initially discusses the new PGDM mark test set forth by the court in *California Innovations* and *Les Halles*. The resulting impact on geographically deceptive marks is also discussed. Finally, this Part details the decrease in consumer protection and other criticisms of *California Innovations* and *Les Halles*.

A. California Innovations: The New Requirements for Goods Related Marks

The court in *California Innovations*, unlike previous cases, directly addressed the registrability of section 2(e)(3) marks post-NAFTA. The court determined whether it would apply the same two-pronged test to PGDM marks under section 2(e)(3) as it did prior to NAFTA.⁶³ Ultimately, the court decided that it would analyze PGDM marks under the same test as deceptive marks under section 2(a).⁶⁴ Consequently, the court in *California Innovations* established that a PGDM mark exists when:

- 1) the primary significance of the mark is a generally known geographic location,
- 2) the consuming public is likely to believe the place identified by the mark indicates the origin of the goods bearing the mark, when in fact the goods do not come from that place, and
- 3) the misrepresentation was a material factor in the consumer's decision.⁶⁵

The court determined that both section 2(e)(3) and section 2(a) should incorporate the materiality prong because marks under

⁶³ *Cal. Innovations*, 329 F.3d at 1339-40.

⁶⁴ *Id.* at 1340 (noting that the permanent denial of registration to both categories required the PTO to make the heightened showing of public deception).

⁶⁵ *Id.* at 1341.

both subsections suffer the same legal consequences—a permanent denial of registration.⁶⁶ This similarity prompted the court to decide that the Lanham Act amendments heightened the legal test for identifying PGDM marks.⁶⁷ Therefore, the analysis for PGDM marks required more than a goods/place association because that merely created an inference of deception.⁶⁸

A mere inference, however, is not enough to establish the deceptiveness that brings the harsh consequence of non-registrability under the amended Lanham Act NAFTA and the amended Lanham Act place an emphasis on actual misleading of the public To ensure a showing of deceptiveness and misleading before imposing the penalty of non-registrability, the PTO may not deny registration without a showing that the goods-place association made by the consumer is material to the consumer's decision to purchase those goods. This addition of a materiality inquiry equates this test with the elevated standard applied under § 1052(a) The adherence to the pre-NAFTA standard designed to focus on distinctiveness would almost read the term “deceptively” out of § 1052(e)(3), which is the term that the NAFTA amendments to the Lanham Act has reemphasized.⁶⁹

In conclusion, since both geographically deceptive and PGDM marks suffer the same legal consequences they are subjected to the same legal analysis.

While no decision was made concerning the registrability of

⁶⁶ *Id.* at 1340 (“Because both of these categories are subject to permanent denial of registration, the PTO may not rely on lack of distinctiveness to deny registration, but must make the more difficult showing of public deception.”).

⁶⁷ *Id.*

⁶⁸ *Cal. Innovations*, 329 F.3d at 1340.

⁶⁹ *Id.*

“CALIFORNIA INNOVATIONS,” the court did provide what facts may establish a PGDM mark under the new test.⁷⁰ The mark “CALIFORNIA INNOVATIONS,” for thermal insulated beverage and food bags and thermal wraps for cans, would likely meet the first prong because the primary focus of the mark is “CALIFORNIA,” which is a well-known state in the United States.⁷¹ Also, the government offered evidence of tote bag producers headquartered in California to establish a goods/place association.⁷² But the court noted, “[a]t best, the evidence of a connection between California and insulated bags and wraps is tenuous. Even if the evidence supported a finding of a goods-place association, the PTO has yet to apply the materiality test in this case.”⁷³ The court’s dicta suggested that “CALIFORNIA INNOVATIONS” might not have come within section 2(e)(2) under the pre-NAFTA PGDM test as well.⁷⁴

This limited analysis of the three-prong test was the only practical application that *California Innovations* offered to subsequent applicants and examining attorneys.⁷⁵ Nevertheless, the presence of a tenuous goods/place association is significant in

⁷⁰ *Id.* at 1342-43 (remanding the case for the PTO to apply the correct PGDM mark test).

⁷¹ *Id.* at 1342.

⁷² *Id.*

⁷³ *Cal. Innovations*, 329 F.3d at 1343.

⁷⁴ *Id.* at 1342-43. If “CALIFORNIA INNOVATIONS” could not satisfy the goods/place association requirement under section 2(e)(3), it would not have satisfied the goods/place association requirement under the older PGDM test, addressed in section 2(e)(2). *See supra* Part II.B. This may also suggest that courts utilize a strict approach to what constitutes a goods/place association, making it easier to register PGDM marks. *See infra* Part IV.A.

⁷⁵ The court did not even address what information could be used to satisfy the materiality requirement. *See Cal. Innovations*, 329 F.3d. at 1343. “Even if the evidence supported a finding of a goods-place association, the PTO has yet to apply the materiality test in this case. This court declines to address that issue and apply the new standard in the first instance.” *Id.*

subsequent decisions. Also, the court provided that an inference could be used to satisfy the PGDM test.⁷⁶ Unlike the goods/place association, where an inference exists if the area is a known producer of the product, the materiality prong permits an inference of deception only if the place is famous for the goods in question.⁷⁷

As a result of *California Innovations*, a court must analyze “Miami Rays” under the added materiality requirement. If purchasers are likely to buy “Miami Rays” sunglasses because they believe the sunglasses are made in Miami, then the mark is PGDM. Thus, *California Innovations* adopts the recommendations of critics—a test for PGDM marks requiring consumer deception.⁷⁸ While the new test better protects the property interests of applicants, new criticisms exist because marks registered after satisfying the first two prongs and failing the materiality prong, may nevertheless deceive consumers and decrease consumer protection.⁷⁹

B. Section 2(a) Marks

California Innovations not only changed the test for PGDM marks, but also moved geographically deceptive marks from section 2(a) to section 2(e)(3). Since both marks utilize the same test and section 2(e)(3) specifically addresses geographic marks that are

⁷⁶ *Id.* at 1340 (noting that prior case law permitted an inference of a goods/place association when the particular area is known for producing the goods in question).

⁷⁷ *Id.* at 1341 (quoting *House of Windsor*, 221 USPQ at 57 (“If there is evidence that goods like applicant’s or goods related to applicant’s are a principal product of the geographical area named by the mark, then the deception will most likely be found material and the mark, therefore, deceptive.”)).

⁷⁸ See *supra* notes 53-56 and accompanying text.

⁷⁹ See *infra* Part III.D.

deceptive, geographically deceptive marks are no longer analyzed under section 2(a) which addresses deceptive marks in general.⁸⁰ Therefore, the mark “Florida Juice,” previously a section 2(a) mark, is now addressed under the same section as “Miami Rays,” section 2(e)(3).⁸¹

Consequently, present section 2(a) cases are not of the geographic type.⁸² Because geography was not specifically addressed in section 2(a), the current test employed for deceptive marks does not contain geographic connotations.⁸³ Yet, deceptive marks and PGDM marks continue to utilize similar tests.⁸⁴

⁸⁰ *Cal. Innovations* at 1341-42. “Consequently, this court anticipates that the PTO will usually address geographically deceptive marks under subsection (e)(3) of the amended Lanham Act rather than subsection (a). While there are identical legal standards for deception in each section, subsection (e)(3) specifically involves deception involving geographic marks.” *Id.*

⁸¹ Although marks like “Miami Rays” and “Florida Juice” now utilize the same test, the results in terms of registration may be markedly different. Marks, like “Miami Rays,” that were PGDM under the pre-NAFTA statute might be registrable post-*California Innovations*. See *infra* Parts III.D., IV.C.

⁸² See *In re Boot Royalty Co.*, No. 76281084, 2004 WL 2368433 (T.T.A.B. Jun. 24, 2004) (finding that the mark “BARN ROPERS” when used on boots was not deceptive because evidence it did not impact a customer’s purchasing decision; also the term “BARN” could have numerous meanings, did not refer to a type of boot, and “ROPERs” is generic); see also *Hoover Co v. Royal Appliance Mfg.*, 238 F.3d 1357 (Fed. Cir. 2001) (finding that Royal’s mark “The First Name in Floorcare,” in an opposition case filed by Hoover, was not deceptive even though Hoover argued that the mark suggested Royal was number one in the Floorcare industry).

⁸³ *Boot Royalty*, 2004 WL 2368433, at *6. The test for deceptive marks is: “(1) whether the term is misdescriptive of the character, quality, function, composition or use of the goods; (2) if so, whether prospective purchasers are likely to believe that the misdescription actually describes the goods; and (3) if so, whether the misdescription is likely to affect the decision to purchase.” *Id.*

⁸⁴ Notably, the first and second prongs of both tests differ because PGDM marks require that primary significance of the mark is a generally known geographic location and the consuming public is likely to associate the goods with that geographic location. Yet, deceptive marks require the mark be misdescriptive of the goods and customers believe the misdescription describes the goods.

2006] *THE DEVELOPMENT OF § 1052(e)(3)* 533

C. Les Halles: Heightening the Requirements for Service Marks, a Counterpart to California Innovations

Les Halles, like *California Innovations*, heightened the standard for PGDM marks. However, a discussion of *Les Halles* is necessary because its test applies only to service marks and differs from *California Innovations* through the establishment of a stricter service mark test as compared to marks for goods.

California Innovations significantly impacted the registrability of PGDM marks with respect to goods, but did not explicitly consider the registrability of PGDM service marks. Shortly after *California Innovations*, the Court of Appeals for the Federal Circuit decided whether the test for service marks should utilize a higher standard as well.⁸⁵ Prior to *Les Halles*, many service marks were permanently denied registration after the Lanham Act amendments because the PTO employed the less demanding two-pronged pre-NAFTA test which was enunciated in *Loew's Theatres*.⁸⁶ *Les Halles* held that the test for PGDM service marks should follow the test for goods as prescribed by *California*

⁸⁵ *Les Halles*, 334 F.3d at 1371.

