

COMPARATIVE TRADEMARK LAW: FAIR USE DEFENSE IN THE UNITED STATES AND EUROPE—THE CHANGING LANDSCAPE OF TRADEMARK LAW

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“Wealthy traders are habitually eager to enclose part of the great common of the English language and to exclude the general public of the present day and of the future from access to the inclosure.”¹ -Sir Herbert Cozens-Hardy MR (1909)

I. INTRODUCTION

The landscape of trademark law in the United States is changing. In a number of recently decided cases, the United States Supreme Court has attempted to reign in the boundaries of trademark and the property rights that attach to trademarks.² On December 8, 2004, the Supreme Court rendered another such decision. In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, (*KP Permanent Make-Up*), the question was whether a finding of a likelihood of confusion foreclosed the defense of fair use and whether a party raising the statutory affirmative defense of fair use to a claim of trademark infringement “has a burden to negate any likelihood that the practice complained of will confuse consumers about the origin of the goods or services affected.”³

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1. *In re Joseph Crosfield & Sons, Ltd.* (“Perfection”), [1910] 1 Ch. 130, 141 (A.C. 1909), cited in *British Sugar P.L.C. v. James Robertson & Sons, Ltd.*, [1996] R.P.C. 281, 284 (Ch.).

2. In *Wal-Mart Stores, Inc. v. Samara Bros, Inc.*, 529 U.S. 205 (2000), the Supreme Court had to decide whether a product’s design could be inherently “distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under [Section] 43(a) of the Trademark Act of 1946 (Lanham Act).” *Id.* at 207. Apparently backtracking on its earlier opinion in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), *reh’g denied*, 505 U.S. 1244 (1992), the Supreme Court held that “in an action for infringement of unregistered trade dress . . . a product’s design is distinctive, and therefore protectible, only upon a showing of secondary meaning” *Wal-Mart Stores*, 529 U.S. at 216 (emphasis added). In *Two Pesos*, the issue was “whether the trade dress of a restaurant may be protected under [Section 43(a)] of the [Lanham Act] based on a finding of inherent distinctiveness, without proof . . . [of] secondary meaning.” 505 U.S. at 764-65 (citation omitted). The Supreme Court held that trade dress could be inherently distinctive and whether this was so proof of secondary meaning was not required. *Id.* at 776. See, e.g., K.J. Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine—Trademark Abuse in the Context of Entertainment Media and Cyberspace*, 27 *HARV. J.L. & PUB. POL’Y* 609, 610 (2004) (“Courts have generally taken a more conservative view toward the expansion of [intellectual property] rights and trademark rights in particular . . .”).

3. 543 U.S. 111, 114 (2004).

Putting an end to a long-standing division among the circuit courts,⁴ the Supreme Court, in a unanimous opinion delivered by Justice Souter, held that a finding of a likelihood of confusion does not *ipso facto* preclude the fair use defense and the defendant in a trademark infringement action does not have to prove absence of a likelihood of confusion to rely on the fair use defense.⁵ While a defendant does not have to negate the existence of a likelihood of confusion, the Supreme Court did not completely foreclose the relevance of the extent of likely consumer confusion in assessing whether a defendant's use was objectively fair.⁶ In the opinion of the Supreme Court, some degree of consumer confusion was compatible with fair use.⁷ The Supreme Court, however, did not spell out what degree of confusion was compatible with fair use, but left it to the lower courts to decide. The Supreme Court arguably arrived at the right conclusion in *KP Permanent Make-Up*, but did not resolve all the uncertainties regarding the nature of the fair use doctrine and may have introduced another layer of confusion.

This article is an attempt to make sense of the Supreme Court's decision in *KP Permanent Make-Up* and will examine whether the decision of the Supreme Court is consistent with the decisions of courts in other jurisdictions on the issue of the applicability of the fair use defense. A second goal of this article is to examine whether the decision is consistent with the obligation of the United States under two major multilateral trademark treaties: the Paris Convention for the Protection of Industrial Property (Paris Convention)⁸ and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)⁹ of the World Trade Organization (WTO).¹⁰ Drawing on

4. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 Reporters' Note to cmt. b (1995) ("[C]ase law reflects substantial uncertainty regarding the nature of the fair use doctrine.").

