

When trade mark use is not infringement

Marketers often want to reference other people's trade marks. But what are legitimate defences to infringement in these and other circumstances? Specialists in six countries discuss the law and recent cases

Canada

1 Generally, a registration, if valid, is a defence to a challenge based on infringement and passing off. Should a plaintiff believe that a defendant's registration is improperly registered, it can sue for infringement, but must also simultaneously claim that the registration ought to be expunged. As only the Federal Court of Canada may expunge a registration, such an action will need to be in that court.

2 Comparative advertising, generally, is not objectionable, if honest and not deceptive. However, occasionally, a case may involve section 22 of the Trade-marks Act, which prohibits "use" of a registered mark in a manner that depreciates the value of the goodwill in the registration. Only a few cases have analysed this section in the context of comparative advertising, but an odd distinction has arisen in those cases between marks registered for goods, compared to marks registered for services. First, for goods, it has been found that comparative advertising, where a registered mark is clearly used to compare and distinguish the advertiser's goods from the goods of a registrant, is not an infringement, since the advertiser is not using the mark to distinguish its own goods. Depreciation of goodwill for a mark registered for goods may occur, however, if an advertiser displays a registered mark on its goods (labels, packages), and the registrant can show that such use is recognised by consumers and that it is damaged. The requirement to show damages is a difficult hurdle to overcome, and, practically, the only cases that seem to successfully invoke depreciation of goodwill are those

where there is not only a display of a registered mark, but also false or misleading statements. Second, for services, display of a mark in advertising is considered to be “use”, and thus comparative advertisements involving marks registered for services could be found to depreciate goodwill, if the registrant can show that such depreciation and resulting damage has occurred. One Federal Court judge has commented that this distinction between goods and services is “somewhat bizarre”.

Parody is not a defence to trade mark infringement, but most cases of parody are not commercial, and thus will not activate trade mark infringement. Instead, there needs to be “use” of a mark, as use is defined in the Trade-marks Act, and that generally requires a commercial transaction. By way of example, display of a registered mark in union flyers complaining about a registrant’s business practices was not held to be trade mark infringement or depreciation of goodwill because of the lack of commercial activity, although it did lead to a successful copyright claim.

As noted above, the display of another’s registered mark on competitor’s products, for example to suggest that the competitor’s goods will fit, or perform equally or better, could be found to depreciate the goodwill of a registered owner. This is likely to particularly be the case where a suggestion of better performance is put forward. One Federal Court judge observed, however, that he did not think that the depreciation prohibition “is intended to forbid legitimate comparisons”, such as a comparative price poster or a sales clerk discussing the relative merits of products, which thinking could be extended to honest referential use, but use of the mark on packaging could well be seen to be a problem. That said, Canadian advertisers generally do not display competitors’ marks on their packaging.

The Trade-marks Act specifically excepts from infringement the *bona fide* use, other than as a trade mark, of both a personal name as a trade name and of a geographic name of a place of business, as long as such use does not depreciate the goodwill in a registered mark. It is unclear how such goodwill could be depreciated, but the use would presumably have to be as a trade mark, and not in an obvious name or address connotation. Also, in most cases, personal names and place names would be viewed as unregistrable.

A trade mark is generally not registrable if it is clearly descriptive or deceptively mis-descriptive, so a trade mark owner should not be able to obtain a valid trade mark right to assert against a descriptive use. In addition, *bona fide* use, other than as a trade mark, of an accurate description of the character or quality of goods and services is also a defence to infringement, if, as above, such use does not depreciate goodwill in a registered mark.

The only section of the Trade-marks Act that specifically addresses concurrent use is Section 21 (1), which states that in a proceeding respecting a registered mark that is more than five years old, if the defendant has had good faith use of a confusing mark since before the application filing date of the registration, the defendant may be permitted, at the discretion of the court and if it is not contrary to public interest, to continue to use the confusing mark in a defined territory, and subject to any terms the court may apply. This section seems to be rarely, if ever, used.

Trade mark defences: the questions

- 1 What statutory defences to trade mark infringement are available in your jurisdiction?
- 2 How are these applied in practice?
- 3 Are other defences available, for example under unfair competition law or use of an earlier registered business name?
- 4 Are there any recent cases that illustrate where the limits are drawn?
- 5 Aside from undertaking appropriate searches of the relevant trade mark registers, what practical steps should you take before deciding to use another’s trade mark in commerce/advertising?

Section 17 of the Trade-marks Act limits a prior rights challenge to only the user of that prior mark or name, who also has an onus to show that it has not abandoned its rights. And, once a registration is more than five years old, it cannot be challenged based on prior rights, unless the registrant adopted the mark with knowledge of such prior rights.

Normally, it is difficult, if not nearly impossible, to show that a registrant has acquiesced to otherwise infringing use. Ordinarily, long-term infringing use is more likely to be seen as having a negative bearing on the distinctiveness of the mark and on the issue of likelihood of confusion.

3 Normally, Competition Act defences would not apply. Prior *bona fide* use of a prior unregistered trade mark or business name, whether or not registered, should provide a defence to an infringement claim, and as noted above, might constitute a basis to successfully challenge the validity of a registration.

4 Canadian cases suggest that these cases typically turn on the question of whether the defendant’s use is considered trade mark use as it is defined in the Act. While it is not entirely a satisfactory approach, it does provide a framework to assess use.

5 Since rights are acquired by use, as well as registration, any searching should include normal common law sources, including business name databases, marketplace use, phone directory listings, internet searches and domain name uses. However, if one is intentionally deciding to display another’s mark in commerce, including advertising, consideration should be given to the message conveyed by the commercial use. First, there should be no risk that consumers might associate the use or advertising of the goods/services

with the other owner of the mark, since that could be viewed as infringement or passing off. Second, care should be taken to avoid exposure to a challenge of depreciation of goodwill, which could arise when displaying a competitor's mark that has been registered for goods on packages, labels or other merchandise associated with the goods, for example point-of-sale advertising, or a mark registered for services in advertising, since such display could be viewed as depreciation of goodwill if somehow damaging to the registrant. For any mark that is a design, there is also a risk of copyright claim, and that can be more difficult to defend, since the context of use, or the message conveyed to the public, is irrelevant. Ultimately, one should seek advice from Canadian IP counsel before investing significantly in advertising or packaging that displays another's mark.