⁸⁶ See *supra* notes 26-30, 60-62 and accompanying text. See also MCCARTHY, *supra* note 38, § 14:33.1 (stating that the test used prior to *Les Halles* denied service marks registration for most place names “when the provider was not located in that place”); see, e.g. *In re Kimpton Hotel and Restaurant Group, Inc.*, No. 75/201,119, 2000 WL 562603 (T.T.A.B. Apr. 6, 2000) (holding that “HOTEL MONACO” could not be registered for a chain of hotels in Chicago, San Francisco, Seattle and Denver, because customers would believe the services originated in Monaco given that advertisements noted the French ambiance); *but c.f.* *Japan Telecom, Inc. v. Japan Telecom America Inc.*, 287 F.3d 866 (9th Cir. 2002) (finding that “Japan Telecom” was descriptive, but not geographically deceptively misdescriptive because customers were not likely to believe that the service technician “just came off a jet from Japan equipped with the very latest in Japanese wiring know-how”).

Innovations.⁸⁷

However, the test for service marks differs from marks for goods. Unlike marks for goods, the court in *Les Halles* held that the services/place association of the PGDM service mark test mandates more than a mere inference.⁸⁸ The court found a heightened services/place association required the “PTO must show that patrons will likely be misled to make some meaningful connection between the restaurant (the service) and the relevant place.”⁸⁹ The heightened services/place association is appropriate because unlike marks for goods, “geographic marks in connection with services are less likely to mislead the public.”⁹⁰

Furthermore, the materiality prong in the PGDM service mark test varies from marks for goods because a greater inference of deception is necessary, not merely fame alone. “To raise an inference of deception . . . the PTO must show some heightened association between the services and the relevant geographic denotation.”⁹¹ The court provided that:

For restaurant services, the materiality prong might be satisfied by a particularly convincing showing that

⁸⁷ *Les Halles*, 334 F.3d at 1374 (noting that the materiality prong measures the Lanham Act’s exception requirement).

⁸⁸ *Id.* (noting that the second prong of the test requires that an additional reason for a patron’s association, such as the likelihood of a restaurant patron’s belief that services originated from the area indicated by the mark). The court cited *Municipal Capital* in explaining the differences between the goods/place association requirement and the services/place association requirement. *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.* (noting that restaurant services are particularly unlikely to create a goods/place association). In an age where many individuals eat at themed restaurants or other places, it may be necessary to have a heightened standard for service marks because individuals are increasingly less likely to frequent a restaurant based on a belief that the restaurant is actually providing food shipped from the area or a chef trained in the area.

⁹¹ *Id.*

identifies the relevant place as famous for providing the specialized culinary training exhibited by the chef, and that this fact is advertised as a reason to choose this restaurant. In other words, an inference of materiality arises in the event of a very strong services-place association. Without a particularly strong services-place association, an inference would not arise, leaving the PTO to seek direct evidence of materiality.⁹²

Accordingly, while the PGDM test for service marks does not permit an inference of a services/place association, a finding of a strong services/place association provides an inference of materiality.

The court in *Les Halles* provided some examples of what criteria could satisfy the heightened service mark test. The applicant in *Les Halles* attempted to register the service mark “LE MARAIS” for a restaurant in New York City that would serve French kosher cuisine.⁹³ The court noted that the heightened services/place association might exist if patrons in New York would believe the food was imported from Paris, the chefs had Parisian training, or the menu was identical to a known Parisian menu.⁹⁴ As for materiality, the court noted that the record did not suggest customers at “LE MARAIS” would “identify the region in Paris as a source of those restaurant services . . . that a material reason for the diner’s choice of this restaurant in New York City was its identity with the region in Paris.”⁹⁵ The court considered the association between the services

⁹² *Les Halles*, 334 F.3d at 1374-75.

⁹³ *Id.* at 1372 (noting that evidence against registration of “LE MARAIS” included articles citing Le Marais as a Jewish quarter in Paris with fine restaurants).

⁹⁴ *Id.* at 1374.

⁹⁵ *Id.* at 1375.

and the area of Paris to be “scant,” rather than material.⁹⁶

Therefore, after *Les Halles*, the mark “Miami-South Beach” for a night club located in Pennsylvania that offers Latin music with a simulated seaside atmosphere might be a PGDM service mark. In addition to South Beach’s known reputation for its night clubs, the heightened services/place association may exist if evidence such as menus typical of the clubs in South Beach, similar Latin music, a sea environment, and wall decorations are presented. However, the heightened materiality requirement imposes heavy burdens because *Les Halles*’ consequence is that South Beach’s fame alone is not enough to satisfy the materiality element. The patrons must visit the restaurant because they truly believe South Beach is the source of the services. Yet, if a strong enough services/place association is presented an inference of materiality will be found. Hence, *Les Halles*’ strict requirements may assist in the registration of a mark like “Miami-South Beach,” depending on the available evidence.

D. Criticisms of California Innovations

There are numerous criticisms of the decisions in *California Innovations* and *Les Halles*. The main arguments against the decisions are: section 2(e)(3) is superfluous, the court violated Congressional intent, and non-arbitrary geographically false marks are now easier to register. Overall, the increase in consumer deception created through the registration of non-arbitrary geographically false marks absent secondary meaning is the most

⁹⁶ *Id.* “At best, the evidence in this record shows that *Les Halles*’ restaurant conjures up

significant outcome.

Arguably, section 2(e)(3) is superfluous. It is “a cardinal principal of statutory construction” that “a statute ought, upon the whole, to be constructed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void or insignificant.”⁹⁷ By altering section 2(e)(3)’s test and importing the materiality requirement from section 2(a), marks could be denied registration under both sections 2(e)(3) and 2(a).⁹⁸ “Had Congress intended this result, it would have been simpler to remove geographically deceptively misdescriptive marks from section 2(e) altogether.”⁹⁹

Alternatively, a counterargument to section 2(e)(3)’s superfluity is that section 2(a) never explicitly mentioned geographic marks, but covers deception in general.¹⁰⁰ Previously, via case law, geographic marks that could be deceptive were analyzed under section 2(a) because it covered deception broadly. Now, however, because section 2(e)(3) specifically deals with geography, it is unnecessary to analyze geographically deceptive marks under section 2(a).¹⁰¹ Also, section 2(f) only applies to marks under section

memories or images of the Le Marais area of Paris.” *Id.*

⁹⁷ *Duncan v. Walker*, 533 U.S. 167, 174 (2001) (quoting *Market Co. v. Hoffman*, 101 U.S. 112, 115 (1879); *Williams v. Taylor*, 529 U.S. 362, 404 (2000)).

⁹⁸ *LaFrance*, *supra* note 41, at 144 (“By subjecting geographic trademarks to the registration bar of section 2(e)(3) only if they are also deceptive marks, California Innovations guarantees that, henceforth, every mark barred under section 2(e)(3) would also have been barred under section 2(a).”); *see also* Supplemental Brief and Appendix for Appellee, *In Re Les Halles de Paris J.V.*, 334 F.3d 1371 (Fed. Cir. 2003) (No. 02-1539) 2003 WL 24027570, at *5-7 (noting that use of an identical standard for section 2(e)(3) and section 2(a) marks reads section 2(e)(3) out of the Lanham Act).

⁹⁹ *LaFrance*, *supra* note 41, at 144.

¹⁰⁰ Lanham Act, § 2(a).

¹⁰¹ The tests for section 2(e)(3) and section 2(a) differ slightly since section 2(a) focuses on general deception while section 2(e)(3) focuses on geographic deception. *See supra* notes 66, 84 (noting the test for PGDM marks and deceptive marks, respectively).

2(e)(3), allowing registration if distinctiveness is acquired prior to 1993.¹⁰² Deceptive marks under section 2(a) do not have the benefit of the grandfather clause.¹⁰³ Accordingly, post-*California Innovations*, geographically deceptive marks can now benefit from the grandfathering clause, since they are analyzed under section 2(e)(3).¹⁰⁴ Nevertheless, Congress could have resolved this problem by drafting a provision which excluded geographically deceptive marks.

A second argument criticizing *California Innovations* is that Congress did not intend for a heightened PGDM test. Congress, in essence, made a judgment call when interpreting what types of marks “mislead the public as to geographic origin” under Article 1712.¹⁰⁵ PGDM marks were determined to mislead the public, thus requiring a permanent denial of registration.¹⁰⁶ “If Congress had intended for both the same legal test and the same legal consequences to apply, it makes little sense for Congress to have retained two separate categories for these marks rather than combine them into one.”¹⁰⁷

Interestingly, both sides of the debate cite to the Senate

¹⁰² Lanham Act, § 2(f).

¹⁰³ *Id.*

¹⁰⁴ Allowing geographically deceptive marks to benefit from section 2(f) creates additional criticisms. LaFrance, *supra* note 41, at 145-46. “Is it even possible for a deceptive mark to be distinctive? The answer is unclear, since courts have never had to address this question.” *Id.*

¹⁰⁵ NAFTA, art. 1712, 32 I.L.M. at 698; *see* LaFrance, *supra* note 41, at 142.

¹⁰⁶ LaFrance, *supra* note 41, at 142 (noting that despite the sparse legislative intent, it appears that Congress determined Article 1712 required a permanent denial of registration of primarily geographically deceptively misdescriptive marks).

