INNOVATIONS PALPITATIONS: THE CONFUSING STATUS OF GEOGRAPHICALLY MISDESCRIPTIVE TRADEMARKS

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The United States' two major international trade agreements of the 1990s—the General Agreement on Tariffs and Trade (GATT)¹ and the North American Free Trade Agreement (NAFTA)²—included intellectual property provisions that led Congress to amend a number of federal intellectual property statutes, including, inter alia, the Lanham Act provisions dealing with federal registration of trademarks.³ Specifically, pursuant to Article 1712 of NAFTA, Congress revised the rules that determine whether, and under what circumstances, federal registration is permitted for trademarks that contain geographical indications of origin.⁴ In the decade since these enactments, it appeared that the courts had reached a reasonable interpretation of the amendments. Recently, however, the NAFTA amendments to the federal trademark registration rules have received a new and somewhat troubling interpretation.

In two decisions during 2003, the Federal Circuit addressed the Lanham Act standards for federal registration of geographically misdescriptive trademarks—that is, trademarks which imply a geographic origin that is inaccurate. These cases, In re California Innovations, Inc.⁵ (addressing trademarks for goods) and In re Les Halles de Paris J.V.⁶ (addressing service marks), interpreted sections 2(e)(3) and 2(f) of the Lanham Act in a manner that allows this category of misdescriptive trademarks to be registered on the Principal Register of the Patent and Trademark Office, provided that they are not deceptive within the meaning of section 2(a).

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As discussed below, the Federal Circuit’s interpretation of the NAFTA amendments to section 2 of the Lanham Act may be contrary to the legislative intent underlying those amendments. While the court’s approach is not unreasonable as a matter of policy—and may even represent a policy choice more sound than that made by Congress when it enacted the NAFTA amendments—it appears to be inconsistent with both the text and the legislative history of these registration provisions. Furthermore, contrary to fundamental canons of statutory construction, the court’s interpretation renders section 2(e)(3) of the statute superfluous and the last sentence of section 2(f) arguably inoperative.

I. BACKGROUND: THE NAFTA AMENDMENTS TO SECTION 2 OF THE LAMHAM ACT

A. THE PRE-NAFTA VERSION OF SECTION 2

Before the United States entered into NAFTA in 1993, geographically misdescriptive marks faced the same barriers to registration as other misdescriptive marks. If the mark was geographically inaccurate, it could be registered if it was arbitrary (such as the classic and apocryphal “Alaska” mark for bananas) since there was precious little likelihood that the inaccuracy would confuse consumers. If the mark was geographically inaccurate but “deceptively misdescriptive”—in other words, if consumers might believe it to be true—the potential for confusion could, in some cases, be alleviated once the mark had become distinctive of the applicant’s goods or services—that is, once it acquired secondary meaning pursuant to section 2(f). For example, “Chicago” could be registered as a trademark for root beer made in Milwaukee once consumers had come to recognize it as the maker’s trademark rather than as an indicator of the geographic origin of the product. In other cases, however, registration was conclusively barred; the conclusive bar applied to misdescriptive geographic marks that also qualified as “deceptive” within the meaning of section 2(a). As “deceptive” came to be defined by the Federal Circuit, this conclusive bar applied to marks that falsely implied a geographical origin that would be a material factor

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7 See infra, Part II.B.
in a typical consumer’s purchasing decision. Thus, for example, the “Carolina” mark for tobacco grown in New Jersey would be conclusively barred from registration as “deceptive” under section 2(a) because not only would consumers believe that the tobacco came from the Carolinas, they would also be motivated to purchase that brand of tobacco because they believed it was grown in a famous tobacco-producing region, and therefore would, in all likelihood, be a superior quality product. In contrast, the “Chicago” mark for root beer made in Milwaukee would be misleading but essentially harmless, since most consumers would not prefer a Chicago root beer over a Milwaukee root beer. Therefore, the “Chicago” mark could be registered for root beer once consumers came to recognize it as a trademark rather than as an indication of geographic origin. Unlike “Chicago” for non-Chicago root beer, courts would consider the “Carolina” mark for non-Carolina tobacco deceptive and harmful to consumers, and it therefore could not be registered even after becoming distinctive of the applicant’s goods or services. After all, even after most consumers had come to recognize “Carolina” as a trademark, consumers new to the market might still mistake it as an indication of geographic origin, and make a purchasing decision based on this erroneous belief.

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10 See In re House of Windsor, 221 U.S.P.Q. (BNA) at 53. In this case the Board articulated the test for a conclusive bar. The court held that “Bahia” as a mark for cigars made from tobacco grown elsewhere was deceptive, because Bahia was a region specially known for the quality of its tobacco: If the evidence shows that the geographical area named in the mark is an area sufficiently renowned to lead purchasers to make a goods-place association but the record does not show that goods like applicant’s or goods related to applicant’s are a principal product of that geographical area, then the deception will most likely be found not to be material and the mark, therefore, not deceptive. On the other hand, 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.

It is a bit risky to suggest the kind or amount of evidence that would be sufficient to establish that goods like or related to applicant’s come from a particular geographical region, but we are willing to take that risk in the attempt to give some guidance to Examining Attorneys and applicants. For us, in the ordinary case, if the record contains a concession that the area named by the mark has, as one of its principal products, applicant’s goods or related goods or if the record contains a reliable gazetteer entry (or the like) to the effect that applicant’s goods (or sufficiently related goods) are a principal product of the geographical area named by the mark, such evidence is sufficient to establish the materiality of the deception.

Id. at 57 (citations omitted) (citing Daphne Leeds, Trademarks—The Rationale of Registrability, 26 Geo. Wash. L. Rev. 653, 662-63 (1958)).
Prior to the 1993 NAFTA Amendments to section 2, the Federal Circuit and the Patent and Trademark Office (PTO) developed a two-part test to determine whether a geographic mark was primarily geographically deceptively misdescriptive within the meaning of section 2(e), and therefore barred from registration unless it had acquired distinctiveness under section 2(f):

Whether a mark is primarily geographically deceptively misdescriptive under § 2(e)(2) requires an analysis under a two prong test to establish (1) whether the primary significance of the mark as it is used is a generally known geographic place; and (2) whether the public would make a “goods/place association, i.e., believe that the goods for which the mark is sought to be registered originate in that place.”