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China

1 Use by defendant of their own mark, within the scope of that registration: Generally speaking, it is a defence to an allegation of infringement if the defendant is the registered owner of the trade mark. A business has the right to use its registered trade mark in connection with the products/services within the scope of the registration.

Comparative advertising: Fair use and good faith considerations are key in establishing whether third party use of a mark in comparative advertising is infringing or permissible. There is an obligation when using all marks to ensure that the public is not misled regarding the source or origin of the products or services and that, when used in comparative advertising, the comparison made is, in all the circumstances, fair.

Parody: There are no specific provisions in the Trademark Law. If the mark is used for non-commercial purposes and not as an indicator of the origin or source of the products/services, there is scope to argue that the use is not infringing. However, if the mark is used as a trade mark on identical or similar products/services and there is a likelihood of consumer confusion, there is a higher risk that this would be an infringement. It may also be potentially actionable under the anti-unfair competition law.

For any mark that is a design, there is also a risk of copyright claim, and that can be more difficult to defend, since the context of use, or the message conveyed to the public, is irrelevant

Honest referential use: There are no specific provisions in the Trademark Law on this matter, save for the general requirement not to mislead or confuse the general public about the origin or source of the products or services.

Honest own name defence: There are no specific provisions in the Trademark Law. The key consideration is whether the use of the company name is in bad faith or is likely to mislead or confuse the general public about the origin or source of the products or services. It is more likely to be considered infringement if the registered trade mark is well-known in China and there is strong evidence suggesting that the company has acted in bad faith with the intention to free ride on the reputation of the registered trade mark.

Honest own address defence: There are no specific provisions in the Trademark Law. However, good faith use of one's own address would be unlikely to be trade mark infringement. The address must not, however, be used in a misleading manner (for example, emphasising the registered mark) and must not confuse the general public about the origin or source of the products or services.

Honest descriptive use: The holder of a registered trade mark has no right to prohibit others from using any generic part of the mark, or any part which is a descriptor for the goods or services, such as the quality, raw materials, functions, weight, geographic name or other features that are explicitly expressed in the registered mark. As outlined above, the mark must not however be used in a way that would mislead as the source or origin of the products or services. This would particularly apply where the use of the mark implied some sort of official endorsement by, or connection with, the registered trade mark owner.

Honest concurrent use: Some common law jurisdictions have a defence of 'honest and concurrent use' where a mark has been used concurrently and before the filing date of the registered mark. In China, this is normally not a defence to an infringement claim unless the honest concurrent use pre-dates the priority date of the conflicting trade mark (see below regarding prior use).

Prior use: The Trademark Law provides a limited defence based on prior use. Where the unregistered mark has been used prior to the registered mark's filing date and has achieved a "certain degree of influence" in relation to identical or similar products/services, the registered trade mark owner cannot prohibit continued use of the unregistered mark within its "existing scope", although it may request that appropriate distinguishing features be applied on the products/services to reduce consumer confusion.

Exhaustion of rights: There are no specific provisions in the Trademark Law, but this is a good defence to infringement in practice. Trade mark infringement is defined under the Trademark Law as "use of a mark without the authorisation of the owner of the registered trade mark". In China, selling and marketing genuine products imported from abroad is generally considered acceptable and does not fall foul of this provision, as long as the goods have not been materially altered without the trade mark owner's authorisation. Parallel

imports may nevertheless be in breach of other provisions of Chinese law.

Acquiescence: This is generally not a defence to infringement in China. Although there is a two-year statutory limitation for bringing infringement proceedings (commencing on the date the trade mark owner knew or should have known about the act of infringement), proceedings can be brought after two years if the infringing acts persist at the time of filing the proceedings and the mark's registration is still valid. Delay in bringing proceedings can impact on any damages award. Damages may only be awarded for the two years from the date the trade mark owner becomes aware of the infringing mark.

2 Most of the defences outlined above are based on common law concepts and do not have an express equivalent under the Trademark Law. In China, the key defence (other than arguing non-infringement) is the prior use defence outlined above. To raise this defence, the unregistered mark is required to have achieved a "certain degree of influence" which is widely interpreted to require extensive use and recognition of the unregistered mark in China. Recent case law suggests that the limitation of the use of the unregistered mark to its "existing scope" not only applies to the goods/services offered under the unregistered mark, but also applies to the geographical extent of the use of the mark.

3 There are no other defences available under the unfair competition law. In China, the company name registrations are administered by local AICs. Each of the provincial AICs runs a separate database of registered companies. All these databases can be accessed via gsxt.saic.gov.cn. There is no unified nationwide register of company names so checks can only be conducted regionally in China.

4 There is limited case law in China to illustrate where the lines are drawn as many of the provisions have only recently been amended or implemented. For example, the prior use defence was only introduced in the 2014 Trademark Law. Earlier this year, the Chinese courts decided on the first trade mark infringement case which involved prior use being used as a defence (*Tan v Beijing Shang Danni Hair-dressing Center*). The defendant's use of its mark was found to constitute sufficient prior use and the court ruled that the registered trade mark owner had no right to prohibit the defendant from continuing its use of the mark within its existing scope. This case did not provide a clear indication as to how many years of use prior to the filing date of the mark will constitute prior use, although it is believed that three to five years is a useful benchmark.

It is widely anticipated that the scope of use is likely to be defined by reference to prior geographical coverage, meaning continued use must be limited to the areas in which use was being made as at the filing date of the registered mark, but that there will be no limitation regarding the continuing use within those areas.