¹⁰⁷ LaFrance, *supra* note 41, at 141; *see* Supplemental Brief and Appendix for Appellee, *In Re Les Halles de Paris J.V.*, 334 F.3d 1371 (Fed. Cir. 2003) (No. 02-1539) 2003 WL 24027570, at *6 (arguing that if Congress intended to redefine the two-pronged test, or “establish a more rigorous standard for refusing registration of this type of mark, Congress would have implemented an express legislative change to that effect”).

2006] THE DEVELOPMENT OF § 1052(e)(3) 539

Report accompanying the 1993 Lanham Act amendments as evincing Congress' intent. The report provided that:

[T]he bill creates a distinction in subsection 2(e) of the Trademark Act between geographically "descriptive" and "misdescriptive" marks and amends subsections 2(f) and 23(a) of the Act to preclude registration of "primarily geographically deceptively misdescriptive" marks on the principal and supplemental registers, respectively. The law as it relates to "primarily geographically descriptive" marks would remain unchanged.¹⁰⁸

The court in *California Innovations* utilized the Senate Report to establish that NAFTA elevated the PGDM mark test.¹⁰⁹ Conversely, arguments against *California Innovations* use the Senate Report to assert that Congress intended for PGDM marks to be permanently barred under the same test used by courts in the pre-NAFTA era.¹¹⁰ All together, reliance on the Senate Report for either argument is relatively unpersuasive because the Senate Report is not specific enough to demonstrate exactly what Congress intended.

In response to arguments that *California Innovations* violated Congress' intent, it is important to consider the judiciary's role in statutory construction. The Lanham Act does not provide the test courts must use to determine whether a mark is PGDM under section

¹⁰⁸ *Cal. Innovations*, 329 F.3d at 1339-40 (quoting 139 Cong. Rec. S 16, 092 (1993)).

¹⁰⁹ *Id.*

¹¹⁰ See LaFrance, *supra* note 41, at 143 (arguing that because the phrase "primarily geographically deceptively misdescriptive marks" is used in section 2(e) and the Senate Report, Congress intended to bar the same PGDM marks from registration which were previously registrable after proving secondary meaning). See also Petition of Appellee for Rehearing and for Rehearing En Banc, *In re Cal. Innovations*, 329 F.3d 1334 (Fed. Cir. 2003) (No. 02-1407) 2003 WL 24033449, at *10-11. "[C]ongress retained the exact same 'PGDM' terminology that already existed in the statute for years, and thus is presumed not to have altered the test." *Id.*

2(e)(3). Rather, “[i]t is emphatically the province and duty of the judicial department to say what the law is.”¹¹¹ It was the judiciary that determined a goods/place association was required to determine whether a PGDM mark exists.¹¹² Similarly, is it not the court’s duty to determine whether an elevated standard must be used, given a PGDM mark’s permanent denial of registration? Arguably, it was the judiciary’s duty in *California Innovations* to interpret and explain the NAFTA amendments, just as previous courts could determine what was deceptive under section 2(a) or PGDM under section 2(e)(2).¹¹³

The third major argument against *California Innovations* is that certain misleading but not deceptive marks are now easier to register. By using a heightened standard to make registration of a PGDM mark more difficult, it is “more likely that a nonarbitrary geographically false mark would be eligible for registration even in the absence of secondary meaning.”¹¹⁴

The mark “Miami Rays” best illustrates the non-arbitrary geographically false mark argument. Prior to the NAFTA amendments, “Miami Rays” would have been denied registration

¹¹¹ *Marbury v. Madison*, 5 U.S. 137, 177 (1803).

¹¹² *In re Nantucket, Inc.*, 677 F.2d 95, 99 (1982) (establishing the goods/place association requirement of the PGDM test); see Brief of Petitioner in Response to Combined Petition of Appellee for Rehearing and for Rehearing En Banc, *In re Cal. Innovations*, 329 F.3d 1334 (Fed. Cir. 2003) (No. 02-1407) 2003 WL 24033226, at *8 (arguing that it is the court’s duty to determine what test should be applied to section 2(e)(3) marks).

¹¹³ Brief of Petitioner in Response to Combined Petition of Appellee for Rehearing and for Rehearing En Banc, *In re Cal. Innovations*, 329 F.3d 1334 (Fed. Cir. 2003) (No. 02-1407) 2003 WL 24033226, at *8 (citing *Budge*, 857 F.2d at 775, and *Nantucket*, 677 F.2d at 98-99, to support the proposition that statutory interpretation principles were consistently used to interpret the test for section 2(a) and section 2(e)(3) marks).

¹¹⁴ LaFrance, *supra* note 41, at 143.

because consumers would likely believe that the sunglasses were made or originated in Miami. “Miami Rays” would be registered only upon a showing of secondary meaning. After *California Innovations*, “Miami Rays” is registrable without having to establish secondary meaning because the mark would not meet the materiality requirement. However, if the court employed the pre-NAFTA test, “Miami Rays” would be permanently barred upon establishment of the goods/place association. Therefore, “Miami Rays” benefits from *California Innovations*, through easier registration.¹¹⁵ The usage of a heightened PGDM mark test means that non-arbitrary geographically false marks are registrable immediately, without a showing of secondary meaning, while geographically descriptive marks “for which no materiality requirement exists must be refused registration until they meet the five-year minimum use period or offer some other proof of acquired distinctiveness.”¹¹⁶ Clearly, the impact of *California Innovations* is immense for non-arbitrary geographically false marks.

Section 2(e)(3)’s superfluous nature, Congressional intent, and the easier registration of misleading geographic marks are all credible arguments against *California Innovations*. While the aforementioned arguments are persuasive, the best method of

¹¹⁵ See *id.* (using the mark “Chicago” to demonstrate the flaws of the *California Innovations* test; “Chicago” would be treated more like arbitrary marks, such as “Alaska” for bananas, under *California Innovations*).

¹¹⁶ Petition of Appellee for Rehearing and for Rehearing En Banc, *In re Cal. Innovations*, 329 F.3d 1334 (Fed. Cir. 2003) (No. 02-1407) 2003 WL 24033449, at *13-14 (noting that the mark “California” for a California-based company has to wait five years for registration on the principal register since it is geographically descriptive, while the mark “California” for a Japanese seller of Japanese goods can register immediately since the mark will fail the materiality portion of the three-prong test).

understanding the implications of *California Innovations* is through a study of recent Trademark Trial and Appeal Board (TTAB) decisions.

IV. CALIFORNIA INNOVATIONS' PROGENY

Perhaps the most persuasive argument against *California Innovations* is that misleading geographic marks are easier to register given the usage of a three-part test. However, TTAB cases illustrate that relatively few applications contained non-arbitrary geographically false marks. This Part analyzes recent TTAB decisions dividing such decisions between marks declared PGDM and registered marks. Notably, a relatively balanced rejection versus registration ratio currently exists. Then, hypothetical marks are used to explore the consequences of TTAB decisions, *California Innovations*, and *Les Halles*. Finally, additional amendments to the Lanham Act are proposed to close the gap in consumer protection created by *California Innovations* and *Les Halles*.

A. Marks Not Found PGDM Post-California Innovations

Two TTAB decisions registered geographic marks because they did not meet *California Innovation's* three-part test. Additionally, one mark in an opposition case was not found to be a PGDM mark. These cases illustrate that the manner in which the PTO analyzes PGDM marks can lead to more registration. The threat of wrongful registration may exist if the PTO continues to evaluate PGDM marks for goods by incorrectly using the service mark test

from *Les Halles*.

In *In re Fame Jeans, Inc.*, the mark “US WEAR,” for clothing made outside of the United States was not considered a PGDM mark.¹¹⁷ “US WEAR” met the geographic prong because “US” is a known abbreviation for the United States, and the mark’s geographic nature was its primary significance.¹¹⁸ A goods/place association existed because consumers would likely believe that the goods came from the United States, as numerous American designers exist and the United States is a country where clothing is manufactured and designed.¹¹⁹ However, the board held that no evidence was presented to show that the geographic misrepresentation was material to the purchasing decision.¹²⁰ The Examining Attorney merely presented her opinion that whether clothing was American-made was an important factor in a consumer’s purchasing decision.¹²¹ Consequently the PTO registered “US WEAR.”

“US WEAR” is an example of a mark that would have been denied registration under the pre-NAFTA test. By satisfying the first two elements of the PGDM mark test, “US WEAR” might be considered a non-arbitrary geographically false mark that would have failed under the pre-NAFTA test until secondary meaning was

¹¹⁷ *In re Fame Jeans, Inc.*, No. 78091743, 2004 WL 545768 (T.T.A.B. Mar. 16, 2004).

¹¹⁸ *Id.*, at *3-4 (denying the applicant’s argument the “US” could be perceived as the word “us,” using dictionary definitions and Google search results to establish the geographic prong; also finding that the word “wear” did not detract from the geographic significance of the mark).

¹¹⁹ *Id.*, at *4 (using Lexis/Nexis articles describing various American designers to establish the presence of a goods/place association).

¹²⁰ *Id.*, at *5.

¹²¹ *Id.*; see *infra* note 125.

established.¹²² Conversely, one could argue that “US WEAR” might have fallen into the PGDM mark category, but escaped a permanent denial as a result of the Examining Attorney’s failure to present evidence.¹²³ Because the attorney merely presented her own opinion for the materiality requirement, rather than concrete evidence, the board found it had “absolutely no basis upon which to conclude that the geographic origin of the identified goods, or the misrepresentation thereof, is a material factor in the consumer’s decision to purchase those goods.”¹²⁴ Therefore, “US WEAR,” which had the potential to be denied registration, became a non-arbitrary geographically false mark through the Examining Attorney’s failure to document her opinion.¹²⁵

Contrary to “US WEAR,” *In re Glaze Inc.*¹²⁶ did not involve a non-arbitrary geographically false mark or a PGDM mark wrongfully registered. In *Glaze*, the mark “SWISSCELL,” for lighting batteries, surge protectors, and battery chargers manufactured outside of Switzerland, was not considered a PGDM mark.¹²⁷ The PTO

¹²² See *infra* Part IV.C (discussing hypothetical marks that may or may not satisfy the materiality requirement).