The pre-NAFTA two-part test for geographically deceptively misdescriptive marks under section 2(e) was distinguished from the three-part test for truly deceptive geographic marks under section 2(a) in In re House of Windsor, a 1983 decision of the Trademark Trial and Appeals Board (TTAB). Both tests required that the mark be primarily geographically misdescriptive. If the public would make a “goods/place association” between the goods and the geographic indicator—that is, if the public would conclude that the mark “imparts information about the geographical origin of the goods,” then the geographic mark was deceptively

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11 Institut Nat'l Des Appellations D'Origine v. Vintners Int'l Co., 958 F.2d 1574, 1580, 22 U.S.P.Q.2d (BNA) 1190, 1195 (Fed. Cir. 1992) (quoting In re Societe Generale Des Eaux Minerales de Vittel, S.A., 824 F.2d 957, 959, 3 U.S.P.Q.2d (BNA) 1450, 1452 (Fed. Cir. 1987); In re Loew's Theatres, 769 F.2d at 767; In re Nantucket, 677 F.2d at 98-99). The Federal Circuit derived this test from the decision of its predecessor, the Court of Customs and Patent Appeals, in In re Nantucket, 667 F.2d at 99, which held that:

As the courts have made plain, geographically deceptive misdescriptiveness cannot be determined without considering whether the public associates the goods with the place which the mark names. If the goods do not come from the place named, and the public makes no goods/place association, the public is not deceived and the mark is accordingly not geographically deceptively misdescriptive.

As recently as 1999, the Federal Circuit reaffirmed this formulation in In re Wada, 194 F.3d at 1299-1300 (citing Institut Nat'l Des Appellations D'Origine, 958 F.2d at 1580):

The Board found that the mark NEW YORK WAYS GALLERY was primarily geographically deceptively misdescriptive when applied to the goods in Wada's application. For a mark to be primarily geographically deceptively misdescriptive, the mark must (1) have as its primary significance a generally known geographic place, and (2) identify products that purchasers are likely to believe mistakenly are connected with that location.

12 In re House of Windsor, 221 U.S.P.Q. (BNA) at 53.
misdescriptive under section 2(e). Thus, the TTAB held that the "Bahia" mark for cigars made elsewhere was at least deceptively misdescriptive, because Bahia "is a place where tobacco is grown and where cigars are made." The question whether the mark was also deceptive under section 2(a), the Board noted, was more "perplexing":

The distinction between a mark which is primarily geographically deceptively misdescriptive under Section 2(e)(2) of the Trademark Act and a geographical mark which is deceptive within the meaning of Section 2(a) of the Trademark Act is not immediately apparent from a reading of the Act. The Act's legislative history is, likewise, far from clear about the intended distinction between a mark that is to be denied registration as primarily geographically deceptively misdescriptive and one that is to be denied registration as deceptive. In fact, the legislative history suggests that at least some of the drafters perceived no distinction at all. The ambiguity in legislative intent notwithstanding, basic rules of statutory construction compel us to find that there is a distinction between a primarily geographically deceptively misdescriptive mark (which can be registered with proof of distinctiveness under Section 2(f)) and a deceptive geographical mark (which is unregistrable even under the provisions of Section 2(f)).

Acknowledging that its prior decisions had articulated varying standards for deceptiveness under section 2(a), the TTAB settled on what it perceived to be the best approach: determining "whether the deception is material to the purchasing decision." The TTAB expanded on the meaning of this test by quoting then-Assistant Commissioner Daphne Leeds:

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. This is to say that if a locality identified by a geographical name or term is known or noted for the production of

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13 Id. at 55.
14 Id.
15 Id. at 56 (omitted) (citing Hearing on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trademarks of the House Comm. on Patents, 77th Cong., 83 (1941)).
16 Id. at 56 (emphasis added).
goods in the category of applicant’s, or for components of such goods, and purchasers are moved by the geographical name to buy the goods in the belief that they originate in the locality name, the geographical name or term is “deceptive” as applied to the goods.\(^{17}\)

The TTAB also attempted to describe the evidentiary showing that would support a finding of materiality under section 2(a), and concluded that this finding would generally be warranted where goods of the type in question were “a principal product” of the region identified by the mark:\(^ {18}\)

In embracing a “materiality” test to distinguish marks that fall within the proscription of Section 2(e)(2) from those that fall also within the proscription of Section 2(a), we are really saying no more than that we must look to the evidence that has been presented about the probable reaction of purchasers to a particular geographical term when it is applied to particular goods. If the evidence shows that the geographical area named in the mark is an area sufficiently renowned to lead purchasers to make a goods-place association but the record does not show that goods like applicant’s or goods related to applicant’s are a principal product of that geographical area, then the deception will most likely be found not to be material and the mark, therefore, not deceptive. On the other hand, 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.\(^{19}\)

In the case of services, the test for determining whether a service mark was “primarily geographically deceptively misdescriptive” under section 2(e) was a slightly heightened version of the two-part test applicable to trademarks for goods under section 2(e). In \textit{In re Municipal Capital Markets Corp.}\(^ {20}\) the TTAB held that the evidence necessary to satisfy the second prong of the two-part test under section 2(e) must do “something more than merely establish that services as ubiquitous as restaurant services are offered in the pertinent geographic location”

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\(^{17}\) Id. at 57 (quoting Leeds, \textit{supra} note 10, at 662-63).

\(^{18}\) Id. at 17.

\(^{19}\) Id. at 57 (emphasis added) (concluding that “Bahia” was deceptive, as applied to cigars, because tobacco is a principal product of Bahia); \textit{see also} Kenneth B. Germain, \textit{Trademark Registration Under Sections 2(a) and 2(e) of the Lanham Act: The Deception Decision}, 44 \textit{Fordham L. Rev.} 249 (1975) (discussing the distinctions between section 2(e) and section 2(a)).

in order to establish the requisite goods/place association.\textsuperscript{21} Although the Board was unable to specify precisely what that “something more” might be, the Board held that, in this case, it was not necessary to prove that the location (Cooperstown, New York) was “well known” for the services in question (restaurant services).\textsuperscript{22} Rather, the necessary degree of association might be established by showing that the location had “somewhat greater numbers of restaurants offering a particular type of cuisine than normally would be expected for a town or city of that size.”\textsuperscript{23}

B. THE NAFTA AMENDMENTS

In the NAFTA Implementation Act of 1993,\textsuperscript{24} Congress amended section 2 of the Lanham Act in response to the United States’ entry into the North American Free Trade Agreement (NAFTA).\textsuperscript{25} The 1993 amendments changed the language of sections 2(e) and 2(f) so that geographically deceptively misdescriptive marks became a category distinct from other types of deceptively misdescriptive marks.