5. *KP Permanent Make-Up*, 543 U.S. 111 (2004).

6. *Id.* at 119-120.

7. *Id.*

8. Paris Convention for the Protection Of Industrial Property, Mar. 20, 1883, 11851 U.N.T.S. 828, [hereinafter Paris Convention]. The full text of the Paris Convention, as revised and amended through September 28, 1979, and the names of Contracting Parties can be found on the Website of the World Intellectual Property Organization (WIPO) at <http://www.wipo.int/treaties/en/ip/paris/index.html> (last visited Nov. 11, 2006).

9. General Agreement on Tariffs and Trade - Multilateral Trade Negotiations (the Uruguay Round): Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Dec. 15, 1993, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement]. The TRIPS Agreement was the first multilateral trade agreement to provide a set of minimum standards for intellectual property protection. See *id.* It is binding on all the members of the World Trade Organization. *Id.* at 81 n.*; 84, Annex 1C at 1197, 1204; see also Agreement on Trade-Related Intellectual Property Rights, http://www.wto.org/English/tratop_e/trips_e/t_agm0_e.htm ("The TRIPS Agreement is Annex 1C of Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.").

10. The WTO is an organization established in 1995 to provide a common institutional framework for the conduct of trade relations among Member States. TRIPS

decisions of courts in Europe, particularly the Court of Justice of the European Communities (ECJ)¹¹ and courts in the U.K., this article will offer some guidance on how the lower courts in the United States can apply the fair use defense in light of the December 8th ruling.

This article is divided into seven sections. Section II offers an overview of trademark law in the United States. Section III introduces the readers to the statutory defense of fair use and examines the attempts by circuit courts to apply the fair use defense. Section IV examines *The KP Permanent Make-Up* case and provides an overview of the decision of the United States District Court for the Central District of California, the Ninth Circuit and the Supreme Court. Section V offers a critical analysis of the decision of the Supreme Court in *KP Permanent Make-Up* and identifies the problem that this decision potentially poses for trademark plaintiffs and for the lower courts. Section VI evaluates the decisions of the English courts and ECJ pertaining to the fair use defense and identifies useful lessons that may be learned from the jurisprudence of these courts on the fair use defense. Section VII reviews the provisions of Paris Convention and the TRIPS Agreement pertaining to the fair use defense. The article concludes in Section VIII with conclusions on the future of the fair use defense in the United States.

II. TRADEMARK LAW IN THE UNITED STATES: OVERVIEW

A. What is a Trademark?

According to the Trademark Act of 1946 (Lanham Act),¹² the term “trademark” includes:

any word, name, symbol, or device, or any combination thereof—(1) used by a person,¹³ or (2) which a person has a bona fide intention to use in commerce . . .

Agreement, *supra* note 9; see also Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Apr. 15, 1994, 33 I.L.M. 1143, 1143 (1994). One of the basic functions of the WTO is to facilitate the implementation, administration and operation of multilateral trade agreements. See Agreement Establishing the World Trade Organization, Apr. 15, 1994, 33 I.L.M. 1144, 1144.

11. The Court of Justice of the European Communities (often referred to as the ECJ) is one of the principal institutions of the European Union. It was established in 1952 under the Treaty of Paris that established the European Coal and Steel Community and has broad powers to settle legal disputes between member states, EU institutions, businesses and individuals. See Europa, European Union Institutions and Other Bodies, The Court of Justice, http://europa.eu.int/institutions/inst/justice/index_en.htm (last visited Sept. 27, 2006).

12. 15 U.S.C. §§ 1051-1127 (2000 & Supp. 2006) [hereinafter Lanham Act]. The Lanham Act is the federal statute governing trademark rights in the United States. See SIEGRUN D. KANE, *TRADEMARK LAW: A PRACTITIONER'S GUIDE* § 1:2.1, at 1-9 to 1-11 (4th ed. 2005) (citations omitted) (observing that in the United States trademark rights are protected by a network of federal, state statutory and common law).

