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CURRENT PROBLEMS OF AMERICAN COMPANIES THAT PERMIT USE OF THEIR CORPORATE NAMES AND TRADEMARKS OVERSEAS*

LAWRENCE F. EBB**

FROM 1959 to 1969 Columbia Ribbon & Carbon Manufacturing Co., Inc., a New York corporation, could manufacture and sell carbon paper, inked ribbons, and other duplicating materials under its own "Columbia" trademarks and trade names throughout the world except in Italy. The chronicle of its tangled relationship and multinational litigation with its former subsidiary in Italy, Columbia Nastri & Carta Carbone, S.p.A., holds some elements of drama and perhaps more of education for those who counsel American companies on shaping overseas licensing operations as they move increasingly into the international sphere. It is a chronicle that is still in the telling: The Federal District Court for the Southern District of New York in a decision affirmed by the Second Circuit Court of Appeals¹ has written the American portion. The Milan Court of Appeal in a decision filed May 10, 1968, furnished the first in a series of Italian rulings in the case, and the Milan Court of First Instance on February 7, 1969, has reached a decision on the merits; Columbia Nastri has filed an appeal.

HISTORIC ANTICIPATION

Columbia Ribbon's trademark and corporate name problems are those of an American parent facing a former overseas subsidiary that has become an adversary; these are the problems with which this article is primarily concerned. But it may be useful to note at the outset that these problems, historically, were antici-

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1. *Columbia Nastri & Carta Carbone, S.p.A. v. Columbia Ribbon & Carbon Mfg. Co.*, 147 U.S.P.Q. 204 (S.D.N.Y. 1965), *aff'd*, 367 F.2d 308 (2d Cir. 1966) [hereinafter cited as instant case], *discussed in* L. EBB, CASES, COMMENTS AND MATERIALS ON REGULATION AND PROTECTION OF INTERNATIONAL BUSINESS 18-23 (Supp. 1968) [hereinafter cited as EBB, INTERNATIONAL BUSINESS].

pated by similar complexities encountered by American companies with their overseas distributors to whom they had entrusted overseas trademark registrations derived from their American marks. The fact is that international trademark piracy, embezzlement, or conversion has been practiced for years by former business friends and relatives, as well as by complete strangers.

Chickering

In 1909, when Chickering & Sons, the piano manufacturer, for reasons of expediency, trusted its Mexican distributor, Enrique Munguia, to register the trademark CHICKERING in Mexico in his own name, it was neither the first nor the last American manufacturer to open the door to the possibility of long-run dispute over the rights to its trademark. Nor for that matter was its subsequent trademark controversy with the embittered Señor Munguia, after his distributorship had been terminated for financial reasons, unprecedented. That particular controversy achieved fame in the commentaries and case-books because it led to an historic decision of the Mexican Supreme Court recognizing the treaty right of a non-resident alien company (under the International Convention for the Protection of Industrial Property) to register its trademark in Mexico without having to inscribe itself in the Mexican Commercial Registry as a company engaged in business in Mexico.² But the case has a present-day significance that extends beyond its precise holdings.

It is noteworthy that Munguia had been fully empowered by Chickering & Sons to register its mark in Mexico in his own name in 1909, had assigned the mark to the American company the following year, and had then served as its exclusive Mexican distributor for many years. Since he promptly re-registered the mark in his own name after the company terminated his distributorship, his action may be regarded (as presumably he regarded it) as a species of ancillary self-help distributor franchise security measure, designed to protect his claim to vested rights in the good will of the Chickering trademark and piano business in Mexico, which he had undoubtedly helped to create over the years. The fact that Munguia had been the original owner of record of the mark, coupled with the fact that for a long time Mexico had espoused the

2. See EBB, INTERNATIONAL BUSINESS 414-17 (1964).

doctrine that an absentee alien company could not hold title to a Mexican trademark unless it qualified to do business there, may have served as the basis for his course of action. It was a course of action, whatever the cause, which was proved erroneous only as a result of strenuous diplomatic negotiations by the American government and a change of heart and doctrine by the Mexican Supreme Court. Although Munguia lost that case, the nationalistic spirit underlying the judicial doctrines that almost carried the day for him and the civil-law tendency to prefer vested rights of local distributors to trademark claims of absentee owners are factors that remain to be dealt with, in one doctrinal form or another, by American companies that engage in overseas licensing activity.

Ambiguous Uses Continue

Despite the manifest problems of repossessing trademarks or trade names as such, or as a part of a corporate name used by a foreign licensee that is neither a wholly owned nor a partially owned subsidiary, a recent survey indicates that licenses of this nature may still be common. Eighty-six percent of the companies answering, all members of International Executives Association, Inc., a New York organization, stated in response to a questionnaire that they permit their corporate name to be used as a part of the name of a foreign licensee corporation despite awareness of the risks involved. Some take comfort in the fact that they permit only that part of their corporate name which is also a registered trademark to be used by the foreign licensee, but it is not clear that that fact by itself would allow for automatic retrieval of the magic words from the licensee's company name when the license arrangement ends. While some expressed the view that "we could not afford a licensee as a representative if we could not also trust the use of the corporate name to him," others noted that the practice "can create a costly legal problem if and when the licensing agreement is terminated. . . . It is particularly becoming more dangerous in view of the laws which countries are now enacting to overprotect their nationals when an agreement of any kind is terminated."³

3. INTERNATIONAL EXECUTIVES ASSOCIATION, INC., SERVICE BULLETIN No. 2556 (July 27, 1967). For an illustration in the domestic context of the risks involved in acquiescing in a distributor's use of a famous trade name and trademark as part of its company title, see *Manitowoc Sales & Service Corp. v. Manitowoc Crane & Shovel Sales Corp.*, 11 Ohio Misc. 174, 229 N.E.2d 865 (Ct. Com. Pleas 1967).

In a similar case but in an international setting, *Kardex Int'l, Ltd.*, 1936 Nytt Juridiske Arkiv 513, the Swedish Supreme Court ordered the former Swedish distributor

The extraordinarily high percentage of companies that reportedly permit their name or trademark to be used in the company name of nonaffiliated entities should be treated with caution. The group polled may be unrepresentative of American companies active overseas, and the outcome of the poll may reflect a practice engaged in primarily by companies whose international operations tend to be confined to exporting to and licensing of independent distributors, in contrast with manufacturing and distributing through overseas subsidiaries. Even so, the percentage is surprisingly high in light of the potential pitfalls unless the American licensors have developed very stringent contractual controls over the use and terminability of the corporate name, coupled perhaps with close controls over other aspects of the operations of these licensees, for example, through vital patent and technical assistance agreements.