Prior to the NAFTA amendments, section 2(e) barred registration of a trademark or service mark that:

\begin{quote}
(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, or (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive or deceptively misdescriptive of them, \ldots or (3) is primarily merely a surname.\textsuperscript{26}
\end{quote}

Section 2(f), however, allowed registration of any mark disqualified under the section 2(e) bars if and when the mark acquired secondary meaning: “Except as expressly excluded in subsections (a), (b), (c), and (d) 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.”\textsuperscript{27}

Under the NAFTA amendments in 1993, while the prior rules remained in place for primarily geographically descriptive marks, registration became virtually

\begin{footnotes}
\item[21] Id. at 1371.  
\item[22] Id.  
\item[23] Id.  
\item[24] NAFTA Implementation Act, supra note 4.  
\item[25] NAFTA, supra note 2.  
\item[27] Id. § 1052(f).  
\end{footnotes}
impossible for marks deemed to be primarily geographically *deceptively misdescriptive.* In the amended statute, geographically deceptively misdescriptive marks, which had previously been treated the same as geographically descriptive marks, were split off into a separate category. The new version of subsection (e) prohibited registration of a mark that:

(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, . . . (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, or (4) is primarily merely a surname.

The purpose of separating geographically deceptively misdescriptive marks into a separate category was to make it possible, through amendments to section 2(f), to prohibit registration of any mark in this category even if the mark acquired secondary meaning. The current version of section 2(f) provides:

(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) 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 . . . . 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.

Under the new standards, once a mark is determined to be "primarily geographically deceptively misdescriptive," registration is completely barred under revised section 2(e)(3). Subject only to the grandfathering exception for marks that had already achieved distinctiveness prior to NAFTA's effective date, geographically

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28 See NAFTA, supra note 2.
31 15 U.S.C. § 1052(b); see supra text accompanying note 30.
deceptively misdescriptive marks are barred from registration without regard to whether they have acquired secondary meaning. In other words, they are now subject to the same fate as marks deemed to be deceptive under section 2(a).

The first Federal Circuit decision to apply these amended provisions to a primarily geographically deceptively misdescriptive mark was the 1999 decision of *In re Wada*, which upheld the PTO’s application of the well-established two-part test for determining whether a mark was primarily geographically deceptively misdescriptive: “For a mark to be primarily geographically deceptively misdescriptive, the mark must (1) have as its primary significance a generally known geographic place, and (2) identify products that purchasers are likely to believe mistakenly are connected with that location.”32 This test was essentially the same as the test applicable to deceptively misdescriptive marks of a non-geographic nature.33 Based on this familiar standard, the Federal Circuit upheld the determination of the Trademark Trial and Appeals Board that the mark “New York Ways Gallery” was primarily geographically deceptively misdescriptive as applied to various kinds of luggage and handbag goods that did not have any connection to New York. As a result, pursuant to the 1993 amendments to section 2, this mark could not be registered even if the applicant could demonstrate that the mark had acquired secondary meaning.

Two years later, in *In re Save Venice New York, Inc.*,34 the Federal Circuit again applied the amended provisions to uphold the TTAB’s refusal to register a primarily geographically deceptively misdescriptive mark. In this case, the examiner had refused to register the applicant’s composite mark—consisting of the phrases “Save Venice” and “The Venice Collection” combined with a sketch of the Lion of St. Mark (a well-known symbol of Venice)—for goods that did not originate in Venice,35 on the ground that the primary significance of the mark was geographic, and that “the public would mistakenly believe that Venice, Italy was the source of applicant’s goods.”36 The court applied the same two-part test it had used in *In re Wada* and the pre-NAFTA cases, found that the test was satisfied, and therefore upheld the TTAB’s rejection under section 2(e)(3).37

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32 *In re Wada*, 194 F.3d at 1299-1300 (citing *Institut Nat’l Des Appellations D’Origine*, 958 F.2d at 1580).
35 Id. at 1349.
36 Id. at 1350.
37 Id. at 1352, 1356.
C. CRITICISM OF THE NAFTA AMENDMENTS PRIOR TO 2003

Some scholars responded to the 1993 amendments by arguing that the resulting harsh consequences—the permanent, nondefeasible ban on registration of primarily geographically deceptively misdescriptive marks—were not required by NAFTA, and represented an overly cautious interpretation by Congress of the requirements imposed by NAFTA. 38 When these criticisms are examined in light of the interpretation of post-NAFTA section 2(e)(3) that prevailed prior to the California Innovations decision in 2003, they certainly have merit.

The relevant NAFTA provision is Article 1712, which states in, relevant part, 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 good;

2. Each Party shall, on its own initiative if its domestic law so permits or at the request of an interested person, refuse to register, or invalidate the registration of, a trademark containing or consisting of a geographical indication with respect to goods that do not originate in the indicated territory, region or locality, if use of the indication in the trademark for such goods is of such a nature as to mislead the public as to the geographical origin of the goods. 39

Although this provision required the United States to provide legal redress with respect to “misleading” marks, the notion of what is “misleading” is open to interpretation. Is a misdescriptive mark always “misleading” if people would believe it to be true? Or must the misdescription also be a material factor in the purchasing decision? For example, even if the public believes that “Chicago” root beer comes from Chicago instead of Milwaukee, if that false belief does not motivate the purchasing decision, arguably the public has not been “misled” in

39 NAFTA, supra note 2, art. 1712(1)-(2), 32 I.L.M. at 675.
any meaningful way. Moreover, once the "Chicago" mark has acquired sufficient secondary meaning, most consumers will cease to be confused at all; they will simply recognize "Chicago" as a mark which identifies the maker of the root beer, not its geographic source. Therefore, the "Chicago" mark may be misleading in a technical sense but not in a practical sense, and thus it may not have been necessary for Congress to bar registration of the "Chicago" mark completely.