13. The term “person” includes a juristic person as well as a natural person. “The term ‘juristic person’ includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.” See Lanham Act, *supra* note 12, § 1127 (defining “person”); see also KENNETH L. PORT, *TRADEMARK LAW AND POLICY* 13 (2004)

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”¹⁴

Trademarks are brand names by which merchants distinguish their goods in the marketplace.¹⁵ Popular examples of trademarks include: PAMPERS and HUGGIES (brand names for diapers), and FORD and MERCEDES BENZ (brand names for automobiles).

Words and symbols other than brand names can serve as trademarks.¹⁶ Designs (e.g. Nike Swoosh design), product shapes (e.g. the shape of Coca-cola bottle), slogans (e.g. Nike’s “Just do it”), sounds (e.g. the NBC chimes), colors (e.g. green gold color for dry cleaning pads),¹⁷ and even smell (e.g. a floral fragrance serving as a trademark for sewing thread)¹⁸ are all recognized and protected as trademarks.¹⁹ Indeed, according to the Supreme Court in *Qualitex Co. v. Jacobson Products Co., Inc.*, the language of the Lanham Act describes that a universe of things can qualify as a trademark in the broadest of terms.²⁰ Trademarks are used to indicate the source of goods even if that source is not known. In other words, “[c]onsumers may not know the name of the company, but they do know that products bearing the same brand originate from a single source.”²¹

(citation omitted) (“The United States adopted the unfair competition and trademark laws of England and made them their own. . . . [O]ne cannot ignore the common law origins of the American trademark right.”).

14. Lanham Act, *supra* note 12, § 1127 (defining “trademark”).

15. KANE, *supra* note 12, § 1:1.1, at 1-2 (“A common synonym for trademark is brand name.”).

16. *Id.* (“While a brand name is always a trademark, a trademark is not always a brand name.”).

17. See, e.g., *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 160-62 (1995) (holding that “sometimes, a color will meet ordinary legal trademark requirements” and that “no special legal rule prevents color alone from serving as a trademark.” In the opinion of the court, a color was registrable as a trademark to the extent it met the ordinary requirements to register a trademark. “The question in this case [was] whether the [Lanham Act] permit[ed] the registration of a trademark that consist[ed], purely and simply, of a color.”).

18. See, e.g., Trademark Registration No. 696,147, United States Patent Office (Apr. 12, 1960) (Coke bottle); Service Mark Registration No. 523,616, United States Patent Office (Apr. 4, 1950); and Service Mark Registration No. 916,522, United States Patent Office (July 13, 1971) (both for NBC chimes); see also *In re Clarke*, 17 U.S.P.Q.2d 1238, 1238-39 (T.T.A.B. 1990) (citation omitted) (allowing a smell described as “a high impact, fresh, floral fragrance reminiscent of Plumeria blossoms” to serve as trademark for sewing threads and embroidery yarns).

19. See KANE, *supra* note 12, § 1:1.2, at 1-3.

20. 514 U.S. at 162 (“Both the language of the Act and the basic underlying principles of trademark law would seem to include color within the universe of things that can qualify as a trademark. The language of the Lanham Act describes that universe in the broadest of terms.”); PORT, *supra* note 13, at 55 (“[I]f ‘any’ aspect of a product indicates the source or origin of that product, courts today in the United States are very likely to recognize it as a trademark.”).

21. KANE, *supra* note 12, § 1:1.1, at 1-2.

B. Purpose of Trademarks

The primary function of a trademark according to the Supreme Court is “to identify the origin or ownership of the article to which it is affixed.”²² Trademarks advance vital public interests and private interests. With respect to public interests, trademarks help to preserve competition in the market place and to protect important consumer interest. First, trademarks help consumers make informed decisions about goods in the marketplace at lower costs. In other words, “[e]asily identified trademarks reduce the costs consumers incur in searching for what they desire, and the lower the costs of search the more competitive the market.”²³ Trademarks also help to assure the quality of products available to consumers. The argument is that trademarks “may induce the supplier of goods to make higher quality products and to adhere to a consistent level of quality” or lose the patronage of customers to a competitor.²⁴

Trademark also protects important private interests. Trademarks are valuable business assets and are part of the goodwill of a business enterprise.²⁵ *Id.* The remedy that trademark law accords a trademark owner in trademark

22. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916); see also Brief for the Am. Intellectual Prop. Law Ass’n as Amicus Curiae Supporting Petitioner at 3, *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (No. 03-409) [hereinafter *AIPLA*] (citation omitted) (“[The] principal purpose of trademark law is to protect the capacity of a mark to identify the source of goods or services.”); KANE, *supra* note 12, § 1:2.1, at 1-9.

