

Report Q195

in the name of the United States Group
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Limitations of the Trademark Protection

Questions

Note: the following topics are **not** to be covered in the Group answers:

- Exhaustion
- Limitations on trademark rights by competition law
- Limitations on trademark rights by the right to freedom of expression
- Comparative advertising
- Acquiescence.

I) Analysis of current law and case law

The Groups are invited to answer the following questions under their national laws:

- 1) *Are there statutory limitations of trademark rights in your trademark law? If so, which ones? If not, have similar concepts been developed in case law? (Please only briefly list the limitations here; more detailed explanations will be required below).*

There are various statutory limitations on what can be a trademark—to be distinguished from defenses—in the U.S. federal trademark law. (The individual states of the United States also may have statutory limitations with respect to trademarks, but we focus here on the U.S. federal law.) In the United States, according to Section 1052 of Title 15 of the United States Code (i.e., 15 U.S.C. § 1052), federal registration is not permitted for trademarks that:

- a) are immoral, deceptive, or scandalous, or which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 2(9) of the Uruguay Round Agreements Act) enters into force with respect to the United States;
- b) comprise the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof;
- c) comprise a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow;
- d) is likely to be confused with another mark or trade name previously used or registered in the United States by another and not abandoned;

- e) consists of a mark which
- 1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them,
 - 2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under 15 U.S.C. § 1054,
 - 3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them,
 - 4) is primarily merely a surname, or
 - 5) comprises any matter that, as a whole, is functional.

Additionally, a mark that is merely "descriptive" cannot be protected unless the mark has acquired distinctiveness. Trademark distinctiveness is acquired through extensive and substantially exclusive promotion and use of the term as a trademark. In order for a descriptive term to have acquired distinctiveness, it is necessary that the primary meaning of the term in the eyes of the public has become trademark significance, not descriptive significance.

- 2) *If descriptive use defences are recognised under your trademark law, what is descriptive use and what types of descriptive use defences are recognised? (Please only briefly list the types of descriptive use defences here; more detailed explanations will be required below)*

Use of a descriptive word in its original non-trademark descriptive meaning is permitted under the "fair use" defense.

In connection with infringement actions, U.S. trademark law provides in 15 U.S.C. § 1115(b)(4) that an infringement action is subject to the following defense that:

the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin;

In connection with dilution, U.S trademark law provides in 15 U.S.C. § 1125(c)(3) that:

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- A) *Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with

 - i) *advertising or promotion that permits consumers to compare goods or services; or*
 - ii) *identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.**
- B) *All forms of news reporting and news commentary.*
- C) *Any noncommercial use of a mark.*

Additionally, there is the “nominative fair use” doctrine that applies as a defense when the defendant uses the plaintiff’s trademark to refer specifically to the latter’s product. Nominative fair use may be permissible when there is no other reasonable way to refer to the plaintiff’s product other than through use of the plaintiff’s trademark. See *New Kids on the Block v. News Am. Pub., Inc.*, 971 F.2d 302 (9th Cir. 1992). The court in *New Kids on the Block*, held that the nominative fair use defense can apply when it the following factors. First, the product or services in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. The nominative fair use defense has not been recognized in all U.S. jurisdictions.

- 3) *Is use of one’s own name permissible under your trademark law? If so, under which circumstances? Specifically, may anyone use his or her name as a trademark?*

One may use one’s own name as a trademark subject to the limitations described in response to Question 1, above, however, most U.S. courts have come to recognize that there is no absolute right to use one’s own personal name as a trademark when someone else has adopted the name first and achieved consumer recognition. Thus, if the junior user’s use of a mark, even though it is his own name, is likely to cause consumer confusion, its use may be enjoined, or at least modified to eliminate such confusion. Accordingly, you can use your own name unless it causes likely confusion with a previously established mark.

- 4) *Is a company entitled to make use of the “own name” defence? Specifically, is the “own name” defence only available to a company whose name includes a surname (e.g. William Smith Limited)? How are conflicts between the company’s use of its “own name” and confusingly similar trademarks resolved?*

There is no special protection or defense for a company using its “own name.” Protection against the confusing use of commercial and corporate names is subject to the same basic principles as apply to U.S. trademarks in general.