Congress's interpretation of Article 1712 as requiring a complete bar to registration of primarily geographically deceptively misdescriptive marks, as these were defined in 1993, was also inconsistent with its own failure to provide a new legal remedy against users of such marks. A bar to registration of a mark does not prohibit its use. Article 1712(1) requires signatories to provide "the legal means for interested persons to prevent . . . the use of" misleading geographic indicators. Yet Congress did not create a new cause of action against parties who use false indications of geographic origin, and existing remedies under state law and under the Lanham Act do not necessarily extend to false geographic indicators that merely confuse but do not deceive. If a geographic indication is false and confusing, but does not influence the purchasing decision, it is unlikely to give rise to a cause of action for unfair competition, since the unfair competition provisions of the Lanham Act (and similar state laws) allow a cause of action only by a party who is injured, or is likely to be injured, by the false origin indication. If consumers' purchasing decisions are not influenced by the

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40 See Renaud, supra note 38, at 1110-11 (arguing that Congress should not have enacted the complete bar to registration of geographically deceptively misdescriptive marks when the misdescription does not rise to the level of "deception" under section 2(a)—when, in other words, it does not motivate the purchasing decision).
41 NAFTA, supra note 2, art. 1712(1), 32 I.L.M. at 675.
42 Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1) (2003), provides, in pertinent part, that:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

State unfair competition laws also require injury, or likelihood thereof. See, e.g., Boston Shoe Shop
inaccurate geographical indicator, then a competitor who objects to the use of this indicator is unlikely to have a legal remedy (other than cancellation of the mark, if registered) against the user, because the competitor is unlikely to succeed in demonstrating injury or likelihood of injury. A similar argument has been used to criticize Congress’s enactment of a registration bar, but no other legal remedy, in the case of false (even if not confusing) geographic indications of origin with respect to wines and spirits, pursuant to Articles 23 and 24 of the TRIPS Agreement. See Paul J. Heald, Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement, 29 Vand. J. Transnat’l L. 635, 651 (1996). Article 23 of the TRIPS Agreement provides that: Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question.

Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 23, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 1125, 1197 [hereinafter TRIPS]. Congress implemented this requirement by amending the Lanham Act to bar registration, with respect to wines or spirits, of any false geographic indications of origin—a prohibition that seems broad enough to preclude the use of totally arbitrary marks (analogous to the classic “Alaska” bananas) as well as nonarbitrary misdescriptive geographic marks that nonetheless have achieved distinctiveness through secondary meaning. See § 2(a), 15 U.S.C. § 1052(a) (barring registration of any mark, used in connection with wines or spirits, which “identifies a place other than the origin of the goods,” if its first such use commences on or after January 1, 1996). If the TRIPS provision requiring a remedy for such false origin indicators means that harmlessly false marks must be barred from registration, Heald argues, then surely it must also require creation of a remedy against users of such marks when they are unregistered. Heald, supra, at 646-49. Yet neither federal nor state law provides a remedy against users of false but harmless unregistered marks. Heald’s argument with respect to the section 2(a) TRIPS amendment is somewhat stronger than the analogous argument with respect to the section 2(e) NAFTA amendment, since Article 23 of TRIPS seems to mandate a remedy even for arbitrary geographic marks when used in connection with wines and spirits, a remedy clearly not contemplated in the Lanham Act or comparable state laws (perhaps because it is difficult to imagine a truly arbitrary geographic mark for wines and spirits). See 15 U.S.C. § 1125(a)(1)(B) (2003) (allowing a cause of action for misrepresenting geographic origin, but only if the plaintiff is likely to be damaged). Nonetheless, the same analysis as applied to section 2(e) does reveal an inconsistency between imposing a complete ban on registering harmlessly confusing geographic marks and failing to enact any affirmative remedy against users of such marks who choose not to register them (or who continue to use them after their registration has been refused or cancelled). In one respect, the argument is stronger in the section 2(e) context than in the section 2(a) context, because Article 23 of TRIPS (dealing with wines and spirits) expressly allows signatories to choose “enforcement by administrative action,” a mode of enforcement that arguably would apply
someone to use a geographically confusing mark without incurring any negative legal consequence, so long as the user is content to use an unregistered mark. Thus, if Article 1712 truly required Congress to impose a complete ban on registration of harmlessly confusing geographic marks, surely it also required Congress to provide a cause of action against users of such marks when they are unregistered.

Finally, as understood prior to *California Innovations*, the complete bar under section 2(e)(3) extended even to false geographic marks that had acquired strong secondary meaning. However, the existence of strong secondary meaning eliminates any significant likelihood of confusion that could injure a competitor, and thus forecloses a claim of unfair competition under the Lanham Act. Thus, false but nonarbitrary geographic marks might not confuse anyone at all once they have acquired secondary meaning, and thus might not support a cause of action under section 43(a), yet section 2(e)(3) completely bars their registration. If Article 1712 required Congress to disregard secondary meaning in barring registration of such marks, surely it also required Congress to provide a legal remedy against users of such marks even when the marks had acquired secondary meaning.

Congress’s enactment, in response to NAFTA, of a broad ban on registration of non-arbitrary geographically misdescriptive marks, regardless of secondary meaning or likely impact on purchasing decisions, thus seems inconsistent with Congress’s failure to enact any cause of action for damages or injunctive relief against those who use such indicators as trademarks.

only to registered marks. TRIPS, *supra*, art. 23 n.4, 32 I.L.M. at 1205. Article 1712(2) of NAFTA, in contrast, deals separately with refusal or cancellation of trademark registrations, thus implying that the general redress requirement of Article 1712(1) mandates broader legal remedies. NAFTA, *supra* note 2, art. 1712(2), 32 I.L.M. at 675.

44 See Renaud, *supra* note 38, at 1109 n.66. Renaud gives the examples of *In re Texas Steakhouse of Roanoke, Inc.,* No. 74/595, 919 1997 TTAB LEXIS 162 (T.T.A.B. June 18, 1997) (denying registration for the mark “Texas Steakhouse & Saloon” for a restaurant chain not based in Texas); *Fred Hayman Beverly Hills, Inc. v. Jacques Bernier, Inc.,* 38 U.S.P.Q.2d (BNA) 1691 (T.T.A.B. 1996) (sustaining opposition to registration of “Rodeo Drive” for perfume not produced on Rodeo Drive). Surely the steakhouse patrons do not believe they have suddenly been transported to Texas, or even that their food and beverages came from Texas, and surely the buyers of Fred Hayman’s expensive perfume do not believe that Rodeo Drive, an area known for expensive real estate and upscale shopping, is a place where perfume is actually manufactured and bottled.
II. **California Innovations and Les Halles: Overly Aggressive Interpretations of the NAFTA Amendments**

A. **The Federal Circuit’s Rationale**

Perhaps heeding some of these criticisms, in 2003 the Federal Circuit revisited its interpretation of section 2(e)(3) in two cases decided just a few months apart—*In re California Innovations, Inc.*\(^{45}\) and *In re Les Halles de Paris J.V.*\(^{46}\) Both cases involved geographically inaccurate marks that were neither arbitrary nor deceptive (under the "material factor" test). In other words, like the "Chicago" mark for root beer made in Milwaukee, these marks could lead a consumer to believe that they were accurate indicators of the geographic origin of the goods or services to which they were applied. However, this false belief regarding geographic origins would probably not be a material factor in consumers' purchasing decisions, and might, in time, be completely negated by the emergence of secondary meaning.