23. *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429 (7th Cir. 1985), cert. denied, 475 U.S. 1147 (1986); see also Kenneth L. Port, *The Congressional Expansion of American Trademark Law: A Civil Law System in the Making* 35 *WAKE FOREST L. REV.* 827, 896 (2000).

Protecting consumers from confusion is the original legal rationale of trademark protection. . . . If consumers are confused they are more easily deceived. Deceived purchasers are not buying the product they intended but are buying something else. When they buy an unintended product, the functions of a trademark break down. The functions of a trademark include the guarantee of consistent quality (be it high or low, the expected quality is the issue), guarantee of consistent products, guarantee of consistent source, and the ability to advertise and manifest the reputation of the manufacturer.

Port, *supra* note 23, at 896.

24. *Scandia Down Corp.*, 772 F.2d at 1429-30 (citations omitted). The court went on to note:

The trademark is a valuable asset, part of the ‘goodwill’ of a business. If the seller provides an inconsistent level of quality, or reduces quality below what consumers expect from earlier experience, that reduces the value of the trademark. The value of a trademark is in a sense a ‘hostage’ of consumers; if the seller disappoints the consumers, they respond by devaluing the trademark. The existence of this hostage gives the seller another incentive to afford consumers the quality of goods they prefer

Id.

25. *Id.*

infringement cases “is based upon the party's right to be protected in the good-will [sic] of a trade or business.”²⁶ As the Supreme Court has aptly noted:

Where a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy. Courts afford redress or relief upon the ground that a party has a valuable interest in the good-will of his trade or business, and in the trade-marks adopted to maintain and extend it. The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another.²⁷

In modern times, trademarks serve other important functions. Arguably, the functions of trademark have expanded to encompass its use as an advertising tool and as a signifier of quality.²⁸ In his 1927 law review article, Frank I. Schechter argued persuasively that the value of the modern trademark lies not so much in its indication of the source of goods but in its selling power.²⁹

C. Validity of Marks

To prevail in a cause of action for trademark infringement, the trademark holder must demonstrate that it owns a valid and protectible mark.³⁰ To be protected as a valid trademark, a term or phrase must be distinctive, meaning that it must create “a separate and distinct commercial impression, which . . . performs the trademark function of identifying the source of the merchandise to the customers.”³¹ How much protection a particular trademark receives is a

26. *Hanover Star Milling Co.*, 240 U.S. at 412.

27. *Id.* at 412-13 (emphasis added) (citations omitted).

28. Emma Jepson, *Is the European Court of Justice Decision in Sabel v. Puma “Back to the Dark Ages of Trademark Law”?* <http://www.solent.ac.uk/law/sabel.htm> (1/21/2005) (observing that while the traditional approach protects marks which play a customer information role, the modern approach protects the commercial value of the mark).

29. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 818-19 (1927).

30. *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002); *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983) (citations omitted) (“The threshold issue in any action for trademark infringement is whether the word or phrase is initially registerable or protectable.”).

31. *In re Chemical Dynamics, Inc.*, 839 F.2d 1569, 1571 (Fed. Cir. 1988); see also *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 540 (5th Cir. 1998) (citation omitted) (“Trademarks and trade dress are distinctive and protectible if they serve as indicators of source.”).

function of the type of trademark at issue.³² The governing law of trademark classification is that set forth by Judge Friendly in *Abercrombie & Fitch Co. v. Hunting World, Inc.*³³ In *Abercrombie*, the Second Circuit divided potential trademarks into four categories: “(1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.”³⁴ The classification helps in determining the strength of a mark and the relative ease of protection.³⁵ Although divided, “[t]he lines of demarcation . . . are not always bright.”³⁶ As the Fifth Circuit has observed, “[t]hese categories, like the tones in a spectrum, tend to blur at the edges and merge together. The labels are more advisory than definitional, more like guidelines than pigeonholes.”³⁷ In practice, the definitions are “difficult to articulate and to apply” with any precision.³⁸