¹²³ *Fame Jeans*, 2004 WL 545768, at *5.

¹²⁴ *Id.*

¹²⁵ The Examining Attorney could have raised an inference of materiality by showing that the United States is well known for production of sportswear, perhaps through articles covering the presence, production, and origination of major sportswear companies and designers in the United States like Nike, Fubu, etc.—all with a national and international presence. Additionally, the American campaign to buy American-made goods could have been used to establish that consumers buy “US WEAR” because they believe it’s American-made, instead of being used solely for the geographic element. *Fame*, 2004 WL 545768, at *3 (noting that the BUY AMERICAN advertising campaign along with MADE IN AMERICA labels indicated that America is a major product of clothing and consumers purchase clothing because it is made in the United States to aid the economy).

¹²⁶ *In re Glaze Inc.*, No. 76565437, 2005 WL 847417 (T.T.A.B. Mar. 17, 2005).

¹²⁷ *Id.*, at *1, 3.

reasoned that “SWISSCELL” met the geographic prong because “SWISS” related to Switzerland, which is a generally known geographic area.¹²⁸ As for the second prong, the board noted that Switzerland had two known battery companies and maintained a prosperous economy, but such information was not enough to establish a goods/place association.¹²⁹ Similar to *California Innovations*, the goods/place association presented was too tenuous.¹³⁰ The board decided the materiality requirement was not satisfied because Switzerland was not famous for lighting batteries, nor were batteries a principal product of the country.¹³¹

Given the PTO’s analysis, it is likely that the “SWISSCELL” mark would have been registered under the pre-NAFTA PGDM test as well. Unlike “US WEAR,” “SWISSCELL” would not satisfy the goods/place association requirement because only two battery producers existed in Switzerland and neither produced lighting batteries. The connection presented was too weak to raise a serious goods/place association, just like the insulated thermoses in *California Innovations*. One may argue that “SWISSCELL” has a limited goods/place association, thus meeting the pre-NAFTA two-prong test. However, batteries were not a principal product for Switzerland, nor were they on the short list of principal products, as

¹²⁸ *Id.*, at 3 (accepting dictionary evidence as evidence to prove that “Swiss” was a geographic location).

¹²⁹ *Id.*, at *3-4 (accepting various websites as evidence of a goods/place associations but finding that neither of the two battery companies in Switzerland manufactured batteries for lighting).

¹³⁰ *Id.* (noting that *California Innovations* provided that a goods/place association should not be too tenuous).

¹³¹ *Glaze*, 2005 WL 847417, at *4.

tobacco was in *Loew's Theatres*.¹³² Therefore, *Glaze* is likely a case where the mark would have been registered under both the pre-NAFTA test and the *California Innovations* test.

Unlike the previous two cases, *Sea Island Co. v Kroehler Corp.* was an opposition case.¹³³ The Sea Island Company opposed Kroehler's application to register the mark "AMERICAN SIGNATURE SEA ISLAND COLLECTION" for a line of furniture and retail furniture store services.¹³⁴ Sea Island argued that the mark was a PGDM mark because the furniture was not manufactured in the United States, nor did the materials originate there.¹³⁵ The PTO used the *California Innovations* test and the heightened *Les Halles* requirements to determine that the mark was not PGDM.¹³⁶ The PTO's analysis focused on whether the mark was primarily geographic.¹³⁷ The PTO concluded that "AMERICAN" might not indicate a geographic location, but could be indicative of the furniture's style.¹³⁸ Additionally, some of the furniture was actually manufactured in America.¹³⁹ The PTO also found that no evidence was presented to establish the existence of materiality or a goods or services/place association.¹⁴⁰

¹³² *Loew's Theaters*, 769 F.2d at 768 (noting the Gazetteer provided by the Examining Attorney cited tobacco as one product on a short list of principal products in the region).

¹³³ *Sea Island Co. v. Kroehler Corp.*, No. 91120712, 2005 WL 847431 (T.T.A.B. Mar. 31, 2005).

¹³⁴ *Id.*, at *1-2.

¹³⁵ *Id.*, at *16.

¹³⁶ *Id.*, at *16-17 (denying the opposition motion).

¹³⁷ *Id.*, at *17.

¹³⁸ *Sea Island*, 2005 WL 847431, at *17.

¹³⁹ *Id.*

¹⁴⁰ *Id.*

Therefore, “US WEAR” should have been denied under the current standards and the pre-NAFTA standards, while “AMERICAN SIGNATURE SEA ISLAND COLLECTION” and “SWISSCELL” would have been registered under either test. Unlike *Fame Jeans*, the PTO in *Sea Island* and *Glaze* utilized the elevated services mark test from *Les Halles*. Arguably, it would be correct in *Sea Island* to utilize the service mark test since Kroehler attempted to register the mark for both goods and services.¹⁴¹ Conversely, “SWISSCELL” was a mark used solely for goods, not services. Yet, the PTO incorporated the *Les Halles* service mark test into its opinion. “Considering this ‘heightened association’ in the context of the involved goods, we do not see that the evidence here shows any heightened association. The evidence of record on the association between Switzerland and batteries of any kind is weak.”¹⁴² While the PTO already established the lack of a goods/place association and materiality elements, it seems like the service test was used to bolster a finding in favor of registration.¹⁴³

Nevertheless, incorrectly applying the heightened service mark requirements to a mark for goods could create future implications. If courts incorporate the heightened standard into the *California Innovations* test it may be even easier to register marks because examining attorneys could not prove materiality by “inference of deception” arguments by arguing the geographic area

¹⁴¹ *Id.*, at *1-2.

¹⁴² *Glaze*, 2005 WL 847417, at *5.

¹⁴³ The court did not provide a reason for its application of the heightened service mark test to marks for goods. *See id.*, at *5.

was famous for the good in question. Such arguments would not satisfy *Les Halles*' heightened materiality requirements.¹⁴⁴ Also, this approach is incorrect because it clearly violates the Federal Circuit's intent in *California Innovations*.¹⁴⁵

Therefore, the presence of only three TTAB decisions in favor of registration post-*California Innovations* does not mean that the PTO and other courts are using *California Innovations* as a tool to implement vast registration. Perhaps most illuminating is the registration of only one non-arbitrary geographically false mark, "US WEAR," in such decisions. However, the threat of wrongful registration exists if the service mark test from *Les Halles* is incorrectly applied to marks for goods, like in *Glaze*. Future decisions, depending upon the marks presented and interpretation employed, may lead to more registration. In turn, this can increasingly mislead consumers, especially through the registration of non-arbitrary geographically false marks.

B. Marks Found PGDM Post-California Innovations

Currently, four marks post-*California Innovations* were denied registration for being PGDM. TTAB decisions demonstrate that *California Innovations* and *Les Halles* are not used to create widespread registration. Interestingly, the PTO compiles evidence

¹⁴⁴ While the heightened *Les Halles* requirements may make sense when dealing with service marks, it does not make sense to apply to the test to marks for goods. See *supra* notes 88-90 and accompanying text.

¹⁴⁵ *Cal. Innovations*, 329 F.3d at 1341 (quoting *House of Windsor* and *Loew's Theatres* to establish that evidence showing the geographic area is noted for the goods in question, or those goods are the principal product of the geographic area creates an inference of deception).

using the totality of the circumstances to disallow registration in instances where registration should be permitted. Overall, the marks refused registration post-*California Innovations* would have been denied registration as section 2(a) geographically deceptive marks in the pre-NAFTA era. Future amendments to the Lanham Act are necessary to resolve inconsistencies in the PTO's application of the PGDM mark test.

In *Daesang Corp. v. Rhee Bros.*, an opposition action, the court held that the mark "SOON CHANG" for gochujang¹⁴⁶ made outside of the Soon Chang province of Korea was PGDM.¹⁴⁷ The mark satisfied the geographic location requirement because its primary significance was Soon Chang, a generally known geographical area in Korea.¹⁴⁸ A goods/place association existed because the Soon Chang area was well-known for its high quality gochujang. Thus Koreans and the 1,000,000 Korea Americans in America would be likely to believe gochujang sold under the mark "SOON CHANG" originated from that area.¹⁴⁹ Additionally, materiality was inferred because Soon Chang was renowned as a producer of gochujang for many centuries.¹⁵⁰ Even the packaging and advertisements for the gochujang referenced the history and

¹⁴⁶ Gochujang is a hot pepper paste used as a condiment which is very popular with Koreans. *Daesang Corp. v. Rhee Bros.*, No. Civ. AMD 03-551, 2005 WL 1163142, at *1 (D. Md. May, 13, 2005).

¹⁴⁷ *Id.*, at *12.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*, at *1, 12.

