

Question Q218

National Group: US Group of AIPPI

Title: **The requirement of genuine use of trademarks for maintaining protection**

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Questions

I. Analysis of current law and case law

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

1. Is genuine use a requirement for maintaining protection? What is the purpose of requiring genuine use? Is it to keep the register uncluttered and to thereby allow for new proprietors to make use of a "limited" supply of possible marks? Is the purpose of requiring genuine use to protect consumers from confusion as to the source of origin of the goods or services? Or are there multiple purposes?

Answer 1: Genuine use in commerce is an absolute requirement for maintaining the protection of trademark rights. The purpose of requiring genuine use stems from the ancient rule "*Qui prior est tempore, potior est jure*" or "First-in-Time, First-in-Right". The U.S. Supreme Court has long recognized the use requirement. "There is no such thing as property in a trade-mark except as a right appurtenant to an established business or

trade in connection with which the mark is employed." *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). When two parties claim the right to use the same mark, the first party to make genuine use as opposed to token or *de minimis* use of the mark, will prevail. Requiring genuine use is designed to prevent "warehousing" a little used mark for the sole purpose of preventing a competitor from entering the market under the contested mark. Genuine use in the ordinary course of trade (non-*de minimis* use) of a mark serves the dual purpose of deterring, if not preventing, unfair competition that can degrade the value of the genuine user's mark and when actually used result in confusion as to the source or origin of the trademarked goods in question.

2. What constitutes genuine use of a trademark?

Answer 2: Genuine use of a trademark requires the actual application of the mark to the goods or services of a seller in the ordinary course of trade, to distinguish them from the goods or services of other sellers.

The requirements for validly using a mark in commerce are specified in Section 45 of the U.S. Trademark Act (the "Lanham Act"), 15 U.S.C. § 1127, which states in relevant part:

"The term 'use in commerce' means a bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—(1) on goods when—(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services." Use in commerce also refers to commerce as regulated by our U.S. Congress, such as commerce relating to banking and Customs matters.

3. Is use "as a mark" required for maintaining protection? Is use as a business name, use in advertising or use on the Internet sufficient? Is use of a mark in merchandising genuine use for the original products? (For instance, is use of the movie title *Star Trek*, registered for clothing and used on the front of a t-shirt, genuine use of the mark for clothing?)

Answer 3: Use “as a mark” is required for maintaining protection. Use as a business name, or in advertising or on the Internet, may not be sufficient to maintain rights in the trademark. Use of a mark for services on the Internet in combination with the ability to perform the service may be sufficient to maintain rights as a service mark. This is a fact-intensive inquiry that turns on the specific requirements for proper use of a mark set forth in Section 45 of the Lanham Act (see above).

If a mark is not used in accordance with the requirements of Section 45 of the Lanham Act (see above), it may be found to be abandoned. The criteria for abandonment are also set forth in Section 45, which states in relevant part:

"A mark shall be deemed to be 'abandoned' if either of the following occurs: (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. 'Use' of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in the mark. (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark."

Moreover, Section 8 of the Lanham Act (15 U.S.C. § 1058) provides for the cancellation of a registered mark unless the owner of the trademark registration, between the fifth and sixth years after registration, files in the U.S. Patent and Trademark Office an affidavit stating that the mark is in use in commerce, and setting forth the goods and services recited in the registration on or in connection with which the mark is in use in commerce. The affidavit must be accompanied by specimens or facsimiles showing current use of the mark in commerce.

Use of a mark in merchandising such as the Star Trek example given is genuine use of the mark, for the goods on which the mark is used.

4. What degree of use is required for maintaining protection? Is token use sufficient? Is minimal use sufficient?

Answer 4: Section 45 of the Lanham Act specifically provides that token or minimal use of a mark is not sufficient to maintain rights in the mark: "'Use' of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in the mark."

5. Is use in the course of trade required? Does use by non profit-organizations constitute genuine use? Does use in the form of test marketing or use in clinical trials constitute genuine use? Does use in the form of free promotional goods which are given to purchasers of other goods of the trademark owner constitute genuine use? Does internal use constitute genuine use?