- 5) *Is the use of indications concerning the characteristics of the goods or services, including the kind, quality, value, geographical origin or time of production of goods permissible under your trademark law? If so, under which circumstances?*

The listed indications are all permissible to use, as long as they do not create a likelihood of confusion as to source with respect to the trademarks of others which are valid and prior. Generally, marks that are laudatory and descriptive of the merit of a product may be regarded as being “descriptive” and, as such, require a showing of acquired distinctiveness as a precursor to trademark protection. Marks that are primarily geographically descriptive may be registered as a collective mark or certification mark under 15 U.S.C. § 1054.

- 6) *Is the use of another’s mark to indicate product compatibility permissible under your trademark law? If so, under what circumstances? Is only the use of another’s word mark in ordinary script or neutral letters permissible or also the use of another’s logo or special script format of the mark?*

Referring to the trademarks of others in a comparative or compatible sense is permissible so long as confusion does not result. For example, one who sells software that will run on and is compatible with a certain brand of hardware typically is entitled to inform prospective buyers of that fact. The courts tend to permit truthful comparative advertising as long as the trademarks of others are not displayed in a manner that tends to create confusion as to source, and often find that the use of others’ logos is not necessary to advertise comparisons, and is more likely to create source confusion.

- 7) *Is decorative use of another's mark permissible under your trademark law? If so, under what circumstances?*

Decorative use of another's mark would be analyzed under the likelihood-of-confusion standard, and is usually held impermissible. There is no general exception to trademark infringement based on "decorative use" of a trademark. At the same time, there are certain uses of another's trademark that may be permissible as a parody. Parody is a complex area, especially since it can be actionable as dilution by tarnishment.

- 8) *Is use of descriptive terms permissible regardless of whether it is in accordance with honest or fair practices or whether it constitutes unfair competition? If descriptive use of another's mark is only permissible if it is in accordance with honest or fair practices, what are typical examples of use which are not in accordance with honest or fair practices?*

Use of descriptive terms or descriptive use of another's mark in false, misleading or fraudulent advertising is clearly unlawful and subjects the responsible party to liability for unfair competition under 15 U.S.C. § 1125. Examples of actionable false advertising include false product claims, false claims of compatibility and false product comparisons.

- 9) *Do the above mentioned types of descriptive use constitute limitations of trademark rights because they would not be regarded as "use as a mark" or are they specifically exempted regardless of whether trademark use is involved?*

This varies depending on the circumstances. In the U.S., there are two different types of non-infringing uses of another's mark that are both known as "fair use." The first, sometimes referred to as "classic fair use," is a defense to a charge of trademark infringement under which the junior user argues that it is not using a descriptive, geographically descriptive, or personal name designation in a trademark sense, but, instead, is using designation only to describe the defendant's goods or services, or their geographic origin, or to name the person involved in running the business. This is not considered use of a descriptive term and not use of a trademark.

The second type of fair use is known as "nominative fair use" and is the use of another's trademark to identify that other's (i.e., the plaintiff's) goods or services in some sort of discussion of the plaintiff or its goods and services, rather than the defendant's goods or services. Generally speaking, this use is not an infringement so long as there is no likelihood of confusion. This is not exempted from actionability on the ground that it is not use of a trademark.

- 10) *If your trademark law recognises other types of descriptive use defences which have not been discussed above, please explain.*

U.S. law recognizes "nominative fair use" as described in the response to Question 9.

- 11) *Does your trademark law provide for a prior user right/defence? If so, under what circumstances?*

In the U.S., trademark rights are acquired through use. Therefore, "prior use" is not a defense as much as it is the process by which a party obtains (potentially superior/senior) rights in a trademark. In other words, if the adversary is the prior user of the term in question as a trademark, and has acquired trademark distinctiveness through extensive use if the term in question is a descriptive term, the adversary's prior use creates prior rights more than a defense.

- 12) *If your trademark law provides for other limitations of trademark rights which have not been discussed above, please explain.*

The trademark laws of the United States provide for certain other limitations such as, for example, where a third party uses a trademark owner's mark in the course of reselling genuine products of the trademark owner, but in altered or repackaged or refurbished or unauthorized/gray-market forms. These situations also may present "permitted use" issues, which generally are resolved based on the principles of truthfulness and confusion as to source.

