

Working Guidelines

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Q218

The requirement of genuine use of trademarks for maintaining protection

Introduction

- 1) One fundamental principle of international trademark law is that a registered trademark requires a certain use to maintain its protection.
- 2) The legal requirement of use to maintain protection is formulated differently in different jurisdictions. Some legal systems require “use as a mark”, e.g. the Japanese system. Other jurisdictions, such as Australia, require “use in good faith”. The recognised term under European Union law is “genuine use”. Whenever reference is made to genuine use in the working guidelines of this question Q218, reference is made to such use of a trademark that is required to maintain protection.
- 3) Under the Paris Convention for the Protection of Industrial Property ‘*Paris Convention*’ (Article 5 C (1)) and the Agreement on Trade-Related Aspects of Intellectual Property Rights ‘*TRIPs Agreement*’ (Article 15(1) and (3)), the use requirement is optional, not mandatory. Even though these articles do not compel use, they make it clear that use is a means of maintaining the registration of trademarks. But why has use become such a fundamental principle of international trade mark law?
- 4) Some assert that the number of useful – and thus valuable and available– marks is limited in a specific market. On the basis of that it is argued that registered trademarks should either be used or cleared from the register to allow for new registrants to make use of the mark in question.
- 5) Another aspect is the concern that some registrants only register a trademark to prevent others from using it, without any actual intent to use the trademark themselves.

- 6) Further, the clearance of unused trademarks from trademark registers prevents the system from clogging up and it keeps the system efficient and manageable.
- 7) The need for clearing unused trademarks from the register is set out in the preamble (9) of the EU Trademark Directive (English version of the Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Members States relating to trade marks).

“In order to reduce the total number of trademarks registered and protected in the Community and, consequently, the number of conflicts which arise between them, it is essential to require that registered trademarks must actually be used or, if not used, be subject to revocation.”

- 8) The purpose of this question Q218 is to examine what constitutes such use of a trade mark that meets the legal requirements for maintenance of a trademark.

Previous Work of AIPPI

- 9) AIPPI has previously studied the requirements of use of trademarks in a number of questions.
- 10) The question was first studied in Munich in 1978 in Q70 (Impact of Use on the maintenance and renewal of a trade mark registration). With respect to the general lines of the Summary Report of the Reporter General and of the Report of the Working Committee, there was general agreement. However, the ExCo was unable to adopt a Resolution because several points required a study in greater depth. AIPPI therefore, decided to continue the study of the question the next year. In Toronto in 1979 a Resolution was adopted which addressed the following issues:
 - a) Similarity of goods
 - b) Use by a third party
 - c) The place of use
- 11) Q92 (Use Requirement for the Acquisition and the maintenance of registered trademarks) was a major trademark harmonisation project with a view to the Trademark Law Treaty of WIPO. It had several sub-questions addressing individual areas of law requiring harmonization. Q92A dealt *in extenso* with the use requirement. The Resolution addresses the following issues:
 - A. Nature and form of required use
 1. Use as a trademark
 2. Required use as public use
 3. Form of required use
 4. Extent and genuineness of required use
 - B. Products or services in respect of which the required use must take place

- 1. Effects of use which is limited to one or more of the registered goods or services.
- 2. Effects of use limited to specific goods or services
- C. Form of the mark - elements which need to be used
- D. Persons using the mark
- E. Place of use
- F. Period within which use is to take place
- G. Extenuating circumstances
- H. Sanctions and procedure

12) In Resolution Q164 (The Use of Trademarks and other Signs on the Internet)

it is basically stated that when assessing whether use of a mark on the internet constitutes sufficient use for maintaining protection, it should be taken into account whether the use of that sign has an actual or threatened commercial effect in the territory.

13) In Resolution Q168 (Use of a mark “as a mark” as a legal requirement in respect of acquisition, maintenance and infringement of rights) it is observed that use “as a mark” is required for maintaining protection. The Resolution further notes that maintenance of a trademark registration should require authorised exploitation (which is a question of fact, and whether on the Internet or otherwise) in the relevant territory within any prescribed period.

14) The working guidelines for Q210 (Protection of Major Sports Events and associated commercial activities through trademarks and other IP) raised the question whether it would be desirable to extend the period relating to the use requirement for Major Sport Event marks as some years typically will pass between the registration of a trademark for a Major Sport Event and the actual event. The question whether non-use in these particular circumstances should be regarded as excusable non-use was also raised. The majority of the Groups found this undesirable. Hence, the Resolution does not address these questions; it rather states that trademark law should not be amended just for major sports events.

Discussion

15) As mentioned above, the purpose of this question Q218 is to examine “genuine use”. In doing so the first fundamental question to be asked is whether use to maintain protection is a legal requirement in all jurisdictions covered by AIPPI National and Regional Groups.