¹⁵⁰ *Id.*, at *12. No actual evidence of deception existed, but the PTO relied on the fame of Soon Chang's gochujang production with Koreans and Korean Americans to establish an inference of materiality. *See id.*

prominence of Soon Chang as a gochujang producer.¹⁵¹ Given the deceptive nature of the mark, the court cancelled the Rhee Brother's trademark for "SOON CHANG."¹⁵²

In *In re Fashion Group S.N.C.*, the board found the mark "NO-L-ITA NORTH LITTLE ITALY" for clothing made outside of the NoLIta section of New York City was PGDM.¹⁵³ The PTO considered "NO-L-ITA" a generally known geographic location because dozens of articles established that NoLIta was an area north of Little Italy in New York City which real estate professionals, artists, fashion designers, tourists, newspaper readers, and individuals following the fashion scene would generally recognize.¹⁵⁴ A goods/place association existed because the NoLIta neighborhood was associated with boutiques, specialized shops, clothing designers, and retailers.¹⁵⁵ Thus, consumers would likely associate NoLIta with clothing items.¹⁵⁶ While the PTO did not find that clothing was produced in NoLIta, a goods/place association existed due to the totality of the circumstances and the nature of the fashion industry, an industry where materials, designs, and actual production may take place in various geographic areas.¹⁵⁷

¹⁵¹ *Daesang*, 2005 WL 1163142, at *1, 12.

¹⁵² *Id.*; see *supra* notes 175-76 and accompanying text (discussing whether "SOON CHANG" would be denied registration in the pre-NAFTA era).

¹⁵³ *In re Fashion Group S.N.C.*, No. 76006037, 2004 WL 2901177 (T.T.A.B. Dec. 3, 2004).

¹⁵⁴ *Id.*, at *6-8 (denying applicant's arguments that: other cities in America have Little Italy Sections, real estate agents merely used the name recently to help create a higher priced market, and the use of NoLIta is a trend that will fade).

¹⁵⁵ *Id.*, at * 8.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*, at *8 (noting that boutiques marketed clothing and the preponderance of the evidence established a customer association between NoLIta and clothing designers who use

In terms of the materiality requirement, the evidence presented established that NoLIta was famous for clothing items, which were also principal products of the area.¹⁵⁸ Similar to the goods/place association, the PTO did not explicitly find the goods were produced in the area, but the totality of the evidence, particularly the nature of the fashion industry and NoLIta's fame, established the materiality requirement.¹⁵⁹ Therefore, "NO-L-ITA NORTH LITTLE ITALY" was denied registration for being PGDM.

Similarly, in the opposition case *Doyna, Ltd. v. Doyna Michigan Co.*, Doyna filed a petition to cancel Doyna Michigan's registration of the mark "ZHIGULY" for beer produced outside of the Zhiguly mountain range in Russia.¹⁶⁰ Doyna argued that "ZHIGULY" was a PGDM mark because the beer was manufactured in a Lithuanian brewery.¹⁶¹ Evidence established that "ZHIGULY" was a generally known geographic region because it was an area near the Volga River in Russia, a Russian town, and a Russian mountain range known for its beauty.¹⁶² A goods/place association existed because Zhiguly produced beer for over forty years, it was named after the region where the barley was grown, and it represented

the area for their businesses); see *supra* notes 175-76 and accompanying text (discussing how "NO-L-ITA" would be treated in the pre-NAFTA era).

¹⁵⁸ *Fashion Group*, 2004 WL 2901177, at *10.

¹⁵⁹ *Id.*, at *9-10 (providing numerous articles to establish the location of designers and unique clothing boutiques in NoLIta, but never actually expressly finding that such clothing is produced there).

¹⁶⁰ *Doyna, Ltd. v. Doyna Michigan Co.*, No. 92033012, 2005 WL 2295196, at *1 (T.T.A.B. Sept. 6, 2005) (noting that at the time Doyna, Ltd. was using the mark "ZHIGULI" for beer imported from Russia).

¹⁶¹ *Id.*, at *2.

¹⁶² *Id.*, at *6.

traditional beer production.¹⁶³ Therefore, the seven and one-half million Russian-speaking consumers of the United States would likely believe that beer entitled “ZHIGULY” came from Zhiguly, Russia.¹⁶⁴ Additionally, the materiality element existed because the consumers from the large Russian community in the United States would purchase the beer because they believed it came from the well-known beer producing region of Zhiguly.¹⁶⁵ Thus, the board cancelled Doyna Michigan’s mark “ZHIGULY” for being PGDM.

Similar to the previous decisions, the board in *In re Consol. Specialty Rest., Inc.*, denied registration of the mark “COLORADO STEAKHOUSE” for restaurant services because it was PGDM.¹⁶⁶ The board held that the mark “COLORADO STEAKHOUSE” was a generally known geographic location because Colorado is a state in the United States that United States citizens would recognize.¹⁶⁷ The heightened services/place association requirement existed because Colorado was not only a state with restaurant services, but was known for its steaks.¹⁶⁸ Colorado steaks were featured items in restaurants across the country, Colorado politicians made wagers in Colorado steaks, and Colorado was the eleventh producer of cattle in the United States.¹⁶⁹ Hence, consumers were likely falsely to believe

¹⁶³ *Id.*

¹⁶⁴ *Id.*

¹⁶⁵ *Doyna*, 2005 WL 2295196, at *7.

¹⁶⁶ *In re Consol. Specialty Rest., Inc.*, No. 75857797, 2004 WL 1957184 (T.T.A.B. Aug. 25, 2004).

¹⁶⁷ *Id.*, at *7.

¹⁶⁸ *Id.*, at *8.

¹⁶⁹ *Id.*

the “COLORADO STEAKHOUSE” served steaks from Colorado.¹⁷⁰

The PTO also found materiality existed, noting that articles contained “evidence about restaurants (not located in Colorado) touting that they serve Colorado steaks, politicians from Colorado wagering Colorado steaks in the same way that politicians from other states wager their ‘home’ products, . . . and chefs discussing the value of Colorado steaks”¹⁷¹ The PTO rejected the applicant’s argument that the mark was meant to convey a “Colorado-style” theme restaurant. “To the extent the copies of menus and wall art from applicant’s steakhouse relate specifically to Colorado, they serve to strengthen the association of applicant’s restaurants/steakhouses with Colorado, thereby enhancing the geographically deceptively misdescriptive nature of applicant’s marks since Colorado steaks are not served in applicant’s steakhouses.”¹⁷² Thus, the PTO concluded that the mark was PGDM.

By rejecting the applicant’s themed restaurant argument, is the PTO declaring that the heightened *Les Halles* standard is present merely by serving a popular item from the theme area in a themed restaurant? To a degree, it seems like the answer is yes. The PTO used the wall art and menu themes to strengthen the heightened services/place association and materiality requirements. While this could lead to an inability for theme restaurants to register their service marks, the PTO does not rely solely on the restaurant’s wall

¹⁷⁰ *Id.*

¹⁷¹ *Consol. Specialty Rest.*, 2004 WL 1957184, at *9. Notably, the Examining Attorney did not present survey evidence, but instead relied on various newspaper articles and websites. *Id.*, at *4-5.

¹⁷² *Id.*

art and menu, but looks to the totality of all the evidence, similar to the fashion industry evidence in *Fashion Group*. Yet, it does not seem that the PTO applied the heightened materiality requirement in the manner prescribed by *Les Halles*.¹⁷³ Colorado was not even one of the top ten cattle producers in the United States and the menu used by the applicant was not identical to one in the area.¹⁷⁴ While the PTO determined that this evidence would be used against the applicant, it is questionable as to whether the PTO applied the heightened materiality requirement correctly. Instead, it seems like the PTO construed the *Les Halles* test in a broad manner, so that “COLORADO STEAKS” would be denied registration.

In conclusion, as a result of the NAFTA amendments to the Lanham Act all of the aforementioned marks were permanently barred from registration. However, these marks arguably would have been denied in the pre-NAFTA era under section 2(a) for being geographically deceptive.¹⁷⁵ Therefore, *California Innovations*, *Les Halles*, and the NAFTA amendments did not necessarily alter the registrability of these marks.¹⁷⁶ The only difference present in a post-*California Innovations* era is that marks like “ZHIGULY,” “SOON

¹⁷³ See *Les Halles*, 334 F.3d. at 1374-75 (noting that the services/place association requirement is established if customers believed the food was imported from the geographic area in the mark, or if the menu was identical to one in that area, while the materiality requirement was established if consumers frequented the restaurant because the geographic area was thought to be the source for the restaurant’s services).

¹⁷⁴ *Consol Specialty Rest.*, 2004 WL 1957184, at *8 (noting that Colorado ranked eleventh for cattle production).

¹⁷⁵ In fact, *Daesang* and *Doyna* had section 2(a) claims in addition to section 2(e)(3) claims, but the court rightfully addressed the 2(e)(3) claims as encompassing geographically deceptive marks as well as a result of *California Innovations*. See *Daesang*, 2005 WL 1163142, at *12; see also *Doyna* 2005 WL 2295196, at *5-6.

¹⁷⁶ There were no claims that the marks in the recent PTO decision could be registered pursuant to the grandfather clause present in section 2(f). Lanham Act, § 2(f).

2006] *THE DEVELOPMENT OF § 1052(e)(3)* 555

CHANG,” “NO-L-ITA,” and “COLORADO STEAKHOUSE” were denied under section 2(e)(3) instead of section 2(a).

Overall, the recent TTAB decisions show that the PTO applies the test from *California Innovations* and *Les Halles* inconsistently. Applying the service mark test to non-service marks creates a potential for wrongful registration and increased consumer deception. Conversely, the PTO employed a broad construction of the PGDM test by using the totality of the evidence to deny the registration of “COLORADO STEAKHOUSE” and “NO-L-ITA.” A broad construction of the PGDM mark test results in many denials of marks and may deter companies from using geographically misleading marks, which alternatively protects consumers’ interests. While these cases demonstrate that the PTO has not construed the PGDM test in a manner that would open the registration floodgates, they also highlight the recurring inconsistencies in the PTO’s analysis which could lead to both wrongful registration and rejection. Future case law or Lanham Act amendments may be necessary to resolve these inconsistencies.

