

Study Guidelines

by Jonathan OSHA, Reporter General
Anne Marie VERSCHUUR, First Deputy Reporter General
Ari LAAKKONEN, Second Deputy Reporter General
Ralph NACK, Lena SHEN and Guillaume HENRY
Assistants to the Reporter General

2020 Study Question

Descriptive use as a defence in trade mark proceedings

Introduction

- 1) This Study Question concerns whether and under what conditions a descriptive use of a third party's trade mark may act as a defence to an allegation of trade mark infringement by that third party.
- 2) When accused of trade mark infringement, one of the defences regularly raised is that the allegedly infringing use constitutes descriptive use of a characteristic of the product (or service) at issue.

Why AIPPI considers this an important area of study

- 3) In many jurisdictions, a purely descriptive use of another person's trade mark will not be found to be infringing that trade mark. However, what constitutes such descriptive use and to what extent such a defence applies may vary in each of the jurisdictions, and in many jurisdictions the scope of such a defence is not fully defined. Moreover, the defence has practical importance: it is regularly used but the definitions and limitations are not entirely clear.
- 4) AIPPI believes the defence merits further in depth study of certain aspects and considers it important to study whether, and if so under what conditions, the defence should be available.

Previous work of AIPPI

- 5) At the AIPPI Congress in London (2019), a panel session entitled "Describe your

best defense: trade mark infringement or not?" explored what constitutes descriptive use and showcased examples from different jurisdictions of cases in which this defence was used.

- 6) In the Resolution on Q195 - "Limitations of Trademark Rights" (Singapore, 2007), AIPPI among others resolved that a limitation of the exclusive rights of the trade mark owner should be allowed for the use of a sign corresponding totally or partially to another's trade mark in the course of trade in order to indicate kind, quality, intended purpose, value, geographical origin, time of production/rendering or other characteristics of the goods or the services of a third party, as well as to indicate compatibility of the third party's goods or services with those of the trade mark owner. AIPPI also resolved that such limitation should only be allowed to the extent that use of another's trade mark by a third party:

- a) does not cause confusion,*
- b) does not unfairly capitalise on, or take undue advantage of, the reputation of the trademark,*
- c) is not detrimental to the trademark,*
- d) does not cause dilution of the trademark,*
- e) does not unfairly disparage the goods or services of the trademark owner,*
- f) does not misrepresent the goods or services of the third party as originating from, endorsed by or being associated with the trademark owner, and*
- g) in the case where the third party use indicates compatibility of the third party's goods or services with those of the trademark owner, cannot reasonably be replaced by other means of indicating compatibility.*

Scope of this Study Question

- 7) This Study Question seeks to establish whether, and if so under what conditions, a descriptive use of a third party's trade mark may act as a defence to an allegation of trade mark infringement by that third party. It will also explore what kind of evidence may be accepted to support a descriptive use defence.
- 8) In this Study Question, "descriptive use" refers to the use of a sign which concerns a characteristic of the goods or services at issue.
- 9) Any defence that the use at issue constitutes decorative use, comparative advertising or use of one's own name is outside the scope of this Study Question. Also defences based on fundamental rights (e.g. freedom of expression) are out of scope.

- 10) This Study Question is limited to the descriptive use defence in the context of trade mark infringement proceedings, whether before a court or an administrative office. Actions based on other grounds (e.g. unfair competition) are outside the scope of this Study Question, as are trade mark invalidity actions.

Discussion

- 11) In many countries, a descriptive use of a third party's trade mark may act as a defence against an allegation of trade mark infringement.
- 12) In the US, this defence is known as descriptive fair use and it can be argued when the trade mark itself is descriptive in nature and the manner of use by the defendant is purely descriptive.
- 13) In the EU, a trade mark proprietor may not prohibit a third party from using, in the course of trade, signs or indications which are not distinctive or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services. However, the third party can only rely on this defence if the use made by the third party is "*in accordance with honest practices in industrial or commercial matters*".¹
- 14) In CJEU case law, it has been established that the condition of "honest use" constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner. The use of the trade mark will not be in accordance with honest practices in industrial and commercial matters if, for example:
- *it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner;*
 - *it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute;*
 - *it entails the discrediting or denigration of that mark; or*

¹ Art. 14(1)(b) and (2) EU Trademark Directive (2015/2436). See also Art. 14(1)(b) and (2) EU Trademark Regulation (2017/1001).

- where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.²

- 15) In China, the Trade mark Law prescribes that the trade mark owner does not have the right to prohibit others from fairly using the generic name of a commodity, or information directly indicating e.g. the quality, main raw materials, functions, purposes or other features of the commodity. An example of a case that addressed the concept of fair use is *WuLiangYe (五粮液, literally meaning "five grains liquid") v. QiLiangYe (七粮液, literally meaning "seven grains liquid")*, in which the judges of the Beijing Second Intermediate People's Court asserted that descriptive fair use should meet the following conditions: (1) it is only to describe its own products, (2) such a use is honest and fair and (3) it is descriptive use but not trade mark use.³ These criteria were affirmed by the Beijing High People's Court in the appeal of this case.⁴ Later in a similar case, *WuLiangYe (五粮液, literally meaning "five grains liquid") v. JiuLiangYe (九粮液, literally meaning "nine grains liquid")*, the descriptive use defence of the defendant was not accepted by the court applying the same criteria.⁵

Evidence

- 16) This Study Question will also explore what kind of evidence may be accepted to support a descriptive use defence.