Answer 5: Equating “course of trade” to “in commerce,” the answer to the first four subquestions is “Yes.” The answer to the fifth question is “No” with regard to trademark use and probably “Yes” with regard to service mark use. Section 45 of the Lanham Act (see above) requires that use of a mark be “in commerce,” which means use in the ordinary course of trade. Thus, use in the ordinary course of trade is absolutely required. It is immaterial whether the party using the mark is for-profit or non-profit, so long as use of a mark meets the requirements of Section 45 as proper.

Use of the mark in connection with test marketing or clinical trials may constitute use, but without further facts the question cannot be answered one way or the other. This is a fact-specific inquiry that turns on whether the use otherwise meets the “in commerce” requirement of Section 45.

Use of a mark on free promotional goods is, by itself, unlikely to constitute use in commerce under Section 45. Therefore, if the particular mark at issue is used only on free promotional goods and is not also used on the commercial goods of the mark's owner, the use requirements of Section 45 are probably not satisfied.

Internal use of a mark is not use in commerce under Section 45 and thus does not support trademark rights under U.S. law.

6. What is the required geographic extent of use? Is use only in one part (or a state in the case of confederation) of the country sufficient? Is use of the CTM in only one EU member state sufficient? Is use only in relation to goods to be exported sufficient? Is use in duty free zones considered to be genuine use?

Answer 6: Use in commerce of mark under section 45 of the Lanham Act must satisfy the requirements of the Commerce Clause of the U.S. Constitution. The Commerce Clause requirements are satisfied if the mark is used either in commerce among the several States of the United States (the so-called “interstate commerce” requirement), or in commerce between the U.S. and a foreign nation state (so-called “foreign commerce”) or use in commerce relating to banking and Customs matters. Although theoretically possible, it is extremely rare that a court or the U.S. Patent and Trademark Office deems the use of a trademark to be so

limited to one single State of the United States that it does not satisfy the interstate commerce requirement. The U.S. Supreme Court has held continuously since 1937 (9 years prior to passage of the Lanham Act) that a purely in-state commercial activity meets the interstate commerce requirement if it has a direct or indirect effect on interstate commerce.

It must be commerce regulated by Congress. Use only in relation to goods to be exported from the United States is sufficient, as is use solely within duty free zones in the territory of the United States.

7. Does genuine use have to take place in the exact form in which the mark is registered? Is use in a different form sufficient? What difference is considered permissible? What if (distinctive) elements are added or omitted? Is use of a mark in black and white instead of colour sufficient (in case of marks with a colour claim) and vice versa?

Answer 7: It should first be noted that protection of a mark does not depend on registration. If the mark meets the use in commerce requirements of Section 45, it is protected under the Lanham Act regardless of whether it is registered. A mark may also be protected under U.S. common law, in the specific geographical area of actual use. The relevant answer to this question pertains only to registered marks.

If a mark is registered, to maintain the registration the mark must be used in the exact form in which it is registered, or in a form deemed to convey the same commercial impression. This is a narrow exception to the general rule, that the use be as registered: Genuine use of a mark does not require that the use be in the exact form in which the mark is registered as long as the modified or refined mark creates the same overall commercial impression as the registered mark. Therefore, differences between the registered mark and the modified mark that do not change the overall impression of the mark, changes that are not considered to be a material alteration, are permissible. The same criterion applies to the use of the mark in black and white as opposed to color and *vice versa*. In the United States it is even possible to apply to alter the form of the mark as registered, provided the essence of the mark remains recognizably the same.

It should be noted, however, that the courts and the U.S. Patent and Trademark Office have interpreted this exception very narrowly, and that any material alteration of a mark is likely to destroy the continued commercial impression on which the exception depends.

8. Does the mark have to be used in respect of all of the registered

goods and services? What if the mark is used in respect of ingredients and spare parts or after sales services and repairs, rather than registered goods and services? What is the effect of use which is limited to a part of the registered goods or services? What is the effect of use limited to specific goods or services?

Answer 8: Recall that protection of a mark does not depend on registration. If the mark meets the use in commerce requirements of Section 45, it is protected under the Lanham Act regardless of whether it is registered. Therefore, the answer to this question pertains only to registered marks.