Of course, the licensor may feel it derives great and overriding benefits from letting a foreign distributor use its name or trademark as part of its corporate name. Some of the companies replying to the questionnaire of the International Executives Association said they believe use of the corporate name in this manner "enhances sales potential for product under license and provides extra advertising coverage or exposure for the American company, . . . assuming prestige names [are] involved." Another possible reason for such an arrangement may be that the American company, in the interest of barring parallel imports of its product into the foreign country, has transferred one or more of its foreign trademarks to an exclusive distributor,⁴ and it is a relatively short step

of an American company's products to cease use of a similar sounding corporate name after termination of the distributorship. The determinative elements were confusion between the two enterprises, detriment to the American company which was the owner of the older name or trademark, Article 8 of the International Convention for the Protection of Industrial Property, and a provision in the Swedish Stock Corporation Act. While the American firm's casual and long-continued acquiescence in the use of its name by the Swedish company during the period of the distributorship was not fatal in that case, there is no reason to believe that many other foreign courts would follow the views of the Swedish Supreme Court; *see, e.g.*, notes 6 and 9 *infra*. Compare *S. A. Redex Sabina c. Quoilin N. et Soc. dr. angl. "Redex Ltd."*, Court of Appeals, Brussels (4th Ch), February 27, 1961, *Journal des Tribunaux*, November 5, 1961, p. 630 (same result as in the *Kardex* case), with *Aktiebolaget B.A. Hjorth & Co. c. Casa Primus C. Longuet, S.R.L.*, Federal Court, Buenos Aires, May 10, 1961 (reaching opposite result).

4. Many countries recognize an import-ban privilege on the part of a trademark holder only if the latter is not identical with the foreign producer of the trademarked goods. *See, e.g.*, the Grundig-GINT trademark arrangement, the details of which were

from allowing use of trademarks as such to allowing their use as part of a corporate name.

A more broadly based and hence more meaningful survey by the United States Trademark Association indicates that American companies generally register trademarks abroad in their own name, although a substantial number sometimes permit registration in the name of their wholly owned subsidiary. Far less frequently, marks are registered by partly owned subsidiaries, and almost never do American companies allow a licensee other than their own subsidiary to register abroad.⁵ The results of this survey, however, are not necessarily inconsistent with those of the International Executives questionnaire. American companies that are meticulous about registering and retaining title in their own name abroad may still permit distributors—as well as their own subsidiaries, of course—to use a key trademark as part of their corporate name, whether by explicit license agreement or otherwise.

COMPLICATIONS AND HAZARDS

If registration of trademarks overseas by a licensee other than a subsidiary—and even by a subsidiary company—is fraught with peril, what special dangers lurk in the practice of permitting a trademark to be used as part of the company name of a foreign subsidiary or distributor? To be sure, use of a trademark in a corporate name at first glance seems to be little more than exercise of a license to use the trademark; overseas registration of the mark by

subjected to close scrutiny by the European Court of Justice in the *Grundig-Consten* case, discussed in EBB, INTERNATIONAL BUSINESS 46-63 and Ebb, *The Grundig-Consten Case Revisited*, 115 U. PA. L. REV. 855 (1967).

5. Landau, *The Handling of Trademarks Abroad by United States Companies*, 56 TRADEMARK REP. 207-08 (1966). The usual reason given for permitting subsidiaries to register is to obtain an International Registration under the terms of the Madrid Agreement, to which the United States is not a signatory. Other reasons given relate to countries where the local law gives a preference to the local owner or where only the local user has the right to register the mark.

As to the latter predicament, see Ladas' suggestion that a licensee be allowed to use the trademark "in such a manner and under such conditions that it will be definitely identified with the licensor as a trademark owner" and so that the licensor thereafter can avail himself of such use in order to prove the acquisition of distinctiveness which is a prerequisite to registration in such countries. Ladas, *Problems of Licensing Abroad*, 56 TRADEMARK REP. 484, 512 (1966). On the general problem of the propriety of national requirements of local use as a prerequisite to registrability of a trademark corresponding to one concededly in use abroad, compare Article 2 with Article 6 of the International Convention for the Protection of Industrial Property. The vacillating viewpoint of the United States Patent Office on this issue is reflected in a series of cases reported and commented on in EBB, INTERNATIONAL BUSINESS 400-09 (1964).

the American company, retention of title to the mark, and use of a carefully drawn trademark license agreement should normally be adequate to protect the owner from the caprices of an errant licensee. But the use of trademarks in company names by foreign subsidiaries or independent distributors is more complicated and hazardous than the licensed use of trademarks as such. Consider the complexities and the pitfalls:

(1) A company name, unlike a trademark, must be specified, in all countries, in the articles of association or bylaws of the company. These are registered in a local Commercial Register, which is generally maintained by a court or by a government office. Changes in the articles will normally be required to change the corporate name. Such changes require extraordinary shareholders' meetings, which in turn require special quorums or special majority votes (*e.g.*, two-thirds in France and three-fourths in Germany), or both.

(2) A corporate name can readily be used in the same fashion as a trademark, and it is most difficult to define where the legitimate function of a firm name ends and that of a trademark begins—for example, in the field of advertising.⁶ Yet, the law governing

6. This is an old problem; *see, e.g.*, *Williams Soap Co. v. J. B. Williams Soap Co.*, 193 F. 384 (7th Cir. 1911). In the *Columbia Ribbon* case, one of the trademarks originally registered by the American company in Italy was its own name, "Columbia Ribbon & Carbon Manufacturing Co., Inc.," and this trademark (or trade name) served also as the original name of the Italian subsidiary company (Inc. being replaced by S.p.A.).

For an extensive discussion of trademarks, corporate names, trade names, business names, establishment marks, and business marks, *see* 3 R. CALLMANN, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* §§ 66.1-2, 67.1, 68, 68.1, 85.1 (a), 85.2 (a)-(d), *especially at* 986-91, 1014, 1023-28, 1668-70, 1678-87, 1697-99, 1703-04 (2d ed. 1950) [hereinafter cited as CALLMANN]. The Supreme Court considered the question of nomenclature and concepts in *American Steel Foundries v. Robertson*, 269 U.S. 372, 380 (1926):

Whether the name of a corporation is to be regarded as a trade-mark, a trade name or both, is not entirely clear under the decisions. To some extent the two terms overlap, but there is a difference more or less definitely recognized which is, that, generally speaking, the former is applicable to the vendible commodity to which it is affixed, the latter to a business and its good will. . . . A corporate name seems to fall more appropriately into the latter class. But the precise difference is not often material, since the law affords protection against its appropriation in either view upon the same fundamental principles.

See also Leeds, *Brandnames are Trademarks*, 49 TRADEMARK REP. 596 (1959), which deals *inter alia*, with corporate names as one type of trade name; Yarbrough, *Protection of Territorial Rights in Corporate Names and Trade Names*, 55 TRADEMARK REP. 327 n.2 (1965). The multiple use of a word as a corporate name and as a trademark, and problems resulting therefrom are discussed in many cases, cited and commented upon in CALLMANN 1680, 1680 n.25, 1682-83 n.29, 1690, 1698-99, 1703-04; *id.*, 1965 Cum. Sup. at 239-40, *criticizing* *Indussa Export Co. v. Indussa Corp.*, 102 U.S.P.Q. 92 (N.Y. Sup. Ct. 1954), where the court denied the plaintiff the right to use the word "Indussa" as a trademark but allowed it to continue its use as part of its corporate name. *Gf.*

limitations on the use of a corporate name—unlike the law governing use of trademark as such—involves corporate as well as contract law. Moreover, corporate law in this area is highly uncertain. Hence, the decision by an American company to let an overseas subsidiary use its name in some form, subject to its right to retrieve that name as and when its ownership of a majority interest in the foreign company dwindles to a slim majority or a minority interest, is risky not only with respect to the company name as such, but also with respect to the ability of the foreign entity, as a practical matter, to use the company name in advertising to perform the function of a trademark.