In the recent case of *Victoria's Secret v Shanghai Jintian Clothing*, the Chinese courts affirmed the prevailing position that exhaus-

tion of rights can be a defence to infringement in China. The defendant who was selling and marketing genuine products of the plaintiff was found not to have infringed the plaintiff's trade mark or trade name rights. The defendant was however liable under the anti-unfair competition law for advertising and misrepresenting itself as the sole designated distributor of the plaintiff's products in China, which had resulted in consumer confusion.

5 In addition to a trade mark search, a comprehensive trade name search should be conducted in order to identify any company names which are identical or similar to the trade mark. It is worth undertaking web searches to ascertain any third party unregistered rights in the trade mark.

The new Trademark Law in China expressly provides that all trade marks must be used in accordance with the principles of honesty and integrity. Acts of infringement committed in bad faith are more likely to be viewed negatively than was previously the case in China.

Since 2014, the potential damages that may be awarded against infringers of third party marks have increased and anyone who commits a potentially infringing act should be mindful of the high financial penalties imposed on infringers.

Always consider whether or not the mark is well-known in China, as such marks are afforded higher status and protection. The threshold for infringing a 'well-known' mark is lower than for 'regular' marks.



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1 Use by defendant of their own registered trade mark within the scope of that registration: If such a use is infringing (that is, interferes with the scope of protection of a prior trademark, and if the owner of the prior trademark being infringed does not launch a trademark action within the five years following the start of the use, while knowing about said use) then the user of its own registration may oppose the acquiescence and thus the extinction of rights.

Comparative advertising: Articles L 121-8 and L 121-9 of the French Consumer Code regulate comparative advertising and, in this context, allow for a competitor to use a registered trade mark, without obtaining the prior consent of its owner, subject to the avoidance of any unfair competition by the creation of a risk of confusion or by free-riding.

Parody: Contrary to copyright, parody is not a statutory defence to trade mark infringement under French law. However, French courts usually consider that using a registered trade mark in a

parody is not a trade mark infringement since the prior registered trade mark is not in use in the course of trade. Accordingly one of the conditions laid down by French case law under the influence of CJEU is not met.

Honest referential use: Article L 713-6 (b) of the French IP Code does not prohibit the use of a registered trade mark when it is necessary to indicate the intended purpose of a product or service, particularly as accessories or spare parts, provided that the third party uses it in accordance with honest practices in commercial matters.

Honest own name or address defence: Article L 713-6 (a) of the IP Code allows a third party to use a sign identical or similar to a registered trade mark as a company name, trade name or shop sign when the use either starts prior to the registration of the trade mark, or is made by a third party who uses its own name in good faith. This exception applies to company or business names if the company is managed by the holder of the family name, it being specified that this does not also apply to first names nor to pseudonyms. Consequently, one may use one's own name in the course of trade (that is, as a company name) if acting in good faith and avoiding any likelihood of confusion with a prior trade mark.

One of the most recent cases is a decision by the Paris first instance court on February 12 2015 allowing Isabelle Taittinger to use her own family name Taittinger in the course of trade, after having noted her good faith as well as the avoidance of any risk of confusion with the prior well-known trade mark Taittinger.

Recently, another defence was implemented in the IP Code (Article L 713-6 (c)). It allows a third party to use a geographical indication, except when the origin of the reputation and knowledge of the geographical indication come exclusively from the reputation and long use of the registered trade mark.

Honest descriptive use: The use of a registered trade mark to identify the characteristics of the goods/services does not constitute a statutory defence to trade mark infringement. However, such use should not be the use of a distinctive element of a registered trade mark, and it should not be considered as trade mark infringement assuming that it is made in compliance with honest commercial practices without taking unfair advantage of the prior trade mark's reputation.

One can also mention the use of the trade mark as a decorative use. In this context the use is not made as a trade mark and thus

does not constitute a trade mark infringement. This is not a statutory defence since no legal provision exists in this regard. Nevertheless, this is a common defence based on Article L 713-2 or L 713-3 of the IP Code related to the definition of the infringement.

There is no legal exception to the trade mark's owner's exclusive rights for honest concurrent use of a trade mark. This concept does not exist under French trade mark law. Nevertheless, a similar situation may arise with the use of a company or shop sign identical or similar to a registered trademark (see below). There is no condition of duration as long as the start of the use is prior to the registration of the trade mark. In that sense, it is not a real concurrent use but more specifically a prior use of an unregistered sign opposed to a registered trade mark.

Prior use but only in a particular locality: The situation is almost the same as the one described above, it being specified that once again the condition of the coexistence and of the merits of the defence is use in good faith without being detrimental to the registered trade mark. In such a case, as for the defence described above the trade mark owner may ask for the prohibition or the restriction of the prior use.

Exhaustion of rights: According to the Article L 713-5 of the IP Code, a trade mark owner cannot prohibit the use of a trade mark after it has allowed the first placing on the market in the EEA; this is the well-known rule of exhaustion of rights. But, as usual, whether the trade mark owner can show legitimate reasons, he may oppose further commercialisation of the goods.

Acquiescence: Extinction of rights due to acquiescence has existed under French law since 1991 with the implementation of the EU Trade Marks Directive. It supposes that the trade mark owner knows of the use and has tolerated it during five years without bringing an action. Attention should be drawn to the fact that a cease and desist letter is not enough to avoid the extinction of rights, which may only be avoided by the launch of legal proceedings.

Other statutory defences: As mentioned above, the IP Code provides an exception for the use of a prior business name, registered or not. The criteria of the coexistence is the avoidance of any prejudice to the owner of the registered trade mark; if such conditions arise he may ask for a prohibition or a limitation of the prior use.

2 All these defences, statutory or based on infringement's definitions, are applied by French courts to preserve the balance of the trade mark owner's interests and those of third parties who respect the honest practices in commercial matters. The main criteria are the avoidance of any likelihood of confusion and the possibility of using a sign (verbal, figurative or both) in a descriptive manner including the use in a decorative purpose.

3 There is no statutory defence available under unfair competition law. As regards the use of an earlier registered business name, the defence is specifically mentioned in the French IP Code (see above).