There is no requirement that the mark be used in connection with all goods and services set forth in the registration. However, if the mark is used with fewer than all goods or services and the registrant does not have a valid excuse for such nonuse, the registrant, when filing an affidavit of use to maintain the registered mark between its fifth and sixth year of registration and renewing the mark, must remove unused goods and services from the registration. A failure to use the mark in connection with all goods or services set forth in the registration makes the registration vulnerable to an attack by a third party, who may petition the U.S. Patent and Trademark Office to cancel the registration, but only for those goods and services in connection with which the mark is no longer in use. The ground for such a petition to cancel is abandonment of the mark in respect of the unused goods or services. Therefore, for such a petition to cancel to be successful, the mark's nonuse must meet the criteria for abandonment set forth in Section 45 (see above).

Use of trademark on spare parts or after sales services, rather than the registered goods and services, is insufficient to maintain a registration for the registered goods because such use does not qualify as genuine use of the registered goods or services under Section 45.

9. Evidence of use: How does one prove genuine use? Is advertising material sufficient? Are sales figures sufficient? Is survey evidence required? Are the acceptable specimens for proving genuine use different for goods and services? Who has burden of proof for genuine use?

Answer 9: In order to obtain a registration under Section 1 of the Lanham Act, 15 U.S.C. § 1051, the applicant is required to submit a specimen or facsimile of the mark as used in commerce with its application (if it is a use-based application under Section 1(a)), or its Statement of Use (if it is an intent-to-use application under Section 1(b)). For each class, a specimen for only one good or service in that class has to be submitted.

Advertising materials showing a picture of the products with the mark may be sufficient to prove genuine use. Sales figures alone are not sufficient. Survey evidence is not required. Acceptable specimens for proving genuine use are different for goods as compared with services, as explained in Section 45 of the Lanham Act (see above). If questioned, the burden of proving genuine use lies with the applicant.

Companies or individuals who do not reside in the U.S. can also obtain a trademark registration under Sections 44 or 66 of the Lanham Act (15 U.S.C. §§ 1126 and 1141f). Section 44 provides for a U.S. registration on the basis of a foreign application or registration. Section 66 provides for a U.S. registration under the Madrid Protocol on the basis of an International Registration. In order to obtain a registration under these Sections, the applicant does NOT have to prove use of the mark in U.S. commerce. However, in order to maintain the registration, the registrant must file an affidavit of use with the U.S. Patent and Trademark Office between the fifth and sixth years of the date of registration. The requirements for proving such use (including the requirements for specimen to be submitted) are the same as those enumerated in Section 1. Section 44 also permits an applicant to file a U.S. application based on a foreign application if the U.S. application is filed within six (6) months of the filing date of the foreign application. A U.S. application based only on a foreign application will not be registered until the foreign application reaches maturity.

It should be noted that a registration under Section 44 or 66 is vulnerable to abandonment if use of the mark does not commence within 3 years of the date of registration. The criteria for abandonment are those of Section 45 (see above).

10. If the trademark owner has a proper reason for not having put his mark to genuine use, will he be excused? What constitutes a proper reason for nonuse? If the nonuse is excusable, is there a maximum time limit? If so, is the time limit dependant upon the nature of the excuse?

Answer 10: Yes, if the trademark owner has a proper reason for not having put his mark to genuine use, the nonuse will be excused. Temporary withdrawal from the market will be excused if caused by government regulations, war, a labor strike, bankruptcy, import problems or unprofitable sales. Any time limit for nonuse will depend on the nature of the reason for nonuse of the mark. For example, if the reason for the nonuse is war, the excuse for nonuse will terminate at the end of the war. Inability to use because of U.S. government restrictions such as an embargo does not qualify as excusable nonuse. Inability to use because of a U.S. government regulation may qualify as excusable nonuse.

11. Within which period of time does use have to take place?

Answer 11: Within a reasonable time after the removal of the external reason for the temporary suspension of use of the mark.

12. Does use of the mark by licensee or distributor constitute genuine use for maintaining protection? If so, does the license have to be registered? If so, are there any requirements to be met by the trademark holder (the licensor) to maintain the trademark (e.g. quality controls, inspections or retaining a contractual right to control or inspect)?

Answer 12: Use of the mark by a licensee constitutes genuine use for maintaining protection. Use by a licensee accrues to the benefit of the licensor trademark owner. The license does not need to be registered. However, the trademark owner is required to exercise quality control over the licensed product or service. Failure to do so will result in the abandonment of the entire mark (meaning abandonment of both the registration-based rights and the use-based rights in the mark). Effective quality control may take a variety of forms, including review of the licensed goods or services, review of the manufacturing process, inspection of the licensee's premises, and the like.