Alien Property Custodian seizures of German-owned companies and their locally registered marks have spawned widespread litigation in many parts of the world, litigation notable as much for its longevity as for its intricacy, and notable for its interfusion of corporate name and trademark problems. The *Bayer* cases constitute one distinguished illustration of these complications. The German Bayer company, Farbenfabriken Bayer A.G., with factories at Leverkusen, held part ownership in a British company, Bayer Products Limited. Bayer Limited held title to the English trademark registration for the word BAYER in the form of a cross surrounded by two concentric circles between which ran the words "The Bayer Company Limited, Manchester." The German company, after World War I, sold its drugs in England exclusively through Bayer Ltd., and used a form of the Bayer cross consisting simply of Bayer in the form of a cross within a single circle and with no surrounding letters. This mark was apparently not registered in England. The German firm lost its equity in Bayer Ltd. during World War II, and the American company, Sterling Drug, acquired full ownership. Sterling's attempts after the war to obtain for its English subsidiary exclusive rights to the previously unregistered variants of the English Bayer cross mark and to register the word BAYER in block capitals, precipitated a trademark registration struggle with the German company. The latter agreed to refrain from using the registered mark and the unregistered variations of the Bayer Cross either alone or in the context "Made

the Canadian Supreme Court's decision in *Cheerio Toys & Games, Ltd. v. Dubiner*, 48 Can. Pat. Rep. 226 (1965), [1966] Can. S. Ct. 206, that termination of a trademark license agreement was ineffective to prevent use of the licensee's corporate name—which includes the trademarked word—as a trade name, in the absence of an express covenant to terminate the use of the company name in this manner.

by Bayer Germany" so long as the British company remained the owner of the registered mark. While the trademark suit was still pending in the courts, the German company used the words "Made by Farbenfabriken Bayer Aktiengesellschaft Germany," and then "Bayer Leverkusen Germany" without the cross, on advertisements on pharmaceuticals, and subsequently "Bayer Germany" without Leverkusen. On a suit brought by Bayer Ltd. for "passing off" of the German goods as being those of the British company, the court ruled in favor of the German enterprise, and refused to issue an injunction that would have required that enterprise to refrain from using BAYER, except as part of its full corporate name and address.⁷ Quite aside from the merits of this and other Bayer suits, the sequence of events serves as a good illustration of the difficulty of preventing use of a corporate name in advertising of products in much the same manner as a trade mark would be used.

(3) The close and intimate relationship of parent and foreign subsidiary—the very relationship that makes the single enterprise or single trader doctrine possible as a means of insulating commercial arrangements between American parent and overseas subsidiary from applicability of United States antitrust laws⁸—may encourage excessive informality in many areas, and one such area of risk is the subsidiary's use of essentially the same company name as that of its overseas parent.

(4) If foreign courts, as in the *Chickering* case, tend to be reluctant to strip a local entity of its previously acknowledged right to use local marks owned by an American company,⁹ consider how

7. *Sterling-Winthrop Group Ltd. v. Farbenfabriken Bayer A.G.*, [1966] R. Pat. Cas. No. 18,477 (Ch. 1966).

8. See, e.g., K. BREWSTER, ANTITRUST AND AMERICAN BUSINESS ABROAD 181-86, 451 (1958); Fugate, *Application of Antitrust Laws of the United States in International Trade*, 13 PRAC. LAW. 25, 31 (1967); cf. Duwell, *Signification du mot entreprise dans le sens de l'article 85 du Traité C.E.E. à propos d'accords entre sociétés mères et filiales entre elles*, 2 REVUE TRIMESTRIELLE DE DROIT EUROPÉEN 400 (1966). Compare the negative clearance granted by the E.E.C. Commission in *Re Christian & Nielson*, June 18, 1969, CCH COMM. MKT. REP. # 9308 with its decisions in *Scott Paper*, 2 CCH COMM. MKT. REP. # 9263 (1968) and *Sperry Rand Italia S.p.A.*, CCH COMM. MKT. REP. # 9307 (1969).

9. As a more recent illustration of this point, it is said to be easy for an overseas company to register its trademarks in South Africa, but difficult to obtain broad protection against a former distributor. Reportedly a distributor may be able to continue using the trademarks after the distribution contract has been cancelled. A South African court's decision in such a case "would usually be determined by the company's ability to prove that the distributor had been properly licensed and policed in its use of the trademark." BUSINESS INTERNATIONAL, Sept. 15, 1967, at 296; cf. the *Firemaster* case, [1965] R. Pat. Cas. 40, commented upon by Ladas, *Problems of Licensing Abroad*, 56

much more concerned they may be about requiring a local company to effectuate a drastic change in the corporate title.¹⁰ The local company need never be given any kind of ownership rights in the marks as such, but it obviously must enjoy some ownership status with respect to (one is hard put to avoid saying) "its own" name.

The moral would seem to be that the greater the difficulty foreseen in forcing a divestiture of vested rights, the greater the need for contractual and corporate means of protection for the overseas rights of the internationally oriented American company.

COLUMBIA RIBBON CASE

The *Columbia Ribbon* case illustrates many of the above problems in fine detail. Columbia Ribbon set up a wholly owned Italian subsidiary in 1924 to manufacture like products in Italy, and endowed it with the corporate name COLUMBIA NASTRI & CARTA CARBONE, S.p.A. Trademarks corresponding to American marks were used in the Italian market by the American company. They were registered by it in its own name with the Italian Patent Office, and subsequently, according to the finding of an American court, were transferred to the Italian subsidiary "as a matter of convenience . . . because of the political and economic policies which then prevailed in fascist Italy and which regarded with disfavor the operation of foreign companies in

TRADEMARK REP. 484, 510 (1966): The British Registrar rejected an application for registration of the mark by a company that had allowed its subsidiary to use it for eight years without controlling its use.

10. See, e.g., 1 CALLMANN 471-72 (3d ed. 1967). In the rather specialized context of supporting the right of German companies to continue to export their products to the United States under their firm names, which are identical with their celebrated "world marks," even after the American trademarks and American business were purchased by others from the Alien Property Custodian, Callmann urges that special sanctity attaches to the firm name:

The trademark is the symbol of an article, and the firm or trade name symbolizes a business. If the seller of an article is enjoined from the use of his trademark, he must either select a different trademark or abandon his attempt to market the article. Although this can prejudice the success of his efforts, under certain circumstances this is a risk he must assume. If, on the other hand, a business is enjoined from using its firm name in a certain market, it will be barred from that market. The adoption of a trademark is, more or less, an act of deliberate decision. This is not so with respect to a firm name. . . . A firm cannot be lightly deprived of the right to use its firm name in offering and selling its goods. *Id.* at 471.

Italy.”¹¹ Columbia Ribbon sold its stock interest to Italian nationals in 1949, and accompanied the memorandum of sale with a trademark and trade name license agreement, apparently the first it had entered into with the Italian company, expressly granting permission for the use of the trademarks, and of COLUMBIA in the company name, unless and until the agreement was terminated. The Italian company paid royalties for a decade. With a further shift in the stock ownership among the Italians, the new owners claimed the royalty agreement was void, and sought reimbursement of royalties paid on the ground that the trademarks and company name had been and remained its own property. The Italian company subjected itself to jurisdiction in New York by filing suit for reimbursement against its erstwhile parent in federal court. The American company convinced the court that it had always retained equitable title to the marks and name, so that the royalty payments had been properly made and the district court found in favor of its counterclaim by awarding damages for the period from 1959 to date and enjoining further use in Italy of the marks and of COLUMBIA in the company name. The injunction further required the plaintiff Italian company to “restore to the defendant”—presumably transfer to the American company—the

11. Instant case at 205. The mechanics of this process were somewhat more complicated than the American court's decision suggests. According to Columbia Ribbon's brief in the Milan Court of Appeal, Italian trademark registrations at the time it filed its marks (1924) were valid for an unlimited period of time. But Royal Decree No. 1602, September 13, 1934, limited trademark registrations to ten-year terms, and had retroactive effect, thus compelling renewal of Columbia's registrations as of 1934. It was at that point that the American company, acutely aware of fascist Italy's xenophobic sentiments, decided to let its own registrations lapse and to permit the trademarks to be registered again in the name of the Italian subsidiary. (The English name of the latter was also changed to its present Italian style at the same time.)