In contrast to its previous decisions in *In re Wada* and *In re Save Venice, New York*, in which the court had interpreted the NAFTA amendments to section 2(e) as incorporating the familiar two-part test for determining whether a mark was primarily geographically deceptively misdescriptive (but not deceptive under section 2(a)), the Federal Circuit held in *California Innovations* that a geographically inaccurate mark would be barred from registration under section 2(e)(3) only if the geographic falsehood would also be a material factor in a purchaser’s buying decision.\(^{47}\) In the court’s words, “NAFTA and its implementing legislation obliterated the distinction between geographically deceptive marks and primarily geographically deceptively misdescriptive marks.”\(^{48}\) As a result, the court held that the section 2(e)(3) registration bar would apply to the “California Innovations” trademark only if that mark satisfied the more stringent three-part test that had, heretofore, determined whether a geographic mark was “deceptive” under section 2(a):

Thus, due to the NAFTA changes in the Lanham Act, the PTO must deny registration under § 1052(e)(3) if (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

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\(^{47}\) *Compare In re Wada*, 194 F.3d 1297, 52 U.S.P.Q.2d (BNA) 1539 (Fed. Cir. 1999), and *In re Save Venice N.Y., Inc.*, 259 F.3d 1346, 59 U.S.P.Q.2d (BNA) 1778 (Fed. Cir. 2001), with *In re Cal. Innovations*, 329 F.3d at 1340.

\(^{48}\) *In re Cal. Innovations*, 329 F.3d at 1338 (emphasis added).
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 misrepresent-
ation was a material factor in the consumer’s decision.49

The court justified its decision to import the section 2(a) standard into section
2(e)(3) by pointing out that, as a result of the NAFTA amendments, the legal
consequences of finding section 2(e)(3) applicable to a geographic mark (i.e., a
complete bar to registration) were identical to the legal consequences of finding
section 2(a) applicable to that mark; accordingly, the legal tests for applying those
provisions should be identical as well:

Thus, § 1052 no longer treats geographically deceptive
misdescriptive marks differently from geographically deceptive
marks. Like geographically deceptive marks, the analysis for
primarily geographically deceptive misdescriptive marks under §
1052(e)(3) focuses on deception of, or fraud on, the consumer. The
classifications under the new § 1052 clarify that these two deceptive
categories both receive permanent rejection. Accordingly, the test
for rejecting a deceptively misdescriptive mark is no longer simple
lack of distinctiveness, but the higher showing of deceptiveness.

The legislative history of the NAFTA Act confirms the change
in standard for geographically deceptively misdescriptive marks. In
a congressional record statement, which appears to be the equiva-
 lent of a committee report, the Senate Judiciary Committee
acknowledges the new standard for these marks:

[The bill creates a distinction in subsection 2(e) of the
Trademark Act between geographically “descriptive” and
“misdescriptive” marks and amends subsections 2(f) and 2(a)
of the Act to preclude registration of “primarily geographi-
cally deceptively misdescriptive” marks on the principal and
supplemental registers, respectively. The law as it relates to
“primarily geographically descriptive” marks would remain
unchanged.50

The amended Lanham Act gives geographically deceptively
misdescriptive marks the same treatment as geographically decept-
ive marks under § 1052(a). Because both of these categories are
subject to permanent denial of registration, the PTO may not
simply rely on lack of distinctiveness to deny registration, but must

49 Id. at 1341.
make the more difficult showing of public deception. In other words, by placing geographically deceptively misdescriptive marks under subsection (e)(3) in the same fatal circumstances as deceptive marks under subsection (a), the NAFTA Act also elevated the standards for identifying those deceptive marks.\(^{51}\)

Two months after deciding *California Innovations*, the Federal Circuit applied the same holding to service marks in *Les Halles*,\(^{52}\) which was decided by a panel including two out of the same three judges from the *California Innovations* panel.\(^{53}\) Because services rather than goods were involved, the court applied the heightened “association” test—that is, the requirement that consumers of the service “are likely to believe the . . . services have their origin in the location indicated by the mark,” or, in other words, “that patrons will likely be misled to make some meaningful connection between the . . . [service] and the relevant place.”\(^{54}\) As it did for trademarks in *California Innovations*, however, the court held that for service marks to be subject to the section 2(e)(3) bar, “the misleading services-place association must be a material factor in the consumer’s decision to patronize” the services—in this case, a restaurant named after a well-known district in Paris.\(^{55}\) Because the evidence presented to the TTAB did not establish a “material services-place association,” the court vacated the Board’s decision.\(^{56}\)

Unfortunately, as discussed below, the court’s analysis of section 2(e)(3) in *California Innovations* and *Les Halles* is unwarranted by the text or the legislative history of the NAFTA amendments, and renders portions of section 2 inoperative or superfluous.

\(^{51}\) *In re Cal. Innovations*, 329 F.3d at 1339-40.

\(^{52}\) *In re Les Halles*, 334 F.3d 1371.

\(^{53}\) *California Innovations* was heard by Judges Rader, Newman, and Clevenger. *Les Halles* was heard by Judges Rader, Newman and Dyk. Judge Rader authored both opinions.

\(^{54}\) *In re Les Halles*, 334 F.3d at 1374.

\(^{55}\) *Id.*

\(^{56}\) *Id.* at 1375. In this case, the court held that not only did the record fail to “show that a material reason for the diner’s choice of this restaurant in New York City was its identity with the region in Paris,” the record even failed to show that a diner “would identify the region in Paris as a source of those restaurant services.” *Id.* At most, the court concluded, the record showed “that *Les Halles*’ restaurant conjures up memories or images of the Le Marais area of Paris.” *Id.* Thus, the court in *Les Halles*, 334 F.3d 1371, might have reached the same result in this case under the less demanding two-part test that would have applied prior to the NAFTA amendments. In other words, the court’s invocation of the materiality requirement of *California Innovations*, 329 F.3d 1334, might not have been outcome-determinative in this case.
B. PROBLEMS WITH THE FEDERAL CIRCUIT'S ANALYSIS

The *California Innovations* court may have jumped too readily to its conclusion that Congress intended to impose the section 2(a) standard of deception as a prerequisite to imposing the section 2(e)(3) registration bar. It is true, as the court observed, that "[t]he classifications under the new § 1052 clarify that these two deceptive categories both receive permanent rejection." However, the court made too great a leap when it concluded that Congress's decision to bar registration of both classes of disfavored marks necessarily implied that the same legal test should apply to determine which marks fall into each category: "Accordingly, the test for rejecting a deceptively misdescriptive mark is no longer simple lack of distinctiveness, but the higher showing of deceptiveness." After all, 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.