Generic marks identify the product, rather than the product’s source.³⁹ Generic marks are not protected at common law nor under the Lanham Act,⁴⁰ and “can never attain trademark protection.”⁴¹ Under the Lanham Act, a registered mark that becomes generic is subject to cancellation.⁴² Descriptive marks describe the qualities or characteristics of a product such as the color, odor, function, dimensions, or ingredients.⁴³ Descriptive terms do not receive

32. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986) (“As a threshold matter, in the past we have found it useful to decide how much protection a particular trademark is to be given by first determining what type of trademark is at issue.”).

33. 537 F.2d 4 (2d Cir. 1976).

34. *Id.* at 9.

35. KANE, *supra* note 12, § 2:1, at 2-2 (“Some trademarks are stronger and easier to protect from the outset than others,” and “[i]n assessing trademark strength, courts recognize the four basic categories.”).

36. *Abercrombie & Fitch*, 537 F.2d at 9.

37. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983).

38. *Id.* (citations omitted); see also *Abercrombie & Fitch*, 537 F.2d at 9 (footnotes and citations omitted) (observing that the difficulties in articulation and application “are compounded because a term that is in one category for a particular product may be in quite a different one for another, because a term may shift from one category to another in light of differences in usage through time, because a term may have one meaning to one group of users and a different one to others, and because the same term may be put to different uses with respect to a single product.”).

39. KANE, *supra* note 12, § 2:1, at 2-2 (noting that a generic mark is “the common name for the kind of product.”).

40. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) (citation omitted) (“Generic terms are not registerable, and a registered mark may be canceled at any time on the grounds that it has become generic.”).

41. *Zatarains*, 698 F.2d at 790 (citations omitted).

42. Lanham Act, *supra* note 12, § 1064. (“A petition to cancel a registration of a mark . . . may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged . . . [a]t any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered”); see also *Zatarains*, 698 F.2d at 790 (citation omitted) (“Furthermore, if at any time a registered trademark becomes generic as to a particular product or service, the mark’s registration is subject to cancellation.”).

43. KANE, *supra* note 12, § 2:1.2, at 2-6 (noting that a term “is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods.”).

immediate or automatic protection under the Lanham Act.⁴⁴ A descriptive mark, however, may be registered if it is shown that such a mark has acquired distinctiveness through secondary meaning.⁴⁵ Secondary meaning means that although a descriptive mark initially described a product rather than indicated the source of the product, over time, customers have come to associate the mark with a single source.⁴⁶ The courts accept two types of proof for secondary meaning: direct proof (i.e. direct evidence that consumers actually associate plaintiff's with a single source)⁴⁷ and inferential proof (i.e. "proof showing plaintiff's efforts to establish secondary meaning").⁴⁸ Suggestive

44. Lanham Act, *supra* note 12, § 1052(e) ("No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it . . . [c]onsists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them . . ."); see also *Zatarains*, 698 F.2d at 790 ("Descriptive terms ordinarily are not protectible as trademarks.").

45. Lanham Act, *supra* note 12, § 1052(f). This section permits the "registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce." *Id.* It further provides that:

The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made.

Id.

46. *KANE*, *supra* note 12, § 2:1.2, at 2-7 to 2-8 (The learned association of a mark with a single source is called "secondary meaning." "The term 'secondary' comes from the fact that the meaning of source association occurs second in time to the primary descriptive meaning. The primary meaning is the ordinary English language meaning conveyed by the term."); see also *Zatarains*, 698 F.2d at 790 (citation omitted) (Although descriptive marks are not ordinarily protectible as trademarks, "they may become valid marks, however, by acquiring a secondary meaning in the minds of the consuming public.").