No one, however, questioned the fact that the recording of said registrations in the name of the Italian company was fiduciary in nature and that the actual ownership of the trademarks in question was retained by the American Columbia organization. At the end of the Second World War, the ownership of the trademarks was left to the Italian Columbia company because, pursuant to the provisions of Royal Decree No. 929, of June 2, 1942, which had been issued in the meantime, the marks could not be re-transferred to the American company except in conjunction with the business itself, which, obviously, could not be transferred overseas. Furthermore, if the Italian company had waived its right to the corresponding trademark registrations, thereby allowing the American company to register those marks again in its own name, the benefit derived from the priority achieved as a result of the registrations made back in 1934 would have been lost.

Brief for American company, instant case in the Milan Court of Appeals.

It should be emphasized that the decision to let the Italian subsidiary hold legal title to the Italian trademarks represented a departure from Columbia Ribbon's normal, more conservative practice of retaining title to its trademarks in all foreign countries.

trademarks in question, which were still registered in the name of Columbia Nastri, and affirmed the right of American Columbia to engage in business in Italy under its own name.

The Second Circuit Court of Appeals sustained the entire judgment, including the injunctive decree. Although the argument was made that under Italian law the real ownership of a trademark is in the registrant, the trial and appellate courts regarded that factor as irrelevant to the issue of the existence of a constructive trust under New York law. The counsel for the Italian company did not then urge that Italian law was controlling on the latter point and, on appeal, did not argue that any substantive law other than New York's governed,¹² an attitude that contrasted sharply with the subsequent views of Columbia Nastri in the Milan courts. The court also observed that, under the New York "grouping of contacts" rule as to choice of law in conflicts cases, the fact that Columbia Ribbon was incorporated, had its headquarters, and apparently approved the contracts in New York "might have been sufficient for New York law to govern, had the issue been raised." The controversial trademark-corporate name license agreements apparently contained no explicit choice of law clause. The American company, in its pleadings before the Milan Court of Appeal, subsequently disclosed the existence of a contractual clause that provided for settlement of controversies regarding the terms of the contract through arbitration, presumably in Italy (and conceivably, by implication, under Italian law), under the aegis of the Italian-American Chamber of Commerce in Italy.¹³ It

12. 367 F.2d at 311 n.1.

13. Pleading of Columbia Ribbon in the *delibazione* proceeding, i.e., the proceeding for recognition and enforcement of the American judgment in the Milan Court of Appeal, March 8, 1967. The clause reads: "It is agreed that, in case of any dispute or disagreement that may arise regarding the terms of this contract, that cannot be settled by and between ourselves, such controversy shall be submitted to arbitration for final decision. Each interested party shall appoint an arbitrator and the President of the Italo-American Chamber of Commerce for Italy shall act as the third arbitrator. The decision handed down by two of said arbitrators shall be binding upon both contracting parties. Each interested party in the arbitration shall defray its own expenses."

As to the law, consider Meinhardt, *Conflict Avoidance in the Law of Patents and Trademarks*, 21 LAW & CONTEMPT. PROB. 533, 544 (1956): "Apart from issues concerning the validity of the patent or trademark, where the law of the country of protection must be applied, the arbitration will, in either case, have to apply the law governing the contract. This latter is, prima facie, presumed to be the law at the seat of the arbitration tribunal." For a review of more detailed considerations than may be relevant in this connection, see Broches, *Choice of Law Provisions in Contracts With Governments*, in INTERNATIONAL CONTRACTS: CHOICE OF LAW AND LANGUAGE 64, 71-72 (W. Reese ed. 1962).

apparently had not relied upon the proviso during the American litigation.¹⁴

The injunctive decree itself, which commands affirmative action to be carried out by the Italian company in Italy with respect to the Italian trademarks and corporate name, was sustained by the Second Circuit, which deemed it not an abuse of discretion under New York or prevailing American legal standards. In so doing, it found that such relief was "clearly required by the demands of justice, convenience and economy."¹⁵

A CONFLICT WITH FOREIGN PUBLIC POLICY?

American courts traditionally hesitate to issue injunctions requiring action abroad, their reluctance stemming primarily from "(1) the fear of interfering unduly with the affairs of the other state and (2) the possible difficulty of enforcing obedience to an order that the defendant do an act in a place beyond the effective control of the court."¹⁶ Does a command to a foreign company that it transfer trademarks registered in its country to an American company, and that it delete words from its corporate name make these risks so great as to render the issue of such an injunction imprudent? Is it sufficiently likely that the foreign litigant, in a case like this, having had its day in one set of courts, will then comply with the final American judgment? Or, as a further alternative, if it turns out to be essential as a practical matter to seek foreign court enforcement of the American judgment, is it likely that the foreign courts will give full faith and credit to the action, or at least respond favorably to the hortatory aspect of the American decision? We know now that Columbia Nastri did not choose to let the litigation come to a graceful conclusion after the American courts had spoken.

14. The Milan Trial Court, in its decision in February 1969, ruled that the arbitration clause, which appeared in the 1949 contract, had not been carried forward into the 1955 agreement, and was thus inapplicable. Since the American company won a sweeping victory, on the merits, in this last phase of the litigation, it is somewhat difficult to understand why it is still pressing its view about the continuing efficiency of the arbitration clause in the appeal that has been taken from the decision or why it is still urging the lack of competence of the Italian courts.

15. RESTATEMENT (SECOND) OF THE CONFLICT OF LAWS § 94, comment b (Tent. Draft No. 4, 1957).

16. Instant case at 313, quoting from § 94 of the RESTATEMENT OF CONFLICT OF LAWS (Tent. Draft No. 4, 1957). See also RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW OF THE UNITED STATES §§ 37-40 (1965), for a more recent analysis and evaluation of the American viewpoint.