Under section 2(a), for example, several different types of marks are barred from registration—not only deceptive marks, but also marks deemed immoral, scandalous, or disparaging. Although each of these categories of disfavored marks suffers the same legal consequence—a complete bar to registration—these categories are not defined by the same legal test as deceptive marks. If they were, of course, there would be no need for separate categories. Indeed, the complete bar applies to marks described in section 2(b), 2(c), 2(d), and 2(e)(5) as well, yet the legal tests which determine whether a mark fits into these categories are distinctly different.

Similarly, under section 2(e), several types of marks are presumptively barred from registration, but may be registered upon a showing of acquired distinctive-

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57 *In re Cal. Innovations*, 329 F.3d at 1339.
58 *Id*. at 1339.
59 Of course, if Congress had intended to treat geographically deceptively misdescriptive marks as a type of deceptive mark under section 2(a), Congress would have had to draft the grandfathering clause of section 2(f) a bit differently, but it could easily have done so, as follows:

> With respect to marks deemed deceptive under section 2(a) solely because they are likely to mislead consumers with respect to the geographic origin of goods (other than wine or spirits), registration shall not be barred if the mark became distinctive of the applicant's goods in commerce before December 8, 1993.

ness under section 2(f).\textsuperscript{62} Again, the same legal consequence applies to each
category, but the categories are not all defined by the same legal test.

Accordingly, contrary to the reasoning of California Innovations, the mere fact
that Congress subjected two types of marks to similar legal consequences does not
necessarily mean that both types of marks are subject to the same legal test to
determine whether they fall into a disfavored class.

Although the legislative history of the NAFTA amendments is sparse, it seems
indisputable that Congress modified sections 2(e) and (f) to impose a complete
bar on registration of marks that are primarily geographically deceptively
misdescriptive, and that it made this choice based on a perception—whether or
not correct—that a complete bar, rather than a defeasible bar, was required by
Article 1712. This certainly was the assumption of the California Innovations court,
and there is no evidence that Congress had any other motivation to make these
changes.

The only type of mark addressed in Article 1712 of NAFTA is a mark which
“misleads the public as to the geographical origin of the good.”\textsuperscript{63} Thus, once
Congress determined that Article 1712 required a complete ban on registration of
primarily geographically misdescriptive marks, the logical step was to move these
marks from the defeasibly unregistrable category to the conclusively unregistrable
category. In other words, Congress changed sections 2(e) and (f) in a way that
would subject this class of marks to a more stringent negative consequence than
that to which they had previously been subject. That this was Congress’s intent
is evident from the Senate Report accompanying the 1993 amendments:

\begin{quote}
Paragraphs two and three of Article 1712 require NAFTA govern-
ments to refuse to register marks that are deceptively misdescriptive
in respect of geographic origin regardless of whether the mark has
acquired distinctiveness. By contrast, the article does not prohibit
the registration of primarily geographically descriptive marks.

In light of this difference in treatment, section 333 of the 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.
\end{quote}

\textsuperscript{62} 15 U.S.C. § 1052(e). In addition to marks that are primarily geographically deceptively
misdescriptive, section 2(e) also presumptively bars registration of descriptive and deceptively
misdescriptive nongeographic marks, primarily geographically descriptive marks, and marks that are
primarily merely surnames.

\textsuperscript{63} NAFTA, supra note 2, art. 1712, 32 I.L.M. at 675.
The law as it relates to "primarily geographically descriptive" marks would remain unchanged.

The bill contains a grandfather clause that covers U.S. marks containing geographical terms that are in use or registered prior to the date of enactment.\(^{64}\)

The term "primarily geographically deceptively misdescriptive marks" which is used in this passage is the exact statutory phrase from section 2(e); it is not a phrase that appears in NAFTA, which instead refers to marks that "mislead[] the public as to the geographical origin of the good."\(^{65}\) Thus, it is clear from the Senate Report that Congress intended to completely preclude registration for the very same types of geographically deceptively misdescriptive marks that would, under prior law, have been registrable upon a sufficient showing of acquired distinctiveness. In imposing this complete bar, the only exception Congress recognized was for marks that had already achieved distinctiveness under prior law.\(^{66}\) There is no evidence that Congress intended to exempt any other subcategory of geographically deceptively misdescriptive marks from the new rule of preclusion.

In spite of this clear evidence of congressional intent to raise the bar for this entire class of marks, the California Innovations decision necessarily implies that Congress intended to relax the registration rules for at least some members of this class of marks, by making it harder for a mark to fall into the "primarily geographically deceptively misdescriptive" category in the first place, and thus making it more likely that a nonarbitrary geographically false mark would be eligible for registration even in the absence of secondary meaning.\(^{67}\) As illustrated by the Senate Report, Congress indicated no intention to narrow the definition of a "primarily geographically misdescriptive mark" by removing certain marks from this category.\(^{68}\) Yet this is precisely the consequence of the California Innovations decision.

For example, prior to the NAFTA amendments, the "Chicago" mark for root beer made in Milwaukee would have been defeasibly unregistrable, because consumers would probably believe that the root beer was made in Chicago, even if this false belief would not have materially influenced their buying decision. Only upon a showing of secondary meaning would the mark have become registrable.

\(^{65}\) Compare § 2(e), 15 U.S.C. § 1052(e), with NAFTA, supra note 2, art. 1712, 32 I.L.M. at 675.
\(^{67}\) In re Cal. Innovations, 329 F.3d at 339.
Applying the *California Innovations* interpretation of the NAFTA amendments, however, the "Chicago" mark would be subject *neither* to a complete bar *nor* to a defeasible bar. In other words, it could be registered without even a showing of secondary meaning. This follows because "Chicago" would not be deceptive under the "material factor" test imposed by *California Innovations*, and therefore would not fall under either section 2(e) or section 2(a). Accordingly, it would be registrable without a showing of distinctiveness—exactly like the arbitrary "Alaska" mark for bananas.