II) Proposals for adoption of uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules regarding limitations of trademark rights. More specifically, the Groups are invited to answer the following questions:

- 1) *Should descriptive use of another's trademark be permissible? If so, under what circumstances? Should descriptive use of another's trademark be permissible regardless of whether it is in accordance with honest or fair practices or whether it constitutes unfair competition?*

"Fair use" applies to the use of descriptive terms in their descriptive sense, not use of another's trademark in a trademark sense. If the other trademark owner has adopted a descriptive term as its trademark, in whole or in part, that mark or portion thereof is not a valid trademark until and unless it has acquired trademark distinctiveness through extensive use. If that has not occurred, there is no problem in using the descriptive term in any way; if it has occurred, fair use can still be made of the descriptive term, but only in a descriptive sense. Using the descriptive term that has become a trademark in a trademark sense is not fair use and should be evaluated under the normal rules of trademark infringement.

"Descriptive use" of another's trademark should be permitted only in narrow circumstances where it serves a laudatory legal policy and does not cause likely confusion as to source, as in the case of truthful comparative advertising. False or misleading comparative advertising should never be tolerated.

- 2) *Should use of one's own name be permissible? If so, under which circumstances? What should the position regarding the use of corporate names be?*

One should be able to use his or her own name in his or her business and trademark, unless doing so creates likely confusion as to source with the previously established trade identity of another. The same rule should apply to corporate names. In neither case should any distracting "human rights" issue be considered determinative, and these cases should be decided strictly according to normal trademark rules of validity, priority and infringement.

- 3) *Should the use of indications concerning the characteristics of the goods or services, including the kind, quality, value, geographical origin or time of production of goods be permissible? If so, under which circumstances?*

Generally speaking, these types of indications are descriptive terms and should be governed by the rules applicable thereto. All should be free to use descriptive terms in a descriptive manner, whether others have acquired trademark distinctiveness in them or not. If a trademark owner has acquired trademark distinctiveness in a descriptive term, converting it into its trademark, others may still use the term in its descriptive sense but not in a trademark sense.

- 4) *Should the use of another's mark to indicate product compatibility be permissible? If so, under what circumstances? Should only the use of another's word mark in ordinary script or neutral letters be permissible or also the use of another's logo or special script format of the mark?*

Truthful claims of compatibility should be permitted to include reference to another's mark, but not in a manner likely to lead to confusion as to source. For example, the other's mark should not be permitted to be displayed in an unduly large size. Ordinarily, the use of another's logo is not necessary to make a truthful compatibility claim, and is more likely to lead to confusion as to source, so the courts should ordinarily not permit this.

- 5) *Should decorative use of another's mark be permissible? If so, under what circumstances?*

Decorative use of another's trademark should not be permissible. It undermines the trademark owner's right to control its own reputation and business goodwill by deciding what decorative or other uses it wishes to make or not make. A limited "artistic use" exception might be justified, as in the case of a legitimate artist creating a painting that includes or features trademarks or branded products.

- 6) *Should trademark law provide for a prior user right? If so, under what circumstances?*

This question is not applicable to common law jurisdictions, such as the United States, since, in such a jurisdiction, the "prior user" is the trademark owner himself (at least in the geographical area in which there has been continuous and prior use). In other words, in the United States, "prior use" – so to speak – in commerce is the process by which the trademark owner first acquires rights in a trademark.

We can not comment here as to whether and to what extent civil code jurisdictions (essentially, "first-to-file" jurisdictions) should amend their laws to provide for prior (i.e., unregistered) user defenses, other than to note that this complex and intriguing issue – presented by this Working Question – seems to warrant broader and more-thorough discussion and consideration. We would welcome the opportunity to join in such a discussion, and to provide any personal views we may have as to whether global/transnational businesses would benefit if such defenses were available.

- 7) *Should trademark law provide for other limitations of trademark rights which have not been discussed above? If so, under what circumstances?*

Please see answer to Question 12, above.

National Groups are invited to comment on any additional issue concerning limitations of trademark rights which they find relevant.