There is no requirement that trademark licenses be made in writing. They may also be oral or implied from the parties conduct, and they are valid as long as the trademark owner exercises quality control. Therefore, use of a mark by a distributor constitutes genuine use of the mark that accrues to the trademark owner's benefit if that distributor uses the mark under an oral or implied license.

The trademark owner is also obligated to retain the right to control quality of the licensed goods or services as well as to inspect the licensee's or distributor's premises.

Therefore, use of a mark by a distributor constitutes genuine use of the mark that accrues to the trademark owner's benefit if that distributor uses the mark under an oral or implied license. This assumes that use of the mark by a distributor means the distribution of the trademark owner's goods in the U.S

13. What are the consequences if a mark has not been put to genuine use? Who may apply for a cancellation and in what circumstances? Is a defendant in opposition proceedings entitled to challenge the opponent

and demand proof of genuine use of the earlier mark? If so, under what circumstances?

Answer 13: A mark that has not been put to genuine use may be abandoned if the lack of use is not excusable (see above) and constitutes abandonment under Section 45 (see above).

If a mark is abandoned, the consequences are that the registration for the mark is vulnerable to cancellation pursuant to Section 14 of the Lanham Act, by any person who believes he is or will be damaged by the registration of a mark or its retention on the principal or supplemental register. Furthermore, abandonment causes all use-based rights in the mark to be lost (under U.S. law, a mark's protection against infringement and dilution depends on use, not registration). A defendant in an opposition proceeding is entitled to demand proof of genuine use of the opponent's earlier mark when prior use is one of the bases for cancellation alleged in the Cancellation Petition.

14. Assuming a trade mark owner has not made genuine use of his mark within the prescribed period, can he cure this vulnerable position by starting to use in a genuine way after this period and will he then be safe against requests for cancellation or revocation? Is it allowed to re-register a trade mark that has not been genuinely used in the prescribed period of time?

Answer 14: There is no "prescribed" period for abandoning a mark under U.S. law. Section 45 of the Lanham Act provides that a mark which has not been used for 3 consecutive years is presumptively abandoned. However, that presumption is rebuttable by showing that the mark's owner had the intention of resuming use of the mark throughout the period of nonuse. On the other hand, a mark can be abandoned immediately if the mark's owner (1) ceases use of the mark and (2) manifests its intention not to resume use of the mark (for instance, by issuing a press release that the mark will not be used in the future).

For both registered and unregistered marks, a period of nonuse can be cured (if the owner can prove that it had the intention of resuming use of the mark throughout the period of nonuse) by simply resuming use of the mark. A mark that is genuinely abandoned, i.e. where the owner ceased using the mark and had no intent to resume use at any time during the period of nonuse, cannot be salvaged either by resuming use or by any other means. The original priority date is irretrievably lost. The owner or another can, of course, establish new rights by re-commencing use of the mark or re-applying to have it registered.

II. Proposals for adoption of uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules as concerns the requirement of genuine use for maintaining protection. More specifically, the Groups are invited to answer the following questions:

15. What should the purpose of the uniform rules be? Should the rules address either or both purposes of protecting the consumers from confusion and of keeping the register uncluttered for new/potential trademark registrants?

Answer 15: The purpose of the uniform trademark law and rules should be designed both to protect consumers from confusion and also to keep the Register uncluttered for new/potential trademark registrants when the blocking registrations are unsupported by genuine use and have been registered as an instrument of unfair competition.

16. Should there in your opinion be a threshold to the “genuine use”, such as a *de minimis* rule for a trade mark? If so, what would be suitable threshold? Should the rule be construed differently for large co-operations than for small businesses?

Answer 16: There should be a threshold for “genuine use” in the ordinary course of trade in order for a mark to enjoy protection and be registerable. It should be required that there be at least one genuine sale or distribution in commerce followed by a continuing stream of sales of the trademarked product or service at a level appropriate to the size of the producing business operation.

17. To what extent should it be possible to use a mark that differs from the representation in the Register and maintain protection? Should it even be possible to add or omit elements of a registered figurative mark and maintain the trademark? How should the system ensure that Registers are reliable for third parties and yet provide some flexibility for the trademark holder when using the mark in commercial activities?