When Congress amended section 2 of the Lanham Act as part of the implementation of the NAFTA agreement, it seems highly improbable that Congress's response to NAFTA's mandate to prevent the use of misleading geographic indicators would be to make it *easier* to register a misdescriptive geographic mark. In the unlikely event that Congress did intend to ease the restrictions on false geographic indications, surely this intent would have been evidenced somewhere in the legislative history of the amendments. Yet no such indications of intent exist. It therefore appears that the Federal Circuit has misconstrued the intent behind the NAFTA amendments, and that its new interpretation of these provisions frustrates the intent of Congress.

Furthermore, the Federal Circuit's interpretation appears to make section 2(e)(3) superfluous. 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). Had Congress intended this result, it would have been simpler to remove geographically deceptively misdescriptive marks from section 2(e) altogether.

By interpreting section 2(e)(3) in a manner that makes it superfluous in light of section 2(a), the Federal Circuit violated one of the settled canons of statutory construction. It is "a cardinal rule of statutory construction . . . that a legislature is presumed to have used no superfluous words." Therefore, "[i]t is the duty of the court to give effect, if possible, to every clause and word of a statute." Ironically, it was this very canon on which the Federal Circuit's predecessor court relied in its 1982 decision in *In re Nantucket*, when it articulated the first authoritative interpretation of the meaning of "primarily geographically deceptively misdescriptive" marks in the pre-NAFTA version of section 2(e) in order to distinguish these from truly "deceptive" marks under section 2(a).

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69 *In re Cal. Innovations*, 329 F.3d at 1339.
71 *Id.* (quoting Montclair v. Ramsdell, 107 U.S. 147, 152 (1882)).
72 *In re Nantucket*, 677 F.2d at 99; see supra note 11 and accompanying text. Although earlier case
California Innovations also appears to violate a second fundamental canon of statutory construction. By requiring a geographic misdescription to be material in order to establish that it is "deceptively misdescriptive" under section 2(e)(3), without imposing this same materiality requirement on "deceptively misdescriptive" nongeographic marks under section 2(e)(1), the Federal Circuit gave the term "deceptively misdescriptive" two different meanings within the same statutory subsection. As its predecessor court observed in In re Nantucket:

Each part or section of a statute should be construed in connection with every other part or section so as to produce a harmonious whole, and it is not proper to confine interpretation to the one section to be construed. These rules of statutory construction prohibit differing treatment of "deceptively misdescriptive" in §§ 2(e)(1) and 2(e)(2). 73

Furthermore, under the NAFTA amendments, there is only one category of primarily geographically deceptively misdescriptive marks under section 2(e)(3) that remains registrable — those which became distinctive prior to December 8, 1993. 74 Ironically, the effect of the California Innovations holding that section 2(e)(3) bars only material misdescriptions of geographic origin is that this grandfathering now applies exclusively to deceptive geographic marks that became distinctive prior to that date. Is it even possible for a deceptive mark to be distinctive? The answer is unclear, since courts have never had to address this question. In the past, deceptive marks could never be salvaged through acquired distinctiveness. That remains the case for nongeographic deceptive marks under section 2(a). It is difficult to believe therefore, that Congress intended to change this result in the case of deceptive geographic marks. As a result of California Innovations, however, all marks that are unregistrable under section 2(e)(3) are also

law struggled to articulate the distinction between sections 2(a) and 2(e)(3), there was no doubt that Congress intended them to differ in scope:

That the persons instrumental in the framing of the Lanham Act attributed different meanings to the terms ‘deceptive’ and ‘primarily geographically deceptively misdescriptive’ and intended these terms to be applied in different situations involving different sets of circumstances is obvious not only from the fact that these designations appear in two different subsections of Section 2 of the Statute, but from the specific language in Sections 2(f) and 23 thereof.  In re Amerise, 160 U.S.P.Q. (BNA) 687, 690 (T.T.A.B. 1969); accord, In re Charles S. Loeb Pipes, Inc., 190 U.S.P.Q. (BNA) 238, 241 (T.T.A.B. 1976) (quoting In re Amerise, 160 U.S.P.Q. 687). 73 In re Nantucket, 677 F.2d at 98-9 (citations omitted) (citing NLRB v. Lion Oil Co., 352 U.S. 282, 288-90 (1957); Richards v. United States, 369 U.S. 1, 11 (1962)); see supra note 11 and accompanying text.

unregistrable under section 2(a). Since the grandfathering clause of section 2(f) by its own terms applies to section 2(e)(3) but not to section 2(a),\textsuperscript{75} does it or does it not permit registration of deceptive geographic marks that acquired distinctiveness before NAFTA took effect? \textit{California Innovations} makes this question impossible to answer, but leaves open only two possibilities: Either deceptive geographic marks can be registered if they became distinctive before December 8, 1993, or instead, marks disqualified under section 2(e)(3) can never be registered, because they are also, by definition, deceptive under section 2(a), in which case the grandfathering clause in section 2(f) is altogether inoperative because there is no mark to which it can ever apply.\textsuperscript{76} The first of these interpretations is unlikely to have been the intent of Congress, since it would permit registration of marks that are deceptive and therefore injurious to the public, as well as actionable under section 43(a) of the Lanham Act.\textsuperscript{77} The second interpretation renders section 2(f) inoperative, and amounts to another violation of settled canons of statutory construction.\textsuperscript{78}

After announcing that the “material factor” test of section 2(a) would determine whether section 2(e)(3) applies to a geographic mark, the \textit{California Innovations} court drew a distinction that seems semantic rather than substantive:

As a result of the NAFTA changes to the Lanham Act, geographic deception is specifically dealt with in subsection (e)(3), while deception in general continues to be addressed under subsection (a). 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

\textsuperscript{75} \textit{Id.}

\textsuperscript{76} On the other hand, the wording of the grandfathering clause is so inexplicably broad that, taken on its face, it would allow \textit{any} mark to be registered if it became distinctive prior to December 8, 1993—including scandalous, immoral, disparaging, confusing, descriptive, and deceptive marks. The clause reads:

\textit{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 Dec. 8, 1993.

\textit{Id.} (emphasis added). The word “section,” if taken literally, would refer to all of section 2, including all of the bars contained in sections 2(a), (b), (c), (d), and (e). Surely Congress did not intend to create an amnesty program for all previously unregistrable marks that had acquired distinctiveness prior to the NAFTA Implementation Act, supra note 4. Such careless drafting, however, combined with the absence of any meaningful legislative history, suggests that Congress did not subject the NAFTA amendments to sufficient scrutiny before enactment.