C. **What Are the Implications of Section 2(e)(3)?**

Three different hypothetical marks, “Miami Rays,” “London Mist,” and “Texas Leather,” illustrate the consequences of *California Innovations*, *Les Halles*, and the PTO’s application of the PGDM mark test. However, in analyzing hypothetical marks, it is first necessary to consider the Lanham Act’s role in establishing adequate consumer protection. Nevertheless, the registration of non-arbitrary geographically false marks like “Miami Rays” and “London Mist,”

demonstrates that *California Innovations* and *Les Halles* created a gap in the level of consumer protection available under section 2(e)(3), contrary to the Lanham Act's purpose.

The purpose of trademark law is to allow consumers to identify which goods are of quality when making purchasing decisions. Economically, trademarks serve two important roles because: "1) they encourage the production of quality products; and 2) they reduce the customer's costs of shopping and making purchasing decisions."¹⁷⁷ Both the Lanham Act and NAFTA focus on preventing consumers from being deceived by inaccurate geographic marks. *California Innovations* created a test designed to protect consumers, in compliance with the Lanham Act, but the new test is imperfect in terms of its impact on both consumers and applicants. At the present time, there appears to be a gap in the level of protection consumers receive because non-arbitrary geographically false marks are registrable absent secondary meaning.

The impact of *California Innovations* on consumers and applicants is best discussed in the context of hypothetical marks. For instance, as discussed previously, "Miami Rays" for a line of sunglasses manufactured in New Jersey may be considered a non-arbitrary geographically false mark. Previous TTAB decisions illustrate that dictionary definitions and atlases are sufficient to prove that "Miami Rays" would satisfy the geographic element.¹⁷⁸

¹⁷⁷ MCCARTHY, *supra* note 14, § 2:3.

¹⁷⁸ *Consol. Specialty Rest.*, 2004 WL 1957184, at *7 (using a dictionary definition to establish that "COLORADO STEAKHOUSE" met the geographic element); *Fame Jeans*, 2004 WL 545768, at *3 (using dictionary definitions and Google search results to establish the geographic element).

2006] *THE DEVELOPMENT OF § 1052(e)(3)* 557

Consumers would likely see the mark “Miami Rays” and think of the geographic location the mark connotes, which is a large city in the United States.

However, it is arguable as to whether a goods/place association would exist. The Examining Attorney may argue a goods/place association exists because “Miami Rays” is comparable to “NO-L-ITA.” Miami, like the NoLIta section of New York City, is an area of high fashion, with numerous fashion designers and trendy shops. Consequently, consumers would associate Miami with the sunglasses sold under the mark “Miami Rays.” Perhaps, consumers may think Miamians would make better ultraviolet sunglasses, given Miami’s close proximity to the equator.¹⁷⁹ Lexis articles may be used to prove there are sunglass companies and boutiques in Miami.¹⁸⁰ Whether Miami produces sunglasses may be difficult to determine, but the Examining Attorney could argue that proving the sunglasses are produced in Miami is unnecessary because the fashion industry differs from other manufacturing industries. Similar to the clothing articles in *Fashion Group*, it would be likely for the sunglasses to be designed and retailed in Miami, while the actual production or the materials used may originate from various

¹⁷⁹ See *Fashion Group*, 2004 WL 290117, at *8 (deciding that “NOLITA” met the goods/place association requirement because Nolita was an area with numerous boutiques and designers, creating and selling clothing similar to the applicant’s); see *Fame Jeans*, 2004 WL 545768, at *4 (finding that “US WEAR” met the goods/place association requirement because Lexis articles established the presence of numerous designers and some manufacturers within the United States).

¹⁸⁰ See *Fashion Industry Stylist, Robert Verdi, Signs as Spokesperson for Sunglass Hut*, PR NEWSWIRE US, June 30, 2005 (noting that the Sunglass Hut, a Miami-based corporation, is the largest retailer of specialty sunglasses in the world, with over 1400 locations in North America); see also *Pola Goes To Extremes in Florida*, DUTY-FREE NEWS INTERNATIONAL, Apr. 15, 2005, at 36 (noting that Pola Sunglasses is a Miami-based company which sells

geographic areas.¹⁸¹

Conversely, an applicant may argue that Miami's connection to beaches and its sunny environment does not create a goods/place association. Instead, consumers would consider Miami, a place where sunglasses are used, not the place where the goods are produced. The applicant would compare "Miami Rays" sunglasses to "CALIFORNIA INNOVATIONS" insulated thermoses, arguing that Miami's connection to sunglasses is too tenuous to satisfy the second prong.¹⁸² Given the arguments and the similarities of "Miami Rays" to "NO-L-ITA," it is more likely that a consumer would believe that "Miami Rays" sunglasses are made or designed in Miami.

The final prong, the materiality requirement, similarly leads to differing conclusions. The Examining Attorney may argue that the mark satisfies materiality because Miami, like NoLIta, is known for high fashion with numerous boutiques retailing sunglasses. However, are consumers really likely to buy "Miami Rays" because they believe the sunglasses are made in Miami, and are therefore of superior quality? Arguments against materiality might be more successful because there are roughly two sunglass corporations in Miami, which is not enough to create any inference of deception. The applicant will compare its mark to "SWISSCELL," arguing that a small number of sunglass producers located in Miami is not enough to establish that Miami is famous for sunglasses or that sunglasses are

products throughout North America).

¹⁸¹ *Fashion Group*, 2004 WL 2901177, at *9-10 (citing numerous articles to establish the presence of designers and boutiques retailing clothing in NoLIta, but not making express findings that the clothing was exclusively produced there).

¹⁸² *Cal. Innovations*, 329 F.3d at 1343.

a principal product of the state.¹⁸³ Conversely, “Miami Rays” is distinguishable from “SOON CHANG,” or “ZHIGULY” because those areas were known for their production of particular products whereas Miami is not well-known as a sunglass producer.¹⁸⁴

Without raising an inference of deception, it will be difficult for “Miami Rays” to satisfy the materiality prong. For instance, the case would be much different if evidence proved that Miami was a trend-setting area for sunglasses or a place where consumers went to purchase unique, fashionable sunglasses. This evidence, along with a concentrated presence of sunglass designers and retailers in Miami could create an inference of materiality. Thus, if Miami became as renowned for sunglasses, as NoLIta was for fashion, then “Miami Rays” would satisfy the materiality requirement.

Currently “Miami Rays” will not be considered a PGDM mark because the materiality requirement is not satisfied, but an adverse consumer impact is still present. “Miami Rays” may be considered a non-arbitrary geographically false mark because it is registrable without any requirement of distinctiveness after satisfying the first two prongs of the *California Innovations* test.¹⁸⁵ The *California Innovations* test leaves consumers unprotected by

¹⁸³ *Glaze*, 2005 WL 847417, at *4-5.

¹⁸⁴ *Doyna*, 2005 WL 2295196, at *7 (noting that depositions and a study by Duke University revealed that beer from the Zhiguly area constituted ninety percent of the beer sold in the USSR and given its popularity in Russia it was likely that the seven and one-half million people of the Russian community in the United States would purchase Zhiguly beer because they believed it came from the Russian area); *Daesang*, 2005 WL 1163142, at *12 (finding that “Soon Chang” for gochujang made outside of the Soon Chang region, which is renowned for high quality gochujang, would deceive customers).

¹⁸⁵ *See supra* Part III.D.

exposing them to potential confusion through the registrability of non-arbitrary geographically false marks. Absent a secondary meaning requirement for non-arbitrary geographically false marks, consumers may purchase “Miami Rays” because they believe Miami is the origin of the sunglasses and not the product of a particular manufacturer. While consumers might not buy “Miami Rays” primarily because of the association with Miami, the goods/place association could be one of a number of factors in their purchasing decision.¹⁸⁶ Therefore, consumers are still misled because the immediate registration of a non-arbitrary geographically false mark does not guarantee that the primary significance of “Miami Rays” is the producer of the product and not the product itself.

The next mark to consider is “London Mist” for a line of umbrellas made in America. Clearly, “London Mist” will satisfy the geographic location requirement because consumers would view “London Mist” and primarily think of London, the capital of the United Kingdom. In terms of the goods/place association, the Examining Attorney would argue that London is a city that has numerous long-standing umbrella manufacturers, known for producing quality umbrellas and servicing the Royal Family.¹⁸⁷ The

¹⁸⁶ If enough evidence is presented to prove that some consumers, albeit unsophisticated purchasers, bought “Miami Rays” primarily because they believed the product was made in Miami, then the materiality prong would likely exist and the mark could be denied registration.