16) For example in US trademark law the requirement of genuine use of a trademark to maintain protection is an established principle. Under section 45 of the Lanham Act it is stated that a trademark shall be deemed to be "abandoned" when its use has been discontinued with intent not to resume such use. Further, non-use for three consecutive years shall be *prima facie* evidence of abandonment.

- 17) Under European Union law a trademark proprietor has five years from the grant of its registration to put the trademark to “genuine use” before the threat of revocation.
- 18) In this context it is also interesting to look at the purpose of the genuine use requirement. Some arguments for the genuine use requirement have been presented above. But there are also other aspects to be considered, e.g. in the United States many courts have focused on the essential function of trademarks to protect consumers from confusion as to the nature and quality of goods and services that might be expected from a single source of origin or control, when addressing the question of genuine use and the rights arising from such use.
- 19) The next issue to discuss within in question Q218 is what constitutes genuine use of a trademark.
- 20) In many countries it has been established that acts made solely for the purpose of avoiding cancellation of the trademark in question do not constitute genuine use, e.g. in Japan the Tokyo High Court found that since the trademark holder Louis Vuitton's advertisement in a newspaper was done for the purpose of avoiding a non-use cancellation, it would not constitute a "use" under Article 2, Paragraph 3, Item 3 of the Japanese Trademark Law. (*Tokyo High Court decision, 30 November 1993, Hanrei-Jihou No.1488, page 144*)
- 21) In the above mentioned Lanham Act of US trademark law it is clarified that by “use” of a trademark is meant *bona fide* use of such mark in the ordinary course of business, and not made merely to reserve a right in a mark.
- 22) As for the European Union, the European Court of Justice (“ECJ”) has with respect to the “genuine use” criteria, clarified in *Ansul BV v. Ajax Brandbeveiling BV*, that “genuine use” means actual use of the mark. Token use (use intended to maintain the rights conferred by registration) does not, according to ECJ, constitute genuine use under European Union law. The ECJ clarified that the use of mark must be consistent with the essential function of a trade mark which is to guarantee the identity of the origin of the goods or services for which the mark is registered to the consumer so that the consumer can distinguish, without the possibility of confusion, the products or services of one trade from those of another. Thus, “genuine use” must involve actual use of the mark on the market for the products or services in question and not just internal use within the organization.
- 23) In Australia it has recently been confirmed by the High Court in the *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* case ((2010) 265 ALR 645) that the test for determining whether use is “in good faith” is whether the use could be considered to be genuine commercial use. The High Court was in the mentioned case satisfied that the importation of 144 bottles of wine into Australia and the subsequent offering for sale of the wine during the statutory period was for the purpose of making a profit and establishing goodwill in the mark. In an earlier case *Woolly Bull Enterprises Pty Ltd v Reynolds* ((2001) 107 FCR 166; 51 IPR 149 at 154) it was held that discussions with various parties regarding licensing opportunities did not suffice as use in good faith, as the proprietor had not gone beyond planning to use the mark and had not reached

the stage where it could be seen objectively to have committed itself to using the mark.

- 24) Another interesting issue is the degree of use required for maintaining protection. The question of whether there is any *de minimis* threshold to the “genuine use” for a trade mark was brought before the ECJ in the *Laboratoires Goemar SA / La Mer Technology Inc Case*. In this case the proprietor demonstrated some use of the mark in the UK. However, the scale of the use during the relevant period was very small. The ECJ found that it is not possible to determine *a priori*, and in abstract, what quantitative threshold should be chosen in order to determine whether use is genuine or not. A *de minimis* rule, which would not allow the national court to appraise all the circumstances of the dispute before it, cannot therefore be laid down.
- 25) One aspect to consider is the geographic dimension of the use of trademarks. In other words is it a requirement that the use in question takes place throughout the territory of registration or is it sufficient that the mark is used only in a part of the territory?
- 26) For Community Trademarks (CTM) the question of geographical coverage has recently been dealt with by the Benelux Registry in an opposition decision concerning the trademarks OMEL/ONEL. In this case the Benelux Registry held that the use of the CTM ONEL in only one EU member state, the Netherlands, was insufficient to show that the CTM had been put to genuine use in the EU. The CTM could not be relied upon and the opposition against OMEL was lost. The Registry said “[u]se in only the Netherlands cannot be classified as normal use of the invoked right”. The Hungarian Patent Office had a similar view when rejecting an opposition on the grounds that the opponent “provided proof of genuine use of the invoked CTM in only one member state”. In the OMEL/ONEL case the Court of Appeal of The Hague decided on November 30, 2010 to refer this question to the European Court of Justice.
- 27) Bearing in mind that trademarks are registered for particular goods and services one issue that needs to be addressed is whether the requirement of genuine use is met if the use is limited to one product or service out of several registered. One way to deal with such limited use, e.g. use for one product out of five, is that the trademark is cancelled for the four products which are not marketed under the trademark and left in force in relation to the one actually used. Another situation closely related to this issue is when a trademark is used for specific goods or services within the registered category of goods or service, e.g. the use of a mark for chairs where the trademark is registered for furniture in general. Could such specific and limited use constitute genuine use?
- 28) Under Australian law an application for removal may be specifically made in respect of “any or all” of the goods or services in respect of which the mark is registered. In a decision from the Australian Trade Marks Office an application for partial removal of a trade mark in relation to certain class 9 goods, being “electric and electronic apparatus and instruments in this class; computer software and hardware”, was made. The right holder sought to rely on use of its mark on electronic databases and CD-ROMs provided to customers. It was held that the CD-ROMs existed to promote

