

Working Guidelines

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Question Q195

Limitations of the Trademark Protection

Introduction

- 1) Trademark proprietors have the exclusive right to prevent third parties from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is protected where such use would result in a likelihood of confusion. The trademark proprietor's exclusive right is, however, not without limitations. More specifically, Article 17 of the Agreement on Trade-Related Aspects of Intellectual Property Law (TRIPs) permits Member States to provide limited exceptions to trademark infringement such as "*fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties*". In addition to fair use of descriptive terms, national laws may provide for other limitations of trademark protection, such as for instance prior user rights.
- 2) This question seeks to examine national and international legislation and case law in respect of limitations of trademark rights. In addition, this question seeks to encourage proposals for adoption of uniform rules in this respect.

Previous work of AIPPI

- 3) AIPPI has already studied limitations of trademark rights in previous questions.
- 4) At the Congress in Melbourne in 2001, AIPPI adopted a Resolution Q156 on International Exhaustion of Industrial Property Rights, including trademark rights (Yearbook 2001/I, pages 511–512). Exhaustion is a typical limitation of trademark rights, but should be left out of the scope of this question. Similarly, limitations on trademark rights by competition law which were subject of Resolution Q187 at the Executive Committee in Berlin in 2005, should not be dealt with in this question either. At the same Executive Committee in Berlin, AIPPI also adopted Resolution Q188 on Conflicts between Trademark Protection and Freedom of Expression. Exercising the constitutional right to freedom of speech may also limit another's trademark rights. This topic is, however, not subject of this question.
- 5) At the Congress in Rio de Janeiro in 1998, AIPPI adopted a Resolution Q140 on Unfair Competition – Comparative Advertising (Yearbook 1998/VIII, pages 399–402). The rules on comparative advertising may also limit another's trademark rights, but should be left out of the scope of this question as well.
- 6) Acquiescence of trademark rights is also a limitation of trademark protection. For instance, acquiescence is explicitly mentioned in the European Trademark Directive 89/104 as a limitation of trademark rights. Acquiescence of trademark rights is subject of Resolution Q192 adopted at the Congress in Gothenburg in 2006 and should, thus, not be dealt with in this question either.

- 7) This question Q195 looks at descriptive use of another's mark and other limitations of trademark rights that AIPPI has not studied previously. Even without their specific exclusion, some of these acts would not constitute infringement because they would not be regarded as use "as a mark". Use "as a mark" as a legal requirement in respect of infringement of rights was subject of Resolution Q168 at the Executive Committee Meeting in Lisbon in 2002 (Yearbook 2002/I, pages 545–546). A further AIPPI study which is relevant in the context of Q195 is Q155 conflicts between trademarks and company and Business Names (Melbourne, Yearbook 2001/I, pages 305–306).

Discussion

- 8) Many countries have made use of the permission granted by TRIPs and provide for limited exceptions to trademark infringement in their trademark laws. Some of the trademark laws list a number of specific categories of conduct which, if done fairly, do not constitute trademark infringement. For instance, under both the European Directive 89/104 and the Community Trademark (CTM) Regulation, *"the trademark shall not entitle the proprietor to inhibit a third party from using, in the course of trade:*
- a) *his own name or address;*
 - b) *indications concerning the kind, quality, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;*
 - c) *the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters".*

This group of defences may be conveniently referred to as "descriptive use defences", since they broadly revolve around the descriptive use of a sign. The Australian Trade Marks Act for instance sets out a similar list of descriptive use defences. In contrast, some countries, such as the United States or Switzerland, do not provide for a list of statutory defences, but have developed similar concepts in case law.