The main criteria are the avoidance of any likelihood of confusion and the possibility of using a sign (verbal, figurative or both) in a descriptive manner

4 There are some recent cases applying all the defences described above, but describing all of them would take too long. Nevertheless, and as already mentioned, whatever the defence the criteria would remain the avoidance of any free-riding on the reputation of the registered trade mark.

5 Before using another's trade mark in the course of trade, the consent of the trade mark owner should be requested. Such consent may take various forms from a simple letter of consent, for a specific and one shot project as an example, to a complex coexistence agreement. If this last solution is chosen the main challenge is to anticipate the development of both parties' activities as well as the evolution of the trade marks statute and case law.



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1 German laws on trade mark provide for quite a large number of possible defences. The most important are:

- i) so far, the prior registered trade mark has not been put to genuine use although it is subject to the requirement of use (Sections 25 and 26 of the German Trademark Act (GTA));
- ii) the claim for infringement is under the statute of limitation (three years as of knowledge of the infringement and the infringer; without such knowledge, the period is 30 years (Section 20 GTA));
- iii) the owner of the earlier trade mark has acquiesced in the use of the later trade mark for a period of five successive years, while being aware of the use (Section 21 GTA);
- iv) the contested sign is the defendant's name or address, has been used as a descriptive indication or has been used to indicate the intended purpose of a product or service, in particular as accessories or spare parts (Section 23 GTA);
- v) the principle of exhaustion applies, that is the goods have been put on the market in Germany, in another member state of the EU or in another contracting state of the EEA under that trade mark or trade designation by the owner or with their consent (section 24 GTA);
- vi) invalidity of the earlier mark for absolute grounds (descriptiveness or lack of distinctiveness) or even relative grounds (prior rights).

Although German trade mark law accepts a defence based on honest own use (see above), it should be noted that, in principle, own honest prior use of a designation before the application does not per se lead to protection as a mark nor to a right of prior use. Thus, prior own (honest) use is a valid defence in exceptional cases, for example where the registration of a mark can be considered as an abuse of rights.

2 The defences provided for under German law can be raised against any claims brought for trade mark infringement, and any action would be dismissed.

However, as regards any challenges to the validity of the mark – be it for absolute or relative grounds, or non-use – the infringement courts are bound by the registration. This is why the judges in a trade mark infringement case considering the earlier mark to be ready for cancellation would still have to recognise the validity of the mark and assume that it has a certain (at least minimum) scope of protection. Only in cases where the defendant in a trade mark infringement case files a cancellation request with the Office does the court have an opportunity to suspend the infringement proceedings. Further, the defendant can file a counter-claim for cancellation of the mark within the infringement court action.

3 The general principles of German law, such as abuse or bad faith enforcement of rights, can also serve as a defence against trade mark infringement. These cases are very rare, however.

Further (and more often), unfair competition law, in particular the provisions on comparative advertising, can be used to object to trade mark infringement claims. The CJEU held in the famous *O2/Hutchinson* case (June 12 2008, case C-533/06) that the owner of a trade mark has to accept use of its mark if the requirements set forth in the EU Comparative Advertising Directive (2006/114/EC) are satisfied. Legitimate comparative advertising therefore is a valid defence.

4 The German Federal Supreme Court recently clarified the application of acquiescence and statute of limitation to trade mark infringement and unfair competition claims (decision of August 14 2013, IZR 188/11 – "Hard Rock Cafe").

In that case, the owner of a series of German Hard Rock Cafe trade marks claimed trade mark infringement against the operator of a Hard Rock Cafe Heidelberg, established already in 1978 and selling merchandise goods (T-Shirts etc) since 1985. After the owner of the trade mark failed to enforce claims in 1993, there was no further contact until 2008, when the owner sought injunctive and other relief against the use of the designation Hard Rock Cafe as a word mark or logo for a restaurant and merchandise articles as well as for domain names. In the first and second instance, the action was dismissed due to acquiescence (section 21 GTA). The Federal Supreme Court confirmed only to some extent (operating the restaurant), but referred and remanded the case to the court of appeal with regard to the other use (merchandise articles, new logos and domain names).

The Federal Supreme Court clarified that, for the principle of acquiescence to apply, infringement acts must be "continuing"; committing new infringement acts, such as every new sale of merchandise articles, advertising for the restaurant on the internet or variation of the logos, always start a new period of acquiescence. On the other hand, operating the Hard Rock Cafe restaurant (continuously) since 1978 is a continuing act, where acquiescence applies and the owner of the trade mark could not prohibit such use of the mark.

Interestingly, the Court also considered that the claims for unfair competition – misleading advertising through creation of confusion as regards the origin of the goods or services (Section 5 (2) of the German Act against Unfair Competition) – may be barred by acquiescence. The Court found that, even if acquiescence usually does not apply in cases of deception, when deception as to commercial origin is at issue it would be inconsistent to apply acquiescence only to trade mark claims but not to unfair competition claims.

5 Of course, searches for prior marks in trade mark registers are key, when planning to use a certain designation or trade mark. But the results of that search can usually only be the first step. Even if prior marks which could be an obstacle to use and registration of a trade mark are found, further clearance should be made. In particular, if marks are registered for more than five years, an in-use search should be conducted to see whether there is a chance to challenge the validity of the mark based on non-use. And it should be assessed whether the earlier mark could be challenged for absolute grounds, or at least has a limited scope of protection. If so, there can be ways not to fall within this limited scope of protection, such as using a composite sign, with additional elements that lead to a different overall impression.



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1 **2** There are several defences that are available.

Use by defendant of their own registered trade mark within scope of that registration is a good defence where the defendant is the registered owner of the mark. Generally the defendant in case of registration of its mark would plead that the infringement suit is not maintainable against him (Section 28(3) of the Trademarks Act). It is a good line of defence to ask the court to deny the relief of trade mark infringement. Some recent judgments have negated this defence if the defendant's registration is *prima facie* fraudulent, in which case the court has the power to grant an interim injunction (under Section 124(5) of the Trademarks Act).