and market the opponent's trade in its pharmaceutical and diagnostic products and the electronic database was ancillary, and not an essential adjunct, to the products traded under the registered trade mark. The relevant class 9 goods were excised from the registration. In contrast; in the earlier decision in *Nordstrom Inc v Starite Distributors Pty Ltd* ((2006) 71 IPR 152), the Hearing Officer refused to remove "manchester" from the registration in question notwithstanding the registered owner could only establish use of the registered mark in respect of towels and no other type of manchester.

- 29) Particularly, in relation to figurative marks the way the mark is presented to the market may differ from the representation in the register. The reasons behind such differentiation may of course differ from case to case. Practical limitations, such as availability of space on a medium, being one reason. In Article 5 C (2) of the Paris Convention, mentioned above, it is stated that "the use of a trademark by the proprietor in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union shall not entail invalidation of the registration and shall not diminish the protection granted to the mark". The issues of whether use of a mark in a different form than the registered, could constitute genuine use and how much the form may differ (or in other words which elements of a mark must remain) are also to be addressed in this question Q218.
- 30) Apart from the registered proprietor of a trademark, other parties may be entitled to use the trademark, for example licensees and distributors. Although such entitled parties are not legally related, linked or connected to the proprietor (other than as a counterpart in an arm's length transaction) would their use of the trademark suffice for maintaining protection? Could the proprietor thus benefit from its licensee's or distributor's use? These are also interesting issues in relation to the genuine use requirement.
- 31) Under the law of the United States it has been established that the rights to trademark may be acquired and maintained through the use of the mark by a licensee, even if the only use of the mark is by the licensee (*Turner v. HMM Publishing Co., Inc.*, 380 F.2d 224, 229, 154 USPQ 330, 334 (5th Cir. 1967), cert. denied, 389 U.S. 1006, 156 USPQ 720 (1967)). However, a licensor who fails to properly control the nature and quality of licensees' goods and services under a mark may abandon their rights in the mark (*Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959)).
- 32) Finally, as always when dealing with intellectual property rights the balancing of interests are important. The Paris Convention, Article 5 C (1) only allows for cancellation of a registered trademark after a reasonable period of non-use and if the proprietor is not able to justify why the trademark is unused. This could be seen as a way to strike a balance between the interests of the trademark proprietor and third parties affected in one way or the other by the trademark (e.g. a party wishing to obtain the trademark or an alleged infringer).

33) In respect of justifiable non-use it has been established e.g. in the United States that trademark rights may survive substantial periods of non-use if goodwill persists (*Ferrari S.p.A. Esercizio Fabbriche Automobili e Corse v. McBurnie*, 11 U.S.P.Q.2d 1843 (S.D. Cal. 1989)).

34) Thus, the accepted justifications for non-use and the time limits for such justified non-use should also be dealt with in this question Q218.

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?
2. What constitutes genuine use of a trademark?
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?)
4. What degree of use is required for maintaining protection? Is token use sufficient? Is minimal use sufficient?
5. Is use in the course of trade required? Does use by non profit-organisations constitute genuine use? Does use in the form of test marketing or use in clinical trials constitute genuine use? Does use in 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?
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?

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?
8. Does the mark have to be used in respect all of the registered goods and services? What if 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?
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?
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 non-use? If the non-use is excusable, is there a maximum time limit? If so, is the time limit dependant upon the nature of the excuse?
11. Within which period of time does use have to take place?
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)?
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?
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?

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?
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?
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?
18. Should the requirement of genuine use 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?
19. What would be a suitable grace period for genuine use?
20. What circumstances should justify non-use? 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 non-use is?
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?
22. Should there be an exception from the genuine use requirement in some cases ?
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?