Types of proceedings

- 17) Different proceedings may be available in case of trade mark infringement. If the descriptive use defence is available against allegations of trade mark infringement, a follow-up question would be whether such a defence is available in all types of proceedings or whether it is limited to certain types of proceedings.

² See CJEU 17 March 2005, C-228/03 (*Gillette*), see among others paras. 42 ff. (with reference to other CJEU decisions).

³ Beijing Second Intermediate People's Court [2011] (*WuLiangYe v. QiLiangYe*, decision reference: (2011)二中民初字第 3314 号).

⁴ Beijing High People's Court [2011] (*WuLiangYe v. QiLiangYe*, decision reference: (2011)高民终字第 3898 号).

⁵ Final decision was made by the Supreme Court of China in 2019 (*WuLiangYe v. JiuLiangYe*, decision reference: (2017)最高法民再 234 号).

You are invited to submit a Report addressing the questions below. Please refer to the 'Protocol for the preparation of Reports'.

Questions

I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

- 1) a) May a descriptive use⁶ of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party? Please answer YES or NO.

b) Are there specific statutory provisions in your law governing this defence? Please answer YES or NO.

c) If the answer to Q1)b) is YES, what does/do the statutory provision(s) state?

If you have answered NO to Q1)a), please skip Q2)-Q6) and proceed to Q7); If you have answered YES to Q1)a), please proceed to Q2).

- 2) Is this defence only available as a defence in respect of word trade marks?
- 3) Under what conditions may a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party?
- 4) a) In order for the defence to succeed, must the use be "honest", "fair" or an equivalent thereof? Please answer YES or NO.

b) If the answer to Q4)a) is YES, what factors are taken into account when assessing this requirement? Please tick the boxes as applicable.
 - the reputation of the invoked trade mark
 - the use affects the value of the invoked trade mark by taking unfair advantage of its distinctive character or reputation
 - the use gives the impression that there is a commercial connection with the trade mark owner
 - the use discredits or denigrates the invoked trade mark

⁶ In this question as well as the following questions "descriptive use" concerns the use as defined above in para. 8.

- the product is presented as an imitation or replica of the product bearing the invoked trade mark
 - the way the sign is used, namely
 - the party invoking the defence was aware of the invoked trade mark
 - other, namely
- 5) What kind of evidence may be accepted to support the defence?
- 6) In what types of proceedings concerning trade mark infringement can the defence be invoked? Please tick the boxes as applicable.
- court proceedings (civil)
 - court proceedings (administrative)
 - court proceedings (criminal)
 - IP office
 - other, namely

II. Policy considerations and proposals for improvements of your Group's current law

- 7) Could any of the following aspects of your Group's current law or practice relating to the descriptive use defence against an allegation of trade mark infringement be improved? If YES, please explain.
- a) whether a descriptive use of a third party's trade mark can act as a defence to an allegation of trade mark infringement by that third party and if so, whether this applies only to word trade marks
 - b) under what conditions a descriptive use of a third party's trade mark may act as a defence to an allegation of trade mark infringement by that third party
 - c) whether, in order for the defence to succeed, the use must be "honest", "fair" or an equivalent thereof
 - d) the kind of evidence that may be accepted to support the defence
 - e) the types of proceedings concerning trade mark infringement in which the defence can be invoked
- 8) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

III. Proposals for harmonization

Please consult with relevant in-house / industry members of your Group in responding to Part III.

- 9) Do you believe that there should be harmonization in relation to the descriptive use defence against an allegation of trade mark infringement?

If YES, please respond to the following questions without regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

- 10) Should a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party? Please answer YES or NO.

- 11) Should this defence only be available as a defence in respect of word trade marks?

- 12) Under what conditions should a descriptive use of a third party's trade mark act as a defence to an allegation of trade mark infringement by that third party?

- 13) a) In order for the defence to succeed, should the use be "honest", "fair" or an equivalent thereof? Please answer YES or NO.

b) If the answer to Q13)a) is YES, what factors should be taken into account when assessing this requirement? Please tick the boxes as applicable.

- the reputation of the invoked trade mark
- the use affects the value of the invoked trade mark by taking unfair advantage of its distinctive character or reputation
- the use gives the impression that there is a commercial connection with the trade mark owner
- the use discredits or denigrates the invoked trade mark
- the product is presented as an imitation or replica of the product bearing the invoked trade mark
- the way the sign is used, namely
- the party invoking the defence was aware of the invoked trade mark
- other, namely

14) What kind of evidence should be accepted to support the defence?

15) In what types of proceedings concerning trade mark infringement should it be possible to invoke the defence? Please tick the boxes as applicable.

- court proceedings (civil)
- court proceedings (administrative)
- court proceedings (criminal)
- IP office
- other, namely