¹⁸⁷ Jill Sell, *Are Your Umbrella Manners All Wet?*, PLAIN DEALER (Cleveland, OH), Apr. 1, 2002, at C1 (noting Lulu Guinness fashion umbrellas, made in London, are sold in the United States); see also *In the Spirit of Giving...Suggestions are Endless*, COLUMBUS DISPATCH (OH), Nov. 20, 1998, at 16 (providing information for how Americans can purchase Swaine Adeney Brigg umbrellas, a London umbrella maker that the royal family uses); see also Cindy LaFavre Yorks, *Summer Reading*, LOS ANGELES TIMES, May 17, 1991, at E1 (noting Swaine Adeny umbrellas are purchasable by catalogue); see also Charlotte

goods/place association may be stronger than “Miami Rays,” given the presence of London’s longstanding umbrella makers, similar to the Soon Chang area in *Daesang* which produced quality gochujang for centuries.¹⁸⁸ Therefore, an inference of a goods/place association may exist because London is a known producer of umbrellas.¹⁸⁹

The applicant, however, may still argue that London is merely known for its rainy atmosphere and not because American consumers believe that London is the origin of the umbrellas.¹⁹⁰ Yet, given the amount of available evidence, the connection seems to be less tenuous than that in *California Innovations* and *Glaze*.¹⁹¹ Thus, consumers purchasing “London Mist” would likely believe that London is the origin of the umbrella, similar to the clothing in *Fashion Group*, given the number of umbrella manufacturers, retail stores, and umbrella fashion trends developed in the area.¹⁹²

The materiality element may be more problematic to establish. The Examining Attorney may argue that umbrellas are a

Packer, *Come Rain or Come Shine: Beautiful Umbrellas Can Incite Crime*, THE INDEPENDENT (London) Feb. 15, 1997, at 30 (noting that the world known durable design of umbrellas was developed in Britain and London umbrella maker, Fulton Company, was established in the 1950s and supplies the royal family with umbrellas); see also Sue Webster, *Under the Weather Umbrellas Have Evolved*, FINANCIAL TIMES (London) Nov. 10, 2001, at 10 (noting that London offers the best umbrellas, citing Burberry, James Smith & Sons, Fulton Company, Bill Amberg, Georgina Von Etdorf as the best London-based umbrella makers).

¹⁸⁸ *Daesang*, 2005 WL 1163142, at *1-2 (finding that gochujang was produced in Soon Chang for centuries).

¹⁸⁹ See *supra* note 187.

¹⁹⁰ The available evidence in favor of a PGDM finding is from Lexis articles of British newspapers because fewer American newspapers describe London umbrella makers.

¹⁹¹ See *supra* note 187; *California Innovations*, 1329 F.3d at 1343; *Glaze, Inc.*, 2005 WL 847417, at *3.

¹⁹² See *supra* note 187; see also Company Information from Fulton Umbrellas UK, <http://www.fultonumbrellas.com/aboutus.php> (last visited Mar. 15, 2006) (noting that the Fulton Company’s London-located Fulton House works on fashion, design, technical research, and development).

fashion enterprise in London because numerous manufacturers and retailers are located there and London has maintained an umbrella industry for many years.¹⁹³ Similar to *Daesang* and *Doyna*, an inference of deception may exist if London is famous for its fashionable umbrellas. Arguably, the fame of London's umbrellas is evidenced by the large British American population in the United States who might purchase "London Mist" umbrellas because they believe that the umbrellas are made in London, like the Russian American population purchasing "ZHIGULY" beer in *Doyna*.¹⁹⁴ However, it is not clear that the British-American consumers would really purchase umbrellas based on that belief. The applicant could argue that the connection to London for umbrella production is much more attenuated than "ZHIGULY" beer or gochujang made in Soon Chang because there are few London-based umbrella factories the products are not necessarily as famous as gochujang made in a particular area for centuries. Hence, "London Mist" is comparable to "SWISSCELL" because London has a small number of umbrella manufacturers, similar to the presence of two Swiss battery manufactures in *Glaze*.¹⁹⁵

The ultimate decision in this case may rest upon how broadly or narrowly the PTO construes the materiality requirement. For instance, if the heightened service marks test of *Les Halles* is

¹⁹³ See *supra* notes 187.

¹⁹⁴ See British American-Wikipedia, http://en.wikipedia.org/wiki/British_Americans (last visited Mar. 15, 2006) (noting that the 2000 United States Census established that British Americans are the largest ethnic group in the United States, with 24.5 million people citing England as their ancestral country); see also *supra* notes 187-88.

¹⁹⁵ See *supra* note 187 (describing some known London-based umbrella manufacturers).

incorrectly applied to the “London Mist” analysis, as it was in *Glaze*, the mark may be registered. “London Mist,” like “SWISSCELL,” might not meet the elevated materiality requirement because the few London-based umbrella makers do not necessarily export umbrellas but may produce umbrellas to avoid importation.¹⁹⁶ Conversely, if the PTO considers the totality of the circumstances, as it did in *Fashion Group*, the mark may be denied registration. Here, “London Mist” may be considered even stronger than “NO-L-ITA,” because London is an area where umbrellas have been produced for decades.¹⁹⁷

Overall, it is more likely that the materiality element would not be met. The presence of numerous British Americans is distinguishable from recent Russian Americans in *Doyna* because many British Americans are not recent immigrants with a substantial connection to London. Additionally, while London produces umbrellas, are London-made umbrellas truly famous with American consumers? Again, similar to “Miami Rays,” consumers are more likely to consider London a place where consumers would use umbrellas, rather than an area famous for umbrella production. Perhaps the materiality element would exist if evidence established that London-made umbrellas were famous in America or internationally known for a high quality and fashionable nature.¹⁹⁸

¹⁹⁶ *Glaze*, 2005 WL 847417, at *5 (noting that no heightened association existed between batteries and Switzerland, as it would not be because countries may choose to produce their own batteries rather than import them); *see supra* note 187.

¹⁹⁷ *See supra* note 187.

¹⁹⁸ A showing of materiality would exist if the mark was something London was truly famous for internationally, like “London Fish” for a line of frozen fish and chips dinners that are not made in London.

Regardless of whether registration is denied or granted, both consumers and applicants may suffer. If the mark is denied, the applicant suffers because, absent trademark protection, “London Mist” umbrellas will not attain that level of quality and prestige which a trademark can portray. Thus, consumers who might not be misled by the mark if it had a trademark may suffer because they may now refrain from buying “London Mist” because it’s without a trademark regardless of its geographic connotations. Many consumers buy goods bearing trademarks because such goods signify a level of quality and enable consumers to save time in making purchasing decisions. Accordingly, the applicant loses business and consumers must look elsewhere for umbrellas that have trademarks.

Additionally, consumers may still suffer even if the mark is registered. Similar to “Miami Rays,” “London Mist” would be registered as a non-arbitrary geographically false mark. Thus, there is still a chance that some consumers may be misled by the trademark since it can be used absent secondary meaning. Perhaps some consumers will buy “London Mist” umbrellas because they believe the umbrella is made in London, the product is appealing, it is reasonably priced, and these consumers prefer European-made products. While the umbrella’s connection to London is not the consumers’ sole reason for purchasing the umbrella, the mistaken goods/place association certainly factors into the purchasing decision. Consequently, “London Mist” exemplifies the problems associated with a PGDM mark’s registration or denial post-*California Innovations*.

Finally, a third mark to consider is “Texas Leather” for a line of leather cowboy boots made in Illinois from Italian leather. Similar to the other three marks, “Texas Leather” would meet geographic requirement because dictionary definitions would prove consumers would view “Texas Leather” and primarily think of Texas, a known state in the United States. In terms of a goods/place association, “Texas Leather” would satisfy the requirement. An inference of a goods/place association exists because Texas is a known producer of leather products. For instance, Texas’ 2005 leather industry profile cites the leather industry as the seventeenth largest industry for exports, valued at \$661.9 million, and as second in the United States for leather employment, with 158 leather establishments and 4,402 employees.¹⁹⁹

Given the strong association with leather and cowboy boots to Texas, it is likely that consumers would believe “Texas Leather” cowboy boots were made in Texas.²⁰⁰ Consumers, especially those in the mid-west, similar to the Russian speaking community in *Doyna*, would believe the “Texas Leather” boots were produced in Texas because of the state’s long standing leather industry.²⁰¹

¹⁹⁹ Texas Industry Profiler, <http://www.bidc.state.tx.us/industry%20profiles/profileleather.pdf> (last visited Mar. 16, 2006).

²⁰⁰ See *id.*; see also *Cavender’s Exclusive Distributor of Larry Mahan Boots*, BUSINESS WIRE, July 27, 2001 (noting that a new line of leather cowboy boots will be crafted in Nocona, Texas, the leather goods capital, and designed by Mahan, a champion cowboy).

²⁰¹ See *supra* notes 199-200; see also *Tony Lama Boots*, <http://www.tonylama.com/craftsmanship/history.asp> (last visited Mar. 16, 2006) (noting that Tony Lama Boots, leather cowboy boots produced in Texas, have been made there since the early 1900s). Texas’ longstanding leather industry also differentiates “Texas Leather” from *Glaze*, where the presence of two battery companies in Switzerland did not create a goods place association for the mark “SWISSCELL.”

Moreover, the mark is comparable and perhaps even more compelling than the service mark “COLORADO STEAK.” While Colorado ranked eleventh for cattle production, Texas ranks second for employees, seventh for value of shipments, and fourth for total capital investments in the nation’s leather industry.²⁰² Therefore, given the totality of the circumstances, the mark is likely to satisfy the goods/place association requirement.

In terms of materiality, there may be an inference of materiality present, which was absent with “Miami Rays” and “London Mist.” The previous marks contained geographic locations that were not famous producers of the goods in question, but rather a place where the goods could be used. Texas, conversely, is the source of the leather products and not solely a place where leather cowboy boots are used. Additionally, while “Miami Rays” and “London Mist” retailed the goods in question, London and Miami were not as renowned in the fashion industry or with American consumers as Texan-made leather. Texas is famous for its leather production because its leather industry is a multimillion dollar industry, highly ranked in the nation’s leather industry.²⁰³ Also, consumers know Texan leather cowboy boots are of high quality and have a rich history as a Texan good.²⁰⁴ “Texas Leather” is similar to

²⁰² See *supra* note 199.

²⁰³ See *supra* note 199.