If the key issue is one of law rather than fact and conflicting public policy considerations under the foreign law, the outcome of the litigation overseas would not be so clear.¹⁷ The United States court of appeals, on this score, simply noted that the Italian corporation "has made no showing, and it seems unlikely, that the order conflicts with any articulated policy of Italy."¹⁸

The Milan Court of Appeal never came to grips with that issue, however, because a curious procedural complication led it to turn down a petition by Columbia Ribbon to recognize and enforce the American award and thereby avert a new trial of the case in an Italian court of first instance.¹⁹ The procedural complication arises from the fact that, under Article 797 of the Italian Code of Civil Procedure, a prerequisite to recognition of a foreign judgment by an Italian court of appeal in a *delibazione* (enforcement) suit is that the judgment be final under the law of the place at which it was rendered. Apparently, the American company could not have sued for enforcement of its American judgment until the Second Circuit Court of Appeals had handed down its decision. In the interim, the Italian company, having lost in the United States district court, had filed a new suit on the same cause of action in the trial court of Milan. A second prerequisite to recognition of a foreign judgment, under Article 797, is that "another action between the same parties, having the same subject matter and instituted before the foreign judgment became final, is not pending before an Italian court."²⁰ Since this prerequisite was not met in this case, the Milan Court of Appeal felt constrained to turn down the petition for enforcement of the American judgment, at least conditionally, depending on the final disposition of the suit pending in the lower court in Milan.²¹ It emphasized that the suit then pending between the parties in the Milan court had the very same purpose as the American suit, since the Italian Columbia company sought a ruling in Milan that it is the exclusive owner of the Italian trademarks, that it has the exclusive right in Italy to use the word

17. Cf. the United States antitrust decree and the rebuff by English courts in the ICI-BNS litigation. See EBB, *INTERNATIONAL BUSINESS* 586-98 (1964).

18. Instant case at 313.

19. Decision No. 708 of Court of Appeal of Milan, Part I, Civil Section (filed May 10, 1968).

20. Paragraph 6 of Article 797.

21. This rather quaint procedure has been described as "the classic maneuver to avoid validation of a foreign judgment in Italy." M. CAPPELLETTI & J. PERILLO, *CIVIL PROCEDURE IN ITALY* 378 (1965).

COLUMBIA in its own corporate title, and that the contracts relating to the marks and the word COLUMBIA are invalid. It would appear that this very factor, which establishes an impediment under Article 797 to the enforcement action in the Milan Court of Appeal, should by the same token serve as the basis for a determination of *res judicata* or other type of bar against the Columbia Nistri suit in the Milan trial court. That is, it should serve as the basis for an indirect method of recognition and enforcement of the American judgment.²²

This reasoning appears to be correct save for one very important factor, which would have been present in the Milan Court of Appeal's *delibazione* suit had that proceeding moved to a decision on the merits of the American judgment: the need for a determination as to whether the American judgment contains provisions that violate the public policy of Italy. Paragraph 7 of Article 797 bars validation of a foreign judgment if it violates Italian public policy, and the same reasoning would be applicable in evaluating the significance of the American judgment in the Milan trial proceeding that has just traversed the same ground covered by the American trial court. Conflict with public policy of the enforcement forum is a well-recognized justification for refusal to enforce a foreign judgment. But the key question is: What constitutes a public policy conflict of sufficient stature to warrant such treatment? Article 5 of the Draft Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, produced by the Hague Conference on Private International Law in April 1966, suggests one point of view by providing for refusal to recognize or enforce only if the judgment is "manifestly incompatible" with the public policy of the state addressed or with due process of law.²³ Similarly, some commentators indicate that foreign awards made pursuant to choice of law clauses are enforced unless issues of "strong public policy" arise.²⁴

22. See generally R. GRAVESON, *THE CONFLICT OF LAWS* 417-36 (5th ed. 1965); DICEY'S *CONFLICT OF LAWS* 981-90 (7th ed. J. Morris ed. 1958); A. VON MEHREN & D. TRAUTMAN, *THE LAW OF MULTI-STATE PROBLEMS* 916, 920-21, 926, 946-47, 991-93 (1965); Smit, *International Res Judicata and Collateral Estoppel in the United States*, 9 U.C.L.A.L. REV. 44, 52-56 (1962); Gutteridge, *Reciprocity in Regard to Foreign Judgments*, 13 BRIT. Y. B. INT'L L. 49, 60-67 (1932).

23. 15 AM. J. COMP. L. 361, 362-63 (1967).

24. Compare Brumbaugh's conclusion, *infra* note 32, with RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 354 (j) at 223 (Tent. Draft No. 6, 1960) on enforceability of foreign arbitration awards unless "contrary to the strong public policy of the forum."

The Italian company argued that the rationale of the American decision would be "wholly repugnant" to Italian law and "would threaten the very basis for confidence in Italy in the advertising means (*mezzi di pubblicità*) created by the valid establishment, the valid transmission, and the valid extinction of rights to certain pieces of property, particularly in the field of trademarks." It is not clear, however, what public policy of Italy can be violated by the American judgment. As previously mentioned, the Court of Appeals for the Second Circuit stated that the Italian corporation had made no showing, and it seemed unlikely, that the order would conflict with any articulated policy of Italy.

Might it conceivably violate the public policy of republican Italy to give effect to the American decision because it is based (and avowedly so) on the understanding that the American company concealed its identity as Italian trademark holder from xenophobic fascist Italy by transferring (to use common-law parlance) legal but not equitable title to its Italian subsidiary? Or is the alleged Italian trademark law principle that the registered trademark holder is the "real owner" of the trademark something more than an evidentiary presumption that can be rebutted by proof of the existence of a constructive trust? The actual terms of the license agreements between the two parties establish contractual obligations on the part of Columbia Nastri, but the Italian company in effect argued that the sheer fact of its appearance as owner on the Italian registry made its contractual duties a nullity. It is frequently said that the civil-law concept of ownership is more absolute than common-law concepts of legal and equitable title. Yet this is far from saying that civil law denies the possibility of fiduciary obligations as effective qualifications upon legal title; indeed, the constructive trust concept appears to have a ready-made civil law parallel.²⁵ Whatever differences may exist here between Italian

25. See, e.g., R. SCHLESINGER, *COMPARATIVE LAW* 408-10, 439 (2d 1959); Hefti, *Trusts and Their Treatment in Civil Law*, 5 AM. J. COMP. L. 553 (1956), especially at 566. At civil law, "The constructive trust presents no difficulties: he who successfully asserts a constructive trust for his own benefit is to be regarded as owner . . . and the duties of the constructive trustee in principle correspond to those of an unlawful possessor. . . ." Contractual provisions for trusts themselves have been given effect in civil-law jurisdictions to achieve results consistent with the parties' intention—even "at the expense of legal orthodoxy, usually on the basis of a more or less arbitrary assimilation of the trustee's functions into those of an agent." G. DELAUME, *LEGAL ASPECTS OF INTERNATIONAL LENDING* 67 (1967). In the American litigation, Columbia Nastri argued against the finding of a constructive trust, not on the basis of conflicting Italian doctrine, but rather on evidentiary grounds. Instant case at 311-12.

law and the legal concepts applied by the American courts, they hardly seem to give rise to public policy objections as serious as the traditional objections relating to enforcement of foreign tax and penal laws, or transactions legal in one jurisdiction and illegal in the other, or expropriatory or confiscatory measures.²⁶

THE DECISION ON THE MERITS
BY THE MILAN TRIAL COURT IN FEBRUARY, 1969

As it turned out, the Milan court of first instance, in its decision of February, 1969, found in favor of the American company on the merits of the dispute. It refused to grant collateral enforcement (*delibazione incidentale*) of the American decisions as such, on the same procedural grounds relied on by the Milan Court of Appeal for its refusal to grant enforcement directly. But its view of the issues on their merits was heavily influenced by the findings of fact as well as by the rulings on law by the American courts. Applying its own grouping of contacts rule, the Milan tribunal, in resolving the choice of law issue, decided that the trademark agreements were governed by New York law, and that nothing in the Italian view of "public order" (public policy) or "*bonos mores*" (fair competition) blocked the application of New York law. More specifically, it determined that Italian law, as well as New York law, would characterize the contractual relationships between the parties as imposing a fiduciary obligation (*fiducia cum amico*) on the Italian company. Thus its holding of title to trademarks in the Italian Central Patent Office was deemed to be for the beneficial interest of the American company. The court relied also on the contractual provision that the latter had the right, whenever it found that the method or methods adopted by Columbia Nastri & Carta Carbone S.p.A. in the sale of inked ribbons and carbon paper were not satisfactory, to require the Italian company to eliminate COLUMBIA from its corporate name. It found that Columbia Nastri had breached the 1955 agreement by its continued use of the trademarks and corporate name without paying royalties, a material breach which served as the basis for an injunction against further use of the marks and of COLUMBIA in the firm name. It further provided for contractual and quasi-