It should be assessed whether the earlier mark could be challenged for absolute grounds, or at least has a limited scope of protection

Use of the mark to compare goods and services by way of advertisement is permitted and can act as a defence to the trade mark infringement action. However such comparison should not denigrate the goods of the other party. Puffery of your goods is permitted.

Parody may also work, depending on the context, setting and purpose and can be used as a defence. The law on parody and the permissible limits is still evolving in India.

Honest referral use (to identify the brand owner's goods or services, such as spare parts or accessories) acts as a defence in case of trade mark infringement where use of the mark is reasonably necessary, and where the goods form part of, or an accessory to, the goods or services (Section 30 (d) of the Trademarks Act)

Honest use of one's own name or address is another defence provided for in the Indian Trademarks Act. Use of family name as part of business name is commonly used in India given there are many family owned corporate groups in India such as Tata, Reliance, Bajaj, Reddy and others. In such cases, the courts have negated this defence where the court sees that a third party using the mark (though his own name or family name) is using it for business that is identical to a well-established business. Further use by the party is not to indicate its own name but has been given prominence in a manner that it appears as a trade mark. In such case the onus is on the individual to prove that his adoption is honest and his use will not cause confusion in the minds of the public.

Honest descriptive use also acts as a defence to trade mark infringement. However it may succeed as a defence only if it actually describes the goods or its characteristics. If the mark used is deceptively similar to the registered trade mark then the courts are generally not inclined to appreciate the defence of honest descriptive use.

Honest concurrent use is another defence against trade mark infringement. However it may succeed as a defence only if the defendants are able to show continuous use of the mark for at least five years openly and extensively. Before considering quantum of use, the court has to consider whether adoption of the mark is honest.

Prior use even if in a particular locality is a good defence in an infringement suit for trade mark. A person with prior use of the mark is given preference. The Trademarks Act does not say that prior user of a mark has to demonstrate considerable sales. What is relevant is prior use supported by clear evidence. So even when prior use is limited to a particular locality it is taken as a serious defence by courts.

Exhaustion of rights is another defence. In view of the recent judgment of the divisional bench of the Delhi High Court, parallel imports are permissible and a defendant selling original goods by importing the same through another country cannot be held liable for infringement. It is only when the goods are not sold as-is and are materially altered the registered owner can initiate an action for infringement. An appeal against the order of the High Court is pending before the Supreme Court and will settle the longstanding debate on this subject.

Acquiescence is a good defence in a trade mark infringement suit but the onus lies heavily upon the person pleading acquiescence to demonstrate that the registered owner positively permitted the defendants to build reputation in the market.

3 If a party has no registered rights but is able to establish his common law rights by virtue of use, he can take this as a defence under passing off laws which is a limb of unfair competition. However, if the registered owner is able to show prior use and registration as a trade mark he can counter such use.

There are some other defences to consider:

- a) Common to trade – many parties are using the same or a similar mark. Thus the mark has lost its distinctiveness and become common to the trade.
- b) A third party is using an identical or similar mark: to succeed the defendants are required to prove actual use of the mark by third party. For both this and the common to trade defence, mere assertion of third party use is not enough and has to be supported by evidence.
- c) The mark has become generic.
- d) Non-use of the mark by the registered owner: in such cases the defendant has to prove that the registration is dummy without any actual use.

4 There are a number of judgments concerning all of the above defences. In 2013, the Delhi High Court weighed in on comparative advertising in *Reckitt Benckiser v Hindustan Lever* and wrote that “comparative advertising is beneficial as it increases consumer awareness and therefore, it is permissible but not by pulling down the reputation of the competitor by showing its product in debauched light”.

The same court also ruled on the issue of parody in *Tata Sons v Greenpeace*, holding that reasonable comment, ridicule or parody of a trade mark can be made if the intention of the maker is to draw focus on some activity of the owner of the trade mark.

Some of the other cases worth reviewing include *Hawkins Cookers v Muruan Enterprises* (honest referential use), *Precious Jewel v Varun Gems FAO* (honest own name or address), *Goenka Institute Of Education & Research v Anjani Kumar Goenka* (honest concurrent use), *Exide Industries v Exide Corporation USA* (prior use), *Samsung v Kapil Wadhwa* (exhaustion of rights/parallel imports) and *Khoday India Ltd v The Scotch Whisky Association* (acquiescence).

5 We would suggest carrying out common law searches which can be done online, as well as domain searches, companies register searches, tax records for partnership/proprietorship companies, drug directories searches in the case of pharmaceutical products, yellow pages and online directories. A number of online marketplaces are also good to search.



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1 Use by defendant of their own registered trade mark within scope of that registration is a defence under English law pursuant to section 11(1) Trade Mark Act 1994 (TMA). However, its compliance with the Trade Mark Directive 2008/95/EC has long been called into question. For now it remains on the statute book and is arguably effective but only as against a UK national registration and only to the extent that the use falls within the specification of the UK registration being relied upon as a shield. It is clear that there is no such defence in the CTM Regulation 207/2009/EC (CTMR) which regulates the enforcement of CTMs.

Comparative advertising is not a defence expressly identified as such in the TMA. However, the combination of Sections 10(6) and 11(2)(b) and (c) TMA, as read in the context of the Comparative Advertising Directive 2006/114, operate as a defence in circumstances where the defendant's use falls within the parameters of the CAD. Section 10(6) TMA is another provision that is of questionable validity since there is no direct equivalent to it in the TDM. The defences of Section 11(2)(b) and (c) TMA relate to descriptive uses (discussed below), which both also require the use to be “in accordance with honest practices in industrial or commercial matters”. Case law has clarified that compliance with the CAD necessarily aligns with such honest practices.