²⁰⁴ See *supra* notes 199-201; see also *People: Texas Cowboy Boot King Dies Aged 66*, THE INDEPENDENT (UK), Oct. 5, 2003 (noting James Leddy was a renowned leather cowboy boot maker in Texas, servicing country music stars and ranchers); see also Betty L. Martin, *Leather-bound History*, THE HOUSTON CHRONICLE, July 18, 2002, at 11 (noting the long history of producing leather Texas cowboy boots and the difficulties in keeping the craft in existence).

“SOON CHANG” and “ZHIGULY” where an extensive history of the geographic areas producing the goods in question existed. Cases which may support registration, such as *Glaze*, will not assist the applicant because the Texan leather industry is massive, as compared to Switzerland’s minute number of battery manufacturers. Hence, “Texas Leather” will be denied registration as a PGDM mark.

The distinguishing factor between “Texas Leather” and the previous two marks is that Texas’ leather industry is enormous compared to the sunglass or umbrella fashion industries in Miami and London. American consumers also associate Texas with the “wild west,” an area long known for its quality leather cowboy boots.²⁰⁵ Consumers are much more likely to purchase “Texas Leather” boots because of this association with the source of the goods than they are to purchase “Miami Rays” sunglasses and “London Mist” umbrellas, which are marks signifying places where a consumer would merely use such goods. The association is further evidenced by the size of the Texan leather industry and its longstanding reputation for producing leather products, especially cowboy boots.

By denying “Texas Leather” registration, consumers are better protected from the misleading nature of the mark.²⁰⁶ Yet, because the applicant could continue to produce the boots without a trademark, unsophisticated consumers may still be misled. Arguably,

²⁰⁵ See *supra* notes 199-201, 204.

²⁰⁶ Notably, in the pre-NAFTA era if “Texas Leather” was denied registration for being a deceptive mark under section 2(a) the denial would be permanent. However, if the evidence wasn’t quite strong enough to consider the mark geographically deceptive, it would be denied under section 2(e)(2) for being PGDM because the first two prongs would be satisfied. Importantly, a classification as PGDM in the pre-NAFTA era would not be fatal, and “Texas Leather” would have the opportunity to acquire secondary meaning pursuant to

some consumers may purchase “Texas Leather” without looking to see if it has a trademark, under the impression that it is an authentic Texan-made leather cowboy boot. Nevertheless, because “Texas Leather” is permanently barred from registration, there is less consumer confusion as compared to “London Mist” and “Miami Rays,” which are registrable non-arbitrary geographically false marks.

Overall, if the purpose of the Lanham Act and NAFTA was to eliminate consumer deception, *California Innovations* does not create a perfect solution. While the registration of numerous non-arbitrary geographically false marks has not yet occurred via TTAB decisions, it is a serious problem. A whole range of marks are capable of confusing and misleading consumers. Marks like “Miami Rays” and “London Mist” create a level of consumer confusion that the *California Innovations* test does not address. Requiring secondary meaning for such marks would certainly alleviate some consumer confusion, but it is not likely that the courts or Congress will require such a finding in the PGDM mark category.

D. Future Amendments to the Lanham Act

Future amendments to the Lanham Act are necessary to protect consumers from the deceptive nature of non-arbitrary geographically false marks. Congress should amend the Lanham Act to create a new subsection in section 2(e) for non-arbitrary geographically false marks. Under this subsection, a non-arbitrary

section 2(f). *See supra* Part II.B.

geographically false mark would exist when the first two prongs of the *California Innovations* test are satisfied.²⁰⁷ However, the marks should not suffer a permanent denial of registration upon proof of the first two prongs of the PGDM mark test. Instead of immediately registering or permanently denying such marks, the new subsection should oblige non-arbitrary geographically false marks to establish a heightened showing of secondary meaning. Requiring an elevated showing of secondary meaning would differentiate the test for non-arbitrary geographically false marks from the secondary meaning requirement in section 2(e)(2), pre-NAFTA²⁰⁸ or for post-NAFTA geographically descriptive marks under section 2(e)(2) and deceptively misdescriptive marks under section 2(e)(1).²⁰⁹

Currently, marks capable of establishing secondary meaning under section 2(f) may use several different types of evidence to prove the existence of secondary meaning. Secondary meaning may be established through:

- 1) Direct or circumstantial evidence tending to prove that the relevant buyer class associates the mark with the applicant;
- 2) Proof of five years' use; [or]
- 3) Evidence of ownership of prior registration on the same mark for closely related goods.²¹⁰

Evidence of an applicant's use of the mark for five years or ownership of the same mark for closely related goods is used as

²⁰⁷ The test should be two-pronged because non-arbitrary geographically false marks are marks that do not satisfy the PGDM three-pronged test, but nevertheless create a level of consumer deception. *See supra* text and accompanying notes 103-105.

²⁰⁸ *See supra* notes 23-25 and accompanying text.

²⁰⁹ Lanham Act, § 2(e)(1)-(2), (f).

²¹⁰ MCCARTHY, *supra* note 38, § 15:61.

prima facie evidence because it creates a presumption that the mark has become distinctive.²¹¹ However, the PTO “may refuse to invoke the prima facie rule if the term sought to be registered is so highly descriptive that actual evidence is necessary beyond mere proof of five years’ use.”²¹²

Instead of allowing non-arbitrary geographically false marks to establish secondary meaning through prima facie evidence, the Lanham Act should require applicants to satisfy secondary meaning only through actual evidence—direct or circumstantial. Also, if the mark could not establish secondary meaning initially, it should be placed on the supplemental register until it is distinctive. Eliminating prima facie evidence of five years’ use and prior registration of the same mark for related goods would create a heightened secondary meaning requirement. Furthermore, requiring actual evidence to establish secondary meaning would prevent consumer deception and comply with the NAFTA amendments.²¹³ These changes to the Lanham Act would eliminate the gaps in consumer protection that *California Innovations* and *Les Halles* created.

For instance, if “Miami Rays” meets the first two prongs of the *California Innovations* test, the mark is a non-arbitrary geographically false mark. If the applicant of “Miami Rays” could establish actual distinctiveness with consumers under the heightened

²¹¹ *Id.* § 15:62 (noting that the presumption is not mandatory and the weight the PTO accords to the evidence may vary widely); *id.* § 15:63.

²¹² *Id.* § 15:64.

²¹³ See *supra* note 46 and accompanying text. NAFTA required that misleading geographic marks should be barred. The potentially misleading nature non-arbitrary geographically false marks create would be eliminated if actual distinction with consumers is required.

secondary meaning standard, the mark would not suffer a permanent denial. Even if the applicant could not immediately establish actual distinctiveness through circumstantial or direct evidence, “Miami Rays” would be placed on the supplemental register until the applicant proved elevated secondary meaning through direct or circumstantial evidence. Greater consumer protection would exist because “Miami Rays” must be actually distinctive when registered, thus preventing consumer deception. Additionally, the applicant is not punished because “Miami Rays” will not be permanently denied under section 2(e)(3) like PGDM marks.

While section 2(e)(3) currently enables non-arbitrary geographically false marks to be registered immediately without any showing of secondary meaning, the new amendments would subject marks like “Miami Rays” to more rigorous standards. Such a requirement would close the gap that is currently present in section 2(e)(3) due to *California Innovations* and *Les Halles*.

V. CONCLUSION

As a result of *California Innovations* and *Les Halles*, the test for PGDM marks uses a materiality prong because such marks suffer a permanent denial under section 2(e)(3). Nevertheless, no matter how logical the materiality requirement may seem, it is not the best solution. *California Innovations* is said to violate Congress’ intent and render section 2(e)(3) superfluous. Yet, there is one criticism that illustrates the most serious dilemma *California Innovations* created—the easier registration of non-arbitrary geographically false marks.

At the present time, TTAB decisions indicate that the status of PGDM marks is somewhat stable. Nonetheless, inconsistencies with the PTO's application of *Les Halles* and *California Innovations* exist. The PTO incorrectly applied the heightened *Les Halles* service test to bolster registration for a mark for goods in at least one instance. If all marks for goods are subjected to the heightened *Les Halles* test, increased registration may occur in a manner that the Federal Circuit in *California Innovations* did not anticipate. A broad construction of the PGDM mark test by the PTO, by employing the totality of evidence standard, could lead to the increased denial of marks, such as the service mark "COLORADO STEAKHOUSE" and "NO-L-ITA," a mark for goods. The continual inconsistent application of the standards set forth in *Les Halles* and *California Innovations* may force the Federal Circuit to refine its ruling.

Additionally, the inconsistent application of the PGDM mark test by the PTO could lead to increased registration, if construed too narrowly, which will result in increased consumer deception as non-arbitrary geographically false marks enter the marketplace. "US WEAR," a mark registered post-*California Innovations* may be categorized as a non-arbitrary geographically false mark. However, by enabling such marks to enjoy immediate registration, consumers will suffer serious consequences in the future. *California Innovations* exposes consumers to misleading non-arbitrary geographically false marks. While a non-arbitrary geographically false mark should not suffer from a permanent denial, such marks should not enjoy trademark protection at the consumer's expense either.

2006]

THE DEVELOPMENT OF § 1052(e)(3)

573

A more harmonious result would be to require non-arbitrary geographically false marks to acquire secondary meaning. If Congress amends the Lanham Act, adding an additional subsection to section 2(e) for non-arbitrary geographically false marks and forcing such marks to acquire heightened secondary meaning, consumer deception may be decreased. Therefore, the gap in registration would be closed as consumer deception is minimized, in line with Congressional intent, while the three-pronged test from *California Innovations* endures.

While Congress or future court decisions do not have to overrule *California Innovations*, the Lanham Act must be constructed in a manner that provides consumers with adequate protection. Only time will tell whether consumers are afforded the protections they rightfully deserve.