26. See, e.g., G. CHESHIRE, PRIVATE INTERNATIONAL LAW ch. 6 (6th ed. 1961); A. EHRENZWEIG, CONFLICT OF LAWS 202-05 (1962); R. GRAVESON, THE CONFLICT OF LAWS 557-60 (5th ed. 1965); DICEY'S CONFLICT OF LAWS 1002-07 (7th ed. J. Morris, ed. 1958).

contractual damages to be paid at the annual rate of \$5,500 from January 1, 1959, to the date when the decision became final, together with legal interest (5%).

LESSONS DRAWN

What lessons can we learn from the sad experience of Columbia Ribbon, and what measures can be taken to protect the use of an American company's name overseas? Will any protection suffice vis-à-vis a company that is today a wholly owned subsidiary but, because of foreign governmental pressures to spread the ownership of local companies among local investors, is tomorrow transformed into an affiliate in which the former American parent owns either a minority interest or a bare majority that by itself would not permit effective control of shareholders' decisions regarding changes in the company name? Here, with brief comment, is a list of suggestions, many of which may have already been adopted by internationally oriented American companies engaged in manufacturing enterprise:

(1) The American parent itself should hold title to the like-sounding trademarks and trade names whose registration in the foreign country it has effectuated or made possible. One lesson of *Columbia Ribbon* is that fear of nationalistic discrimination against an absentee American trademark holder should not induce the parent company to camouflage its proprietary rights. The International Convention for the Protection of Industrial Property, to which most industrialized countries adhere, provides (in Article 2) for nondiscriminatory national treatment with respect to the protection of trademark and other industrial property rights, and also provides that no condition as to the possession of a domicile or establishment in the country of protection may be set as a prerequisite to the enjoyment of such rights. As indicated by the *Chickering* case, discussed at the outset, Article 2 is an adequate basis for assuring the right of an American company to register its trademarks in countries adhering to the International Convention without qualifying to do business in them. The American company cannot hold legal title to the name of the foreign company as such, but it can take contractual precautions, as outlined below.

(2) When the American enterprise has decided to permit overseas use by others of the substantial foreign equivalent of its

own corporate name or of key words in that name, it may well decide to confine such use, as a normal practice, to its own subsidiaries—that is, those companies in which it owns a voting-stock interest that exceeds fifty percent—and, even so, subject to appropriate contractual safeguards.

(3) The primary documentary safeguard is a carefully drafted corporate name agreement plus a trademark agreement, or inclusion of corporate name safeguards within the trademark agreement itself. Precision of contractual arrangements to protect and recover a corporate name that includes words that are used as trademarks, as well as to recover trademarks as such, becomes of increasing importance as control over the foreign corporation by stock ownership dwindles or disappears. In many countries, it may be desirable or more rarely—as is the case with respect to trademark licenses in the United Kingdom—essential to record one or both of these agreements with the patent and trademark office. Local practice and practitioners' views vary widely as to the extent to which the trademark agreement should be recorded against the various trademarks that have been registered by the licensor and as to the desirability and practicality of recording the corporate name agreement against the particular trademark or trade name corresponding to the key word or words in the company title. Much can be said for at least making a vigorous effort to record the latter if at all feasible, to demonstrate that use of the particular corporate name represents at the same time a use of a trademark right under license. If the license to use the corporate name appears in the trademark agreement, the foreign Patent Office will unhesitatingly record the agreement against the trademark registration concerned. Alternatively, the trademark agreement may contain a cross-reference to a separate corporate name agreement, and the latter will usually be recordable as an appendix or exhibit to the trademark agreement. Another type of formalization of that license in terms of corporate law should also be employed, as outlined below.

(4) The dependence of the corporate name upon the continued effective control of the parent over the subsidiary company should be further emphasized to give full notice to other present and future shareowners and to the general public, by an appropriate, explicit cross-reference to the corporate name agreement and a succinct statement of its key provision in the articles of associa-

tion of the foreign company. For example, the typical Article I of the bylaws of a foreign corporation, which sets forth the name of the company, would recognize expressly the fact that the X corporation of New York presently owns the Italian trademark COLUMBIA, and it would go on to state that it has accordingly agreed to use the word in its corporate name under license from the American company subject to the stipulation that if the latter should ever cease to own more than a stated percentage of the voting stock of this company, or if its trademark agreement or corporate name agreement should ever be terminated, the foreign company will then change its name to delete the word COLUMBIA. Such a corporate article appears to be acceptable to foreign corporate registration authorities in most countries, on the basis of data thus far accumulated. The cutoff percentage of voting stock should be high enough to enable the parent company itself, as shareholder, to implement a change in the name of the subsidiary—that is, high enough to enable it to amend the foreign articles of incorporation, and, in any event, not less than a majority of the voting stock. In the case of Italy, a simple majority suffices for this purpose, unless the corporate bylaws require a special majority.²⁷

(5) It is an open question whether the contractual obligation could be made automatically subject to implementation under corporate law. Ingenious counsel have proposed that a secondary corporate name of no great importance to the parent be linked with the primary company name expressly in the articles of the overseas subsidiary, with a provision in the articles that, upon the occurrence of the triggering termination event, the primary company name should be deemed to be deleted automatically. More cautious counsel, however, comment almost universally that such automaticity could not be effective, since it would lead to public confusion as to what the company's name is in fact at any given time, and foreign company registrars would probably not approve a change of this nature, since they regard as essential shareholder adoption of a bylaw amendment that actually alters the name forthwith.

Other solutions or partial solutions will suggest themselves to counsel once he focuses on this subject as constituting a problem area. Voting agreements of one type or another as between the

27. See R. NOBILI, *LEGAL ASPECTS OF FOREIGN INVESTMENT* 302, 306 (Friedmann & Pugh eds. 1959).

parent company and other shareholders, for example, may be of assistance in rare instances, but questions abound as to the enforceability of shareholders' voting agreements overseas.