While we now have a parody defence for copyright in the UK, there is no UK parody trade mark defence as such. Even so, where the use is a parody, various statutory defences may apply. The first is not a defence as such. It is part of the requirement for infringement, under sections 10(1), (2) and (3) TMA, that the use is “in the course of trade”, that is it is commercial use. The burden is on the claimant to show that the parody use complies with that. On the whole parody use is not of the identical mark but an obvious variant of it. That, plus the context of the use, means confusion as to origin is typically not in issue. Indeed, most parodists will not want anybody confused as to origin since the purpose behind the parody will then be lost. Those seeing it are supposed to recognise it as an unauthorised play on the brand. If the mark is obviously different and there is clearly no risk of confusion, there is no infringement under Section 10(1) or (2) TMA. It can only be an infringement if the mark has a reputation so that it benefits from the extended protection of section 10(3). Such infringement requires consumers to make a “mental link” between the mark and the parody version. Clearly they will or otherwise the parody has again failed entirely. Thereafter, whether there is infringement is a question of (a) whether the parody is detrimental to the mark's reputation; and (b) whether the parody was without due cause. Again, neither are defences as such since those are the requirements for the prima facie infringement (it is for the claimant to prove they apply, which the defendant can rebut).

Honest referential use (to identify the brand owner's goods/services, for example as spare parts or accessories) is a defence under section 11(2)(b) and/or (c) TMA. It would, for example, include reference to the branded product to show that

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your goods are compatible with them. It can also apply to a reseller of branded goods that is outside the authorised distribution chain. The use needs to be “in accordance with honest practices in industrial or commercial matters”.

Honest own name or address defence is defence under Section 11(2)(a) TMA. It can apply to companies as well as individuals. It can potentially also apply to trading names but this has only been effective where they have been used for a very long time.

Honest descriptive use (to identify a characteristic of the goods/services) is a defence under Section 11(2)(b) TMA primarily but may also arise under section 11(2)(c). This defence is different to the honest referential use defence since there is no apparently intended reference to the branded goods or services or the protected brand. The defence arises often because the words protected by the registration are common English words which, for the defence to apply, are not being used in a brand sense but rather as they are meant to be used. Such a defence often runs in parallel with counter-claim that the mark registered is non-distinctive or descriptive and should not have been registered in the first place. As above, the use needs to be “in accordance with honest practices in industrial or commercial matters”.

Honest concurrent use is not a defence that is spelled out in the TMA. The only reference to honest concurrent use in the TMA is in Section 7 whereby the registrar could choose not to object to a new application if the applicant could show honest concurrent use. Since the UKIPO has stopped examining new applications on relative grounds, this is no longer an effective provision. Even so, in practice, a defence to infringement can be built around facts where there has been use of a mark for many years, typically decades, without any apparent impact on the claimant’s brand and no actual confusion or evidence of dilution. The obvious implication of this is that there is no risk of confusion or dilution, without which there is no infringement. However, each case is very fact specific. It may well be that the defendant’s use is not in the same market as that of the brand owner and yet the former’s use falls within the scope of the registration. It must be recalled that the infringement test assumes notional and fair use by the owner across the full scope of their specification even if they are not using it on all such goods and services (whether that leads to a partial revocation risk is another matter). In that event, there may be a starker overlap than there is in practice and this can explain the absence of actual confusion. The courts have also concluded that longstanding honest concurrent use means there is no infringement for a

more fundamental reason. This is that the use does not affect the essential function of the protected trade mark, namely to denote trade origin. If the use really does not affect that, then the issues of confusion, dilution etc do not even need to be considered.

Prior use in a particular locality is a defence under Section 11(3) TMA. The burden is on the defendant to show that, prior to either the use by the trade mark owner or the date when the owner filed to register the mark, the defendant had itself secured unregistered or passing off rights in the mark. The particular locality does not need to extend to the whole UK and indeed passing off rights have been upheld in respect of cities or just parts of counties within the UK, that is areas within a radius of, say, no more than 10 or 15 kilometres. The defence only applies in that locality though, so this particular shield would not allow geographic expansion to other localities in the UK.

Exhaustion of rights is a defence under Section 12(1) TMA. It only applies to goods legitimately first marketed and sold in the EEA. Most of the key UK cases on exhaustion have related to grey imports of repackaged pharmaceuticals. These have clarified the limitations to the defence that Section 12(2) provides, namely that it does not apply if the trade mark owner nevertheless has legitimate reasons to object, for example because the repackaging changes or impairs the condition of the goods.

Acquiescence is a defence under Section 48(1) TMA. The defendant has the burden of proving that the claimant knew of the defendant’s use for a period of five years. The period can only start to run from the date on which the defendant secured its registration. However, knowledge of the defendant’s trade mark registration is not needed for the defence to apply. This is key since the defendant may well be able to prove such knowledge but not knowledge of its use. The former is obvious if the prior right owner opposed the defendant’s application or even just applied for the one-month extension to the opposition period and then chose not to oppose it. If the defence is made out, it only provides a shield in respect of the use known to the prior right owner. Expanding the geographical scope of the use or using the mark on other goods or services will not be immune from an infringement claim.

2 Protective shields: In relation to the protective trade mark registration defence (S11(1)), the defence only holds good for so long as the UK protective registration remains valid. Typically, that registration either precedes the registration being sued upon (in which case one might expect the earlier right could also be relied upon to cancel the later right and therefore be a sword and not just a shield) or it does not, in which case, the later right can be cancelled (the shield is then removed and there is no defence). As a result, the key issue is which of the two rights is valid as against the other. It does not follow that the earlier right will always prevail to remove the later shield. In particular, section 48(1) TMA bars such a challenge in circumstances where the owner has, for more than five years post-registration, knowingly acquiesced to the use of the mark that is the subject of the later registration (unless it was filed in bad faith). This can create the fairly rare circumstances where the Section 11(1) defence will work.