- 9) One important example of a descriptive use defence is the use of another's trademark to indicate product compatibility. For instance, BMW could not prevent a supplier of spare parts or an automobile repair shop from using its mark (*Bayerische Motorenwerke AG [BMW] and BMW Nederland BV v. Deenik*, ECJ, Case C–63/97, February 23, 1999). Similarly, Gillette, proprietor of the SENSOR trademark for razors, could not stop a company in Australia selling razor blade cartridges which bore the words "No Frills Moving Blades are compatible with Sensor Razors" (*Gillette Company v. Pharma-Goods Australia Pty Ltd.*, (1997) 38 IPR 509).
- 10) Under European trademark law, it is not an infringement to make an oral reference to a word trademark where that trade mark is spoken of as the style of the product. Thus, where a trader referred to the cutting of his diamonds in the "spirit sun" style, according to the ECJ he was not infringing the SPIRIT SUN trademark registration. The use of this trademark was intended to convey information about the characteristics of these diamonds and would not have been taken by their purchaser as a representation that the diamonds were supplied or cut by the trademark owner; according to the ECJ that was not a trademark use (*Hölterhoff v. Freiesleben*, Case C–2/00, May 14, 2002).
- 11) Another example of descriptive use is the decorative use of another's trademark, e.g. on T-shirts, shoes or leather bags. Placing another's logo on one's product may involve trademark use or, alternatively, be viewed as an embellishment. In some countries, use of a mark in a purely decorative manner does not amount to trademark infringement. Where is the line that separates trademark use from decorative use?

- 12) The use of one's own name and address is a further example of descriptive use of another's mark. The honest use by a human being of his or her own genuine name cannot be prevented under trademark law. However, the use of one's name as a trademark will generally not be tolerated by the law if another person owns a trademark for the same name.
- 13) The position regarding the use of company and business names seems to be unclear. In one controversial case, the ECJ decided that a company is also entitled to make use of the "own name" defence, provided such use is in accordance with honest practices (*Anheuser-Busch v. Budejovický Budvar*, Case C-245/02, November 16, 2004). Is this defence only available to companies whose names include surnames (e.g. William Smith Limited)? There are underlying practical issues which cause complications, namely that the registrar of company and business names does not always take account of existing trademark registrations. The result is the existence of conflicting names with legal status. How are conflicts between the company's use of its own name and a confusingly similar trademark resolved?
- 14) When is use of another's mark in accordance with honest practices? The ECJ has given some guidance. For instance, where a non-authorized dealer in BMW-cars uses the BMW mark in advertising to announce that he repairs and provides maintenance services to BMW-cars, he may not use the mark in such a manner as to give the impression that he is a licensed BMW dealer or that there is any other commercial connection with the proprietor of the BMW trademark. One interesting question here is whether the use of the BMW logo or special script format of the mark instead of only the word mark in ordinary script or neutral letters could cause such impression. There seems to be national case law going into different directions.
- 15) Further examples of use which will not be in accordance with honest practices include: use which affects the value of a trademark by taking unfair advantage; use which entails discrediting or denigrating a trademark; and presentation of a product as an imitation or replica of the trademark owner's product.
- 16) The concept of honest practices against which conduct is judged is not limited to European trademark law. The Paris Convention provides that any act of competition contrary to honest practices constitutes an act of unfair competition. The concept of honest practices, therefore, derives from unfair competition law. In other words, descriptive use is only acceptable provided it does not amount to unfair competition. Even though the Paris Convention does not have direct effect in all national jurisdictions, by implication it would seem that this concept basically applies on a global basis. This is confirmed by the wording of Article 17 TRIPs which makes reference to the legitimate interests of the owner of the trademark and of third parties. The question whether the conduct of a party using another's mark for descriptive purposes amounts to unfair competition may be answered differently on the basis of diverging national laws.
- 17) Besides the descriptive use defences, there may be other limitations of trademark rights under national trademark laws. For example, in South Africa and Switzerland, trademark law recognizes a prior user right. Thus, a person is not liable as infringer with respect to any uses of another's trademark that such person has, acting in good faith, made in such country before the filing date of such trademark.

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.

1) 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).*
- 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)*
- 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?*
- 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?*
- 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?*
- 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?*
- 7) *Is decorative use of another's mark permissible under your trademark law? If so, under what circumstances?*
- 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?*
- 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?*
- 10) *If your trademark law recognises other types of descriptive use defences which have not been discussed above, please explain.*

- 11) *Does your trademark law provide for a prior user right/defence? If so, under what circumstances?*
- 12) *If your trademark law provides for other limitations of trademark rights which have not been discussed above, please explain.*

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?*
- 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?*
- 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?*
- 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?*
- 5) *Should decorative use of another's mark be permissible? If so, under what circumstances?*
- 6) *Should trademark law provide for a prior user right? If so, under what circumstances?*
- 7) *Should trademark law provide for other limitations of trademark rights which have not been discussed above? If so, under what circumstances?*

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

Note:

It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.