(6) Arbitration or other choice of forum clause, and a choice of law clause may well be useful. American companies may prefer to designate an arbitration tribunal, or the federal courts in an American state, as a means of avoiding procedural delays, unfavorable nationalistic discrimination, or lower standards of judicial integrity which, rightly or wrongly, they fear may be encountered in foreign countries.²⁸ But just how effective will such designations prove if, as in *Columbia Ribbon*, the losing party seeks a new trial on the merits in the ordinary courts of the foreign country, or if the winning party believes it needs enforcement of its arbitral or American court award by the foreign courts? The final outcome of *Columbia Ribbon* may furnish some clues to the answer. While the contractual arrangements did not provide for exclusive jurisdiction of the courts in New York, the initiation of the suit by Columbia Nistri in the Southern District of New York may arguably be the equivalent of such a forum-designating clause. The tenuous, inferential nature of such an argument suggests the value of having an explicit clause as a means of clarifying the intent of both parties and of helping assure estoppel of the losing party and an end to relitigation on the merits. If the Italian company had been contractually barred from relitigating the merits of the case in Italy, *quaere* whether the American company would inevitably have been pushed to seek enforcement of the American judgment in the Italian courts through the *delibazione* proceeding. American injunctive decrees commanding action abroad may need no affirmative enforcement by the foreign courts—the commands that holders of foreign trademarks cease their use of such marks in the *Big Ben* and *Luft* cases²⁹ and that the holder

28. Cf. the rationale of an American court in refusing to apply *forum non conveniens* to a suit involving a contract to be performed in Venezuela. *Constructora Ordaz, N.V. v. Orinoco Mining Co.*, 262 F. Supp. 90 (D. Del. 1966); *accord*, *Mobil Tankers Co., S.A. v. Mene Grande Oil Co.*, 363 F.2d 611, 614 (3d Cir. 1966), where the court found litigation in Venezuela to be both slow and expensive and deemed Venezuelan court procedures to be "far less conducive to the fair administration of justice" than those available under American rules, and indeed not consistent with "our concepts of fairness."

29. *Western Clock Mfg. Co. v. Smith*, 2 TRADEMARK REP. 522 (U.S. 1912); *George W. Luft Co., Inc. v. Zande Cosmetic Co., Inc.*, 142 F.2d 536 (2d Cir.), *cert. denied*, 323 U.S. 756 (1944). Both cases are discussed in EBB, *INTERNATIONAL BUSINESS* 364-67, 382-86 (1964).

of foreign patents grant licenses for reasonable royalties in the *Chemical Specialties Co.* case,³⁰ were apparently enforced within the limits of their terms without further proceedings overseas.³¹ Foreign proceedings may become inevitable because the losing party may invoke foreign judicial assistance to bar enforcement abroad, on the ground, for example, that the American award runs counter to foreign public policy. Even in that circumstance, however, the existence of a clause designating the American court as a forum may encourage the foreign court to refrain from upsetting the American award except in the case of a most flagrant and obvious infringement of public policy of the foreign country.

If the law of an American jurisdiction has been designated in a choice of law clause, an abstemious attitude on the part of the foreign court may be even more likely. It may be noted that, while American courts are probably not designated in trademark and corporate name licensing agreements as frequently as arbitration tribunals, it is by no means uncommon to provide for application of the law of the state of domicile of the American company.³² Since American law appears more favorable than for-

30. *United States v. Chemical Specialties Co.*, 1958 CCH TRADE CAS. ¶ 69,186 (S.D.N.Y. 1958), discussed in EBB, INTERNATIONAL BUSINESS 607-08 (1964).

31. The phrase "within the limits of their terms" needs some explanation:

In *Western Clock*, the judge required the defendant to assign his Mexican trademark registration to the owner of the corresponding American mark or to authorize plaintiff as its agent to petition Mexican authorities to cancel defendant's registration.

The Second Circuit, in *Luft*, took pains to minimize potential conflict by refraining from any requirement that the overseas trademark registrations be canceled or transferred. It also limited the decree to countries where the defendant had not established its right by local proceedings to the use of the trademark and corporate name and to countries where plaintiff was exporting its American product or otherwise doing business or about to do so. Actually, the injunction as finally issued was very sweeping—covering "all parts of the world" except for twelve countries found to fall outside the limits of the decree. As in the later *Columbia Ribbon* judgment, which seems to have followed it as a prototype, the *Luft* decree banned use of the trademark or the corresponding corporate name. EBB, INTERNATIONAL BUSINESS 15-17.

32. See, e.g., Folsom, *Choice of Law Provisions in Latin American Contracts*, in INTERNATIONAL CONTRACTS: CHOICE OF LAW AND LANGUAGE 54, 62 (W. Reese ed. 1962), which suggests that "where the subject of a licensing agreement is industrial property, such as a trademark, patent or copyright located in a foreign country, the courts of that country are likely to disregard the clause if foreign law has been chosen." Brumbaugh, *Choice of Law Provisions in Licensing Contracts*, id. at 36-43, concludes that such provisions are "almost invariably" used in international patent licensing agreements, are sanctioned by the courts of most countries, and furnish an important measure of predictability except where issues of "strong public policy" and perhaps issues of essential validity are involved. Jansky, *Choice of Law and Trademark License Agreements*, in 16 INT'L & COMP. L.Q. Pt. 2, 393, 396-99 (1967), 58 TRADEMARK REP. 13 (1968), comments that the parties' freedom to choose the law of their agreements is recognized,

eign law to the American licensor, at least in terms of clarity, existing judicial precedents, and predictability, it seems safe to say that, in an area of conflict of laws that is otherwise very murky, such contractual precautions are probably worthwhile from the licensor's viewpoint.³³

As to the relative merits of designating an American court, an American arbitration tribunal, or a foreign arbitration forum, the picture is much less clear, and is a subject worth empirical inquiry. The statement has been made that courts throughout the world are more likely to enforce a foreign arbitration award than the judgment of a foreign court,³⁴ but supporting documentation seems either scanty or obsolescent.³⁵ In one survey of the utility of arbitration, the conclusion was reached that disputes arising out of license agreements are more likely to concern matters of law than matters of fact, and are less readily soluble by ordinary com-

as a rule and in principle, so long as the choice does not infringe the foreign public policy by avoiding the impact of protective measures that have been adopted by the foreign country in the public interest. Another limitation on the parties' autonomy is said to be the ineffectiveness of any choice of law attempting to displace the law of the jurisdiction that created the trademark as to matters relating to form, scope, or registration requirements of the license. Neither limitation appears applicable to the kind of contractual, quasi-contractual, or unfair competition issues that bear on enforcement of a termination clause in a trademark or corporate name agreement.

33. Recent Swiss loan agreements in connection with bond issues stipulate Swiss law as the applicable law no matter what forum is selected by a bondholder. Delaume comments that courts outside Switzerland would not "necessarily interpret or apply Swiss law as would Swiss courts or give up their right to rely on their own characterization of public policy. . . . This is not the same as saying that these clauses are 'de trop': As a clear reminder of the parties' intention, they may prove useful in the case of an actual dispute." G. DELAUME, *LEGAL ASPECTS OF INTERNATIONAL LENDING* 169 (1967). See also Kawakami & Henderson, *Arbitration in U.S./Japanese Sales Disputes*, 42 WASH. L. REV. 541, 573, 584-85 (1967).

34. See Cohn, *Economic Integration and International Commercial Arbitration*, in *INTERNATIONAL TRADE ARBITRATION* 21 (M. Domke ed. 1958); Habschied, *Unification in the Enforcement of Foreign Awards*, *id.* at 199.