Parody: We have had no parody trade mark cases in the UK so we remain uncertain how “without due cause” for parody use fits in with freedom of speech and public interest issues. A mild dig may not be sufficient tarnishment anyway but the public shaming intended by the negative campaign of a single-issue pressure group could well be. Similarly, the scope of “use in the course of trade” has not been tested here in this context. It seems likely that use by an individual on a protest poster will not be but on a T-shirt and selling may well be such use, even if only on a small scale. Use by a campaign group in an internet video (often with side-bar links to pay-per-click advertising) or on paid-for billboard or magazine advertising is more likely to be.

Honest referential use is unlikely to apply where the protected brand is used too prominently relative to your own brand. In practice, if the use gives the impression of a greater commercial connection with the protected brand than exists in reality, then the defence should fail. It is possible that a particular industry sector or market will have adopted a standard practice for such referential use. If so, adherence to that practice should mean the defence will apply. However, beware assuming that such common usage is just as a result of an informal practice evolving. It may be the result of careful licensing by the brand owner. If so, adopting the same manner of referential use could possibly convey a misleading connection with the brand owner and result in the defence not applying. This can apply particularly with prominent use of logos.

The honest practices proviso applies to a number of the defences. The test for honesty here is an objective one but the true justification a defendant has for adopting the name remains relevant. Its application in practice shows: (1) Businesses may struggle to rely on it if they do not undertake clearance searches (or do but ignore them), they have (or ought to have had) some awareness of the protected brand and that its owner was likely to object, and yet they then adopt their new trading name and/or register their new company name, especially if the use adversely affects the protected right, for example there is actual confusion. (2) There is an inherent conceptual conflict between the availability of these defence and a finding that the defendant infringes but only pursuant to section 10(3) TMA (free-riding, dilution or tarnishment). This is because such infringement necessarily requires a finding that the defendant’s use was “without due cause”. If that is the case, it seems hard to see how the same use could ever be “in accordance with honest practices”. Despite this, the Court of Appeal has indeed felt able, but without a clear explanation, to reconcile these concepts by upholding the own name defence in just such a case (see *Asos v Asos* discussed below).

3 If the defendant can prove they had the consent of the trade mark owner to commit otherwise infringing acts there is no infringement. However, consent is not a statutory defence as such. It just means the infringement is not made out. This is because a lack of consent is part of the definition of infringement set out in Section 9 of the TMA. Since it is part of the cause of action, the initial burden is on the claimant to show an absence of consent. This can be reversed by the defendant proving consent, whether express or implied. This is a question of fact. A formal written licence is not essential.

4 Most trade mark infringement cases help illustrate these limits since it is rare that the argument is only over infringement and not the defences. There are three cases decided this year which are worth mentioning:

- *Ukulele Orchestra of Great Britain v Clausen*, IPEC (July 2 2015): The own name defence did not apply because the defendants must have known that the name of their group (The United Kingdom Ukulele Orchestra) had the same conceptual meaning as that of the claimant. It was not honest practice to adopt such a similar name in what was clearly a niche market.
- *Asos v Asos*, Court of Appeal (April 1 2015): Asos was able to rely on the own name defence even though it had not conducted reasonable trade mark checks before adopting its use. This was because both parties had adopted their names independently, Asos had never intended to confuse the public or in any way trade off the goodwill in or damage the Asos mark and had built up a substantial goodwill of its own before Asos complained. One of the three judges disagreed. This case may be appealed.
- *Supreme Petfoods v Henry Bell*, High Court (February 12 2015): More than 20 years’ use by the defendant of the protected name (Supreme) without causing confusion was treated as honest concurrent use. This showed that this use had no adverse effect on any function of the claimant’s trade mark. It was also held that, in any event, the defendant’s use of the word (in the mark Mr Johnson’s Supreme Rabbit Mix) was honest descriptive use. (It had been accepted that the word alone had acquired sufficient distinctiveness through use for it to remain validly registered for pet food.)



5 The answer depends on your intention: Adopting the mark as your own brand: Undertaking searches is important. However, a check of the registers alone gives only part of the picture. Just because a right is there does not mean it can block your use or own registration. Invariably you

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will want to know what use they are making of the brand or have made of it. It may be wholly or partly revocable for non-use (five years' post-registration non-use in the UK). It may be invalid because it is descriptive or non-distinctive. However, even you think that, you may not want to articulate it in a legal submission that is potentially public (such as a cancellation action) since you are effectively admitting that your own new mark is unregistrable. If you are more interested in ensuring you have an unfettered ability to use the mark and less in being able to protect it, this may not be a problem. Note that the UK has strong common law rights. A passing off right can exist even on a local level and for names unknown to the general public but reputed in their niche sector. As a result, it is nearly always worth also doing a common law search unless you are confident you know your sector in the UK well enough to know of all the brands likely to benefit from such protection.

Using someone else's brand to refer to them or their goods or services: You will want to fall into one of the defences discussed above or hope that the brand owner either does not spot your use, is indifferent to it or does not have the resources to do anything about it. Knowing more about the brand owner (such as checking to see if they regularly file oppositions or litigate their trade marks) can help turn the hope into expectation. Beware also that logos are protected not just by trade mark registrations but possibly also by copyright and registered and unregistered design rights. Unlike trade mark registrations, these rights have finite durations which may have expired. They are also subject to entirely different defences, which are beyond the scope of this article. It may be that using just the word mark is sufficient for your purposes. If so, it has the benefit of you not having to consider those other rights. If you only use the word mark and your use falls within one of the defences above, you should be fine.

Remember that an aggressive brand owner may still object, however compliant you are. Being ready for that (perhaps seeking early advice) is one practical step to take now. Briefing your PR team of the risk of an objection by your rival could give you the opportunity to gain positive PR, for example in social media, if your rival makes an unfounded and bad claim. If you think the brand owner is highly unlikely to object and may even be keen to approve your use (your act of selling goods compatible with theirs may enhance their business), then consider seeking their consent and even endorsement. However, if they refuse, you then need to be even more confident you fall within one of defences above or else you could face threats of an infringement claim. If any threats of legal action materially disrupt

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your business plans, you could consider applying to court for a declaration of non-infringement and/or seeking damages and an injunction for the making of unjustified threats contrary to Section 21 TMA.