Answer 17: Protection should be maintained if the modified or modernized mark creates the same commercial impression as the registered mark. If the addition or omission of an element of a registered figurative mark would change the registered mark’s commercial impression so that it no longer identified the source of the goods or service, it should not be a permissible alteration.

18. Should the requirement of genuine use be deemed to be met if the use is limited to one product or service out of several registered? Is it in your opinion reasonable that a trademark holder can “block” an entire product category by using the mark for only one type of product within the category? If not, what kind of standard should be adopted?

Answer 18: Yes, but only for that particular product or service that would cause a likelihood of confusion. Protection should not be maintained for products or services with respect to which use of the mark has been abandoned or has never commenced.

19. What would be a suitable grace period for genuine use?

Answer 19: The grace period should be coordinated with the statutory presumption for abandonment of a mark. In the U.S., that would be three (3) years.

20. What circumstances should justify nonuse? Should different criteria apply for different industry sectors (e.g. pharmaceuticals and other industries where authorities typically require particular market approvals which could delay the use of a trademark)? Should the criteria be more stringent the longer the period of nonuse is?

Answer 20: External forces beyond the control of the trademark owner such as labor strikes, war, natural disasters or government regulation or licenses such as the FCC or the FDA, to which broadcasters or pharmaceutical companies are subjected. The criteria should not be more stringent the longer the period of nonuse is as long as it remains beyond the control of the trademark owner.

21. Should any use of a trademark by entitled third parties be attributed to the proprietor? Should there be a difference between licensees and independent distributors and will registration of a license be necessary?

Answer 21: Use of a trademark by a third party should accrue to the benefit of the trademark owner only if that third party has a valid license from the trademark owner to use the mark, which includes the owner's right to control the quality of the licensee's goods or services provided under the mark, and the owner's exercise of that right or if the distributor's activity is limited solely to sale of product made by the owner. Oral or implied licenses should be recognized as valid if the trademark owner

exercises proper quality control. Use by a distributor should accrue to the proprietor's benefit only when distributor trades the owner's goods in their original form, and only if the distributor is also a licensee and proper quality control is exercised. There should be no requirement to register trademark licenses.

22. Should there be an exception from the genuine use requirement in some cases?

Answer 22: Yes. Some ancillary provisional claims to trademarks (such as priority) should be created even without use of the mark in commerce. Most significantly, this includes claims created by intent-to-use applications, which by definition are not based on use. However, the recognition and enforcement of any claim to a trademark should ultimately be based on a requirement of genuine use.

In addition, the Paris Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) provide for the protection of well-known marks that are neither registered nor used in the jurisdiction where protection is sought. Although adhering to both multilateral agreements, the United States has not enacted implementing legislation specifically tied to Article 6*bis* of the Paris Convention and Article 16(2) of TRIPS. No federal court of appeals has decisively held that the Paris Convention or TRIPS are self-executing or otherwise create additional causes of action for enforcing trademarks in the U.S. that have not been used yet in the U.S. Therefore, a trademark registration under Section 44 or 66 of the Lanham Act, absent use in U.S. commerce, creates a provisionally enforceable claim to exclude others from using the same or similar mark for the same or similar goods or services, as specified in the registration.

23. Should there be uniform rules addressing the issue whether the cancelled trademark should be eligible for re-registration immediately upon the cancellation decision? Should other parties' interests than those of the new registrant be taken into account, e.g. consumers' interests in avoiding confusion as to the nature and quality of goods and services that might be expected under a particular mark?

Answer 23: The formulation of uniform rules addressing the issue of whether a cancelled mark should be eligible for re-registration immediately upon the cancellation decision is not feasible on a one size fits all bases for cancellation. A trademark that has become a generic term and fallen into the public domain surely faces a more difficult task in becoming

eligible for re-registration than a mark that has fallen into prolonged but perhaps temporary nonuse (especially where the proprietor has every intention of resuming use of the mark). Nor is it perceived that uniform rules could be promulgated to authorize when marks that are functional, have been abandoned, consist of immoral, deceptive or scandalous matter or have been obtained by fraud, should be eligible for re-registration immediately upon cancellation. Unless each reason for cancellation is addressed separately, because fundamental differences exist among the reasons for cancellation, a uniform rule is not achievable by any expert or legislative body of which we are aware.

Note: It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and number for each answer. If possible type your answers in a different colour. Thank you for your assistance.