35. See, e.g., Kawakami & Henderson, *supra* note 33, at 559 n.59, 560-61.

Dictum contained in a recent decision of the Second Circuit, *Indussa Corp. v. S.S. Ranborg*, 377 F.2d 200, 204 n.4 (2d Cir. 1967), indicates that, in some special circumstances, an American court will be more deferential to an arbitration clause than a choice of forum clause. In *Indussa*, the court ruled that the presence of a remedial statute in the United States (the Carriage of Goods by Sea Act) which prohibited "any clause, covenant, or agreement in a contract of carriage . . . lessening [the carrier's liability for negligence, fault or dereliction of statutory duties] otherwise than as provided" in the Act, negated a contractual choice of Norwegian courts as forum. Note four of the decision states expressly: "Our ruling does not touch the question of arbitration clauses in bills of lading which require this to be held abroad. The validity of such a clause in a charter party, or in a bill of lading . . . has been frequently sustained." See generally H. STEINER & D. VAGTS, *TRANSNATIONAL LEGAL PROBLEMS* 727-44 (1968); Rivkin, *International Litigation and Arbitration in A LAWYER'S GUIDE TO INTERNATIONAL BUSINESS TRANSACTIONS*, 963, 983-89 (Surrey & Shaw eds. 1963).

mercial arbitration than is true of export-import trade controversies. This raises a question, although not necessarily an unanswerable one, as to the advisability of arbitration clauses in this context. But those conducting the survey were so impressed by the complexity and difficulty of international litigation that they were persuaded, though with some hesitancy and ambivalence, to recommend resort to arbitration tribunals even in this area.³⁶ Meinhardt, whose writing in the rarely explored field of conflict avoidance in international licensing is noteworthy, comments that "arbitration clauses are usual and desirable" in such agreements.³⁷ As to why an arbitration clause is preferable to a "choice of jurisdiction" clause, which he also discusses, he is for the most part silent, although he observes that American (in contrast with European) courts frown on the latter "if they tend to oust their jurisdiction."³⁸ On the other hand, "jurisdictional" clauses (designating a judicial forum) have been perceptibly more effective than arbitration clauses in some international transactions.³⁹ Moreover, an obstructionist party can still interpose seri-

36. S. LAZARUS, *RESOLVING BUSINESS DISPUTES* 148-50, 168-71 (1965).

37. Meinhardt, *supra* note 13, at 548.

38. *Id.* at 546. As to the traditional but changing American judicial attitude towards jurisdictional clauses, see Corbin, *Enforceability of Contractual Agreements for Dispute Settlement Abroad*, *INTERNATIONAL TRADE ARBITRATION* 251-55 (M. Domke ed. 1958). In *Gilbert v. Burnstine*, 255 N.Y. 348, 354-55, 174 N.E. 706, 707, a 1931 decision upholding an agreement to submit to arbitration at London, the New York Court of Appeals indicated a generally liberal attitude towards the "autonomy of the parties": "Contracts made by mature men who are not wards of the court should, in the absence of potent objection, be enforced. . . . Unless their stipulations [as to any form of litigation or arbitration] have a tendency to entangle national or state affairs, their contracts in advance to submit to the process of foreign tribunals partake of their strictly private business. Our courts are not interested except to the extent of preserving the right to prevent repudiation."

The decision in *Wm. H. Muller & Co. v. Swedish American Line, Ltd.*, 224 F.2d 806, 808 (2d Cir. 1955), *cert. denied*, 350 U.S. 903 (1955), *discussed in* G. GILMORE & C. BLACK, *THE LAW OF ADMIRALTY* 113 n.104, 125 n.123 (1957), and Note, 25 *FORDHAM L. REV.* 133 (1956), illustrates the modern view: "[T]he parties by agreement cannot oust a court of jurisdiction not otherwise obtaining. . . . But if in the proper exercise of its jurisdiction, by a preliminary ruling the court finds that the agreement is not unreasonable in the setting of the particular case, it may properly decline jurisdiction and relegate a litigant to the forum to which he assented." See also G. DELAUME, *LEGAL ASPECTS OF INTERNATIONAL LENDING* 154 (1967).

39. See, e.g., G. DELAUME, *LEGAL ASPECTS OF INTERNATIONAL BORROWING* 184-85 (1967).

The Second Circuit, in *Indussa Corp. v. S.S. Ranborg*, 377 F.2d 200, 202 (1967), overruled *Muller* on the ground that the *Muller* court had given "insufficient effect to the enactments of Congress governing bills of lading for shipments to or from the United States" (thus endorsing a criticism that Gilmore & Black had made of the *Muller* decision). But nothing in *Indussa* indicates a judicial withdrawal from the general principle quoted from the *Muller* opinion, 224 F.2d 806, 808 (2d Cir. 1955), at least outside the context of admiralty law.

ous obstacles to the enforcement of a foreign arbitration award,⁴⁰ and it is not clear that arbitration within the country of trademark protection would afford any substantial advantages to the foreign licensor.

COMPROMISES AND LEGAL DRAFTSMANSHIP

As the American corporation moves increasingly into the world market, it must adopt measures that will maintain and extend the popularity and economic potential of its corporate name and key trademark without running serious risk of losing them to foreign entities on which it relies as essential components of its worldwide organization. To deny all use of its corporate name and trademarks by any others overseas may be to doom itself to inefficient and ineffectual methods of doing business abroad. A sensible compromise is to retain its overseas trademark and trade name registrations in its own name and license their use, as trademarks and as a part of corporate titles, only to its own controlled subsidiaries. This confines but does not eliminate problems for the future, when the American parent may lose equity control over the subsidiaries. What those risks and problems are is graphically illustrated by the Columbia Ribbon experience with its former Italian subsidiary. For purposes of instruction, that illustration is hyperbolic, largely though not wholly because Columbia Nistri was allowed to register the Italian marks in its own name. Even after discounting that unusual factor, the case is still a warning to internationally oriented American enterprise.

The intricacies of controlling a subsidiary's ability to retain a world-famous trademark in its corporate name after equity control has been lost require expertise in the foreign relations law of the United States, foreign and domestic contract and quasi-contract law, conflict of laws, and foreign corporate and regulatory law that extends well beyond the usual confines of trademark and unfair competition law. The problems cry out for resolution by the combined efforts of the general lawyer and the trademark lawyer, rather than by drawing on the skill and experience of either in isolation from the other.

40. Contini, *International Commercial Arbitration*, 8 AM. J. COMP. L. 283, 287-88 (1959); Hynning, *A Comparison of British and American Policies*, in INTERNATIONAL TRADE ARBITRATION 117-26 (M. Domke ed. 1968).

TRADEMARKS

The process of skilled draftsmanship of license agreements and amendments to corporate articles requires an ability to interrelate concepts and practices drawn from these varied fields of law. It calls for some insights into the interaction of domestic and foreign law and the interaction of national law with the provisions of the International Convention for the Protection of Industrial Property. Although that Convention, adopted in 1883, has reached a venerable age, there is reason to believe that the practices, doctrines, and municipal rules of many of its adherent countries have not as yet felt or appreciated the full impact of the protective provisions of the Convention, and the international practitioner must at times contend with that local insensitivity. It is an insensitivity that may be bolstered on occasion by nationalistic antipathy to the rights of an absentee alien holder of local trademarks, including his treaty rights to register and protect a local trade name though lacking a local corporate domicile or business establishment.

Nevertheless, the broad outlines of a protective program for the American entrepreneur who moves into the foreign market seem to be clear enough for general guidance. The extent to which choice of law and choice of forum provisions can be used effectively represents one area for further contemplation and experience. Close scrutiny and evaluation of pertinent local corporate, contract, trademark, and unfair competition law will be needed to establish the most effective protection for the American company in each foreign jurisdiction in which it allows its name and trademarks to be used by others. The satisfactory resolution of transnational problems in this area should supply insights and tools of analysis and practice that will be transferable to other problem areas in doing business abroad.