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1 The most common defence is that there is no likelihood of confusion between the parties' marks. The absence of confusion can be shown by highlighting differences between the marks, the goods and services, the channels of trade, and the customers. Confusion can also be disproven by showing that consumers are sophisticated enough to distinguish the parties' goods and services, that the field is crowded with similar marks, or that the marks have coexisted without any evidence of actual confusion.

On the theory that the best defence is a good offense, another effective strategy is to attack the validity of the plaintiff's mark. Common challenges include that the mark is generic or is merely descriptive. More obscure challenges are contained in Section 2 of the Lanham Act, such as that the mark is immoral, disparaging, scandalous, consists of a flag, or falsely suggests a connection with a person or institution (although these challenges only undermine registration; they do not vitiate a trade mark owner's common law rights in the mark and thus do not provide a complete defence).

Other statutory defences include:

- The plaintiff defrauded the Trademark Office in obtaining the registration (for example, by lying about the date of first use or about the goods on which the mark is used).
- The plaintiff abandoned its rights through non-use or by acts that caused the mark to lose its significance as an indicator of origin (such as by granting a "naked" licence without controlling the quality of the licensed goods or services).
- The plaintiff used the mark to misrepresent the source of goods.
- The defendant used the words in the mark not as a trade mark, but rather in good faith to describe its goods or services.
- The defendant continuously used the mark since before plaintiff's registration without knowledge of the plaintiff's prior use.
- The plaintiff used its mark to violate antitrust laws.
- The trade dress is functional (for example, it is essential to the use or purpose of the goods, or if it affects the cost or quality of the goods).
- It would be inequitable to find infringement because of the

plaintiff's delay in challenging the use or its acquiescence in defendant's use.

2 If the complaint fails to state a claim on its face, the defendant can move for dismissal at the outset of the case. Otherwise, the defendant can include the defences in its answer and then wait until after discovery to raise those defences with the court. If discovery shows that the facts establishing the defence are not in dispute, the defendant can seek summary judgment. If there are disputed facts, then the court would rule on the defence at trial.

3 Some defences that specifically apply in the situation where a marketer wants to reference another's trade mark include the following:

- **Parody:** A parody defence may be asserted if the defendant can show that there is no likelihood of confusion because the challenged use is an obvious joke.
- **Nominative fair use:** Use of a trade mark to refer to or describe the plaintiff's product, without implying false affiliation by either party, is a valid defence. This defence is common in cases involving comparative advertising.
- **Trade mark exhaustion:** US law generally permits the sale of diverted goods (often known as grey goods or parallel imports) if those goods are authentic, unless there is a material difference from the goods normally sold in the US.
- **First amendment:** When a trade mark is used in non-commercial, artistic, informational, or political speech, the public interest in freedom of speech may outweigh likelihood of confusion concerns.

4 Some recent cases that illustrate where the limits are drawn are:

- **No confusion:** *Fortres Grand v Warner Bros Entertainment* (7th Circuit, 2014). The court found no infringement because the fictional Clean Slate software product in *The Dark Knight Rises* movie did not cause confusion with the real world software product called also Clean Slate.
- **Generic:** *Solid 21 v Hublot of America* (Central District of California, June 15 2015). The court found no infringement because the plaintiff's Red Gold mark is generic for the red-tinted gold alloy used in jewellery.
- **Naked licensing:** *Movie Mania Metro v GZ DVD's* (Michigan Court of Appeals, 2014). The court found no infringement because the plaintiff engaged in promiscuous naked licensing of the Movie Mania mark by licensing the mark to several video stores with no quality control.
- **Descriptive fair use:** *Naked Cowboy v CBS* (Southern District of New York, February 23 2012). The court found no infringement for a video called "Naked Cowboy" that showed a naked television character playing guitar while wearing cowboy hat and boots because it was a fair descriptive term.
- **Functionality:** *Apple v Samsung Electronics* (Federal Circuit, 2015). The court found no infringement because features of the iPhone 3G trade dress – such as its rectangular shape with rounded corners – were functional for mobile phones.

If there is any doubt, a disclaimer can be an effective way to minimise or eliminate confusion. But make sure the disclaimer is clear and prominent

- **Nominative fair use:** *Tiffany v eBay* (2nd Circuit, 2010). The court found no infringement because eBay's use of the Tiffany mark in advertisements that accurately described genuine Tiffany goods for sale, without suggesting Tiffany's endorsement, was nominative fair use.
- **Trade mark exhaustion:** *Omega v Costco Wholesale* (9th Circuit, 2015). The court found no infringement when Costco sold diverted Seamaster watches because Omega exhausted its copyright rights when it first sold those watches (the same principle applies in trade mark contexts).
- **First Amendment:** *Radiance Foundation v National Association for the Advancement of Colored People* (4th Circuit, 2015). The court found no infringement when a critic of NAACP's tolerance for abortion wrote an article using the NAACP mark, standing for National Association for the Abortion of Colored People, because the use was protected speech.

5 Marketers who want to use another's trade mark in their ads should take precautions to avoid confusing consumers. These precautions could include:

- If they intend to reference a competitor's mark, they should make sure that the ad does not suggest that the competitor endorses or is sponsoring the advertisement.
- If they intend to use the mark only as a descriptor (and thus take advantage of the statutory fair use defence), then it is important to use the descriptive words only in text, and not in a way that makes them look like a trade mark (for example, no headline usage or all capital letters).
- If, instead, the use is meant to be a parody, they must make sure that the parody is sufficiently obvious that consumers will understand that it is a joke rather than an ad associated with the brand owner.
- If there is any doubt, a disclaimer can be an effective way to minimise or eliminate confusion. But make sure the disclaimer is clear and prominent; use of a disclaimer that is in tiny letters or hidden can exacerbate rather than eliminate confusion because it will show that the advertiser recognises that a disclaimer is needed to avoid confusion, but that a tiny disclaimer will be ineffective in doing so.



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