\textsuperscript{78} See supra notes 70-71 and accompanying text.
are identical legal standards for deception in each section, subsection (e)(3) specifically involves deception involving geographic marks.\textsuperscript{79}

What possible substantive effect would follow from this distinction? If a mark is geographic and deceptive, it will be rejected under 2(e)(3). If a mark is nongeographic and deceptive, it will be rejected under 2(a). If the court's admonition to recognize these as two distinct grounds for rejection has any substance at all, then there must be some difference in the legal consequences of 2(a) and 2(e)(3) rejections, but what could that difference be? The only difference supportable by the text of the statute is that pre-1993 grandfathering under 2(f) would be available to 2(e)(3) deceptive marks but not to 2(a) deceptive marks. Yet surely it could not have been Congress's intent to extend registration to any class of deceptive marks, even if they arguably acquired distinctiveness prior to December 8, 1993. However, unless the Federal Circuit was drawing a purely semantic and pointless distinction, this grandfathering of pre-1993 deceptive geographic marks—and their resulting registrability—would be the logical consequence of the court's holding, and the consequence of the NAFTA amendments would be to relax the registration rules for some truly deceptive geographic marks as well as for merely confusing geographic marks. This outcome would be inconsistent with the Federal Circuit's own conclusion that the NAFTA treaty "shifts the emphasis for geographically descriptive marks to prevention of any public deception."\textsuperscript{80}

Therefore, under the Federal Circuit's analysis, either section 2(e)(3) is completely superfluous, or it relaxes the former section 2(a) ban on registration of truly deceptive geographic marks to the extent they now qualify for grandfathering under section 2(f). The first conclusion runs afoul of settled canons of statutory interpretation, and the second would introduce such a dramatic change in federal trademark law—and one arguably contrary to the letter and spirit of Article 1712—that it would be astonishing for Congress to effect such a change without any indication in the legislative history that it understood and intended this effect.

The Federal Circuit acknowledged in California Innovations that its previous decisions interpreting the NAFTA amendments to section 2—In re Wada and In re Save Venice New York, Inc.—had not expressly required a showing of materiality in holding that the marks in those cases were barred under section 2(e)(3).\textsuperscript{81} However, the court asserted that in retrospect, both of the marks rejected in those

\textsuperscript{79} In re Cal. Innovations, 329 F.3d at 1341-42.
\textsuperscript{80} Id. at 1339.
\textsuperscript{81} Id. at 1340-41 (discussing In re Save Venice, 259 F.3d 1346; In re Wada, 194 F.3d 1297).
cases did in fact, meet its newly articulated materiality test, because *In re Wada* noted that New York was “not only well-known, but renowned for the products at issue,”\(^{82}\) and *In re Save Venice* concluded that Venice was known for producing the types of products that were to be offered under the applicant’s marks.\(^{83}\) Regardless of whether the evidentiary record in either of those cases would have supported a finding of materiality, however—a conclusion that is far less certain than the Federal Circuit suggests—the Federal Circuit did not, in either case, actually articulate a standard any higher than the traditional two-part test, and in neither case did the court even mention the concept of materiality.\(^{84}\)

### III. Conclusion

In *California Innovations*, the Federal Circuit unnecessarily introduced a dramatically new interpretation of what it means for a geographic mark to be “deceptively misdescriptive.” In so doing, the court failed to observe the most basic canons of statutory construction, rendering section 2(e)(3) of the Lanham Act superfluous and the last sentence of section 2(f) arguably inoperative. Furthermore, nothing in the legislative history of this statutory language supports the court’s interpretation.

There is a simpler and more logical way to interpret the NAFTA amendments to section 2: Congress simply retained the familiar two-part test for identifying primarily geographically deceptively misdescriptive marks, but chose to impose a conclusive ban on registration of such marks, just as it imposes a conclusive ban on, *inter alia*, deceptive, scandalous, immoral, disparaging, or functional marks. In so doing, rather than upset settled pre-NAFTA expectations, it grandfathered any primarily geographically deceptively misdescriptive marks (unless also deceptive under section 2(a)) that had already achieved distinctiveness under the pre-NAFTA trademark regime, which for several decades had permitted such marks to be registered once they acquired distinctiveness. Moreover, Congress retained the older, more flexible standard (i.e., the presumptive registration ban, defeasible under section 2(f) through acquired distinctiveness) for deceptively misdescriptive nongeographic marks, because it intended to subject inaccurate geographic marks to more rigorous standards than inaccurate nongeographic marks, which were not a concern of NAFTA. This interpretation is consistent with the Federal Circuit’s earliest interpretations of the NAFTA amendments in *In re Wada* and *In re Save Venice*, notwithstanding the court’s revisionist reinterpretation of those decisions.

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\(^{82}\) *Id.* at 1341 (citing *In re Wada*, 194 F.3d at 1299-1300).

\(^{83}\) *Id.* at 1341 (citing *In re Save Venice*, 259 F.3d at 1350, 1354).

\(^{84}\) *In re Wada* was decided by Judges Plager, Schall, and Gajarsa. *In re Save Venice* was decided by Judges Michel, Gajarsa, and Dyk. Judge Gajarsa wrote both opinions.
in California Innovations. And it is the only interpretation under which section 2(e)(3) and section 2(f) are fully operative provisions.

Under this more logical interpretation, it would indeed be more difficult to register a false geographic mark in the post-NAFTA regime. And Congress may indeed have imposed an unnecessarily harsh consequence when it made that choice. It may have erred in believing that Article 1712 of NAFTA mandated this change in policy. But this is the only reading of the NAFTA amendments that makes sense and conforms to the fundamental rules of statutory construction.

Ironically, when the Federal Circuit chose to adopt a strained interpretation of the plain language of section 2(e)(3) in California Innovations and Les Halles, its holding made it easier to register geographically confusing marks than other types of confusing marks. Yet there is no indication in the NAFTA amendments, or their legislative history, that Congress intended such disparate results. The more logical inference is that Congress intended to make geographically confusing marks impossible to register, even where the misleading nature of the mark is immaterial to the purchasing decision, based on the belief that Article 1712 requires NAFTA members to ban registration of all geographically confusing marks.

If Congress erred in the choices it made in 1993, the Federal Circuit's aggressive recasting of section 2(e)(3) is merely a second wrong that compounds, rather than corrects, this legislative error. The court should reconsider its holdings in California Innovations and Les Halles, and leave Congress to reconsider the wisdom of the NAFTA amendments.