47. Direct evidence of secondary meaning includes: objective survey evidence, direct testimony of consumers, consumer correspondence, and licenses and requests for licenses. See *KANE*, *supra* note 12, § 16:4.2, at 16-5 to 16-6 (discussing the direct evidence of secondary meaning); see also *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 541 (5th Cir. 1998)(discussing the type of evidence used to determine if a particular mark has acquired secondary meaning. Among the factors discussed are: consumer survey evidence and direct consumer testimony).

48. *KANE*, *supra* note 12, § 16:4.2, at 16-5 (citations omitted) (Examples of inferential proof include: "long use," "advertising dollar expenditures," "advertising by customers," "extensive sales," "sample advertisement from various media," "circulation figures for advertising media used," "trade-show and point-of-purchase displays," "copying by defendant," and "copying by others."); see also *Pebble Beach Co.*, 155 F.3d at 541 (citations omitted) (listing as inferential proof of secondary meaning, "(1) length and manner of use of the mark or trade dress, (2) volume of sales, (3) amount and manner of advertising, (4) nature of use of the mark or trade dress in the newspapers and magazines . . . , and (7) the defendant's intent in copying the trade dress.").

marks,⁴⁹ as well as arbitrary/fanciful⁵⁰ marks, are considered inherently distinctive and receive automatic protection under the Lanham Act because they naturally “serve[] to identify a particular source of a product.”⁵¹

The strong public interest in promoting competition explains the lack of protection for generic marks and the conditional protection accorded descriptive marks.⁵² So strong is the public interest concern that generic marks are not protected even if they acquire secondary meaning.⁵³ According to the Second Circuit, “[t]o allow trademark protection for generic terms . . . even when these have become identified with a first user, would grant the owner of the mark a monopoly, since a competitor could not describe his goods as what they are.”⁵⁴

D. Registration and Incontestability

The Lanham Act protects registered marks as well as unregistered marks.⁵⁵ Registered marks, however, receive enhanced protection under the Act.⁵⁶

49. Zatarains, 698 F.2d at 791 (citations omitted). (“A suggestive term suggests, rather than describes, some particular characteristic of the goods or services to which it applies and requires the consumer to exercise the imagination in order to draw a conclusion as to the nature of the goods and services.”). (emphasis in original).

50. *Id.* (“Arbitrary or fanciful terms bear no relationship to the products or services to which they are applied. Like suggestive terms, arbitrary and fanciful marks are protectable without proof of secondary meaning.”).

51. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); see also Zatarains, 698 F.2d at 791 (“A suggestive mark is protected without the necessity for proof of secondary meaning.”).

52. AIPLA, *supra* note 22, at 3 (“[T]he law prevents trademark holders from controlling the use of commonplace words and images in everyday discourse.”).

53. *CES Publ’g Corp. v. St. Regis Publ’ns, Inc.*, 531 F.2d 11, 13 (2d Cir. 1975). According to the Second Circuit in *CES Publishing Corp.*:

Although the Act does not explicitly say that a generic word cannot be validly registered even if there is proof of secondary meaning, this is the necessary implication from the contrast between [Section] 14(c) and [Section] 15(4) on the one hand, which provide that a registered mark may be cancelled at any time if it becomes “the common descriptive name of an article or substance,” and that “No [sic] incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise,” and [Sections] 2(e), (f) and [Section] 15 on the other, which permit registration of “merely descriptive” marks if they have “become distinctive of the applicant’s goods in commerce” and allow such marks to achieve incontestability.

Id. (citation omitted).

54. *Id.*

55. See, e.g., Lanham Act, *supra* note 12, § 1125(a) (providing a basis for the protection of unregistered marks).

56. Brief for The United States as Amicus Curiae Supporting Petitioner at 4, *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (No. 03-409) [hereinafter U.S. Amicus Brief].

A certificate of registration of a mark upon the principal register . . . [constitutes] prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate . . .⁵⁷

Furthermore, only registered trademarks may attain "incontestable" status.⁵⁸ Incontestable status provides "conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce."⁵⁹ Subject to specified exceptions listed in 15 U.S.C. § 1065, incontestability guarantees the right of the registrant to use the mark in commerce.⁶⁰ An "incontestable mark" is "conclusively presumed to be nondescriptive or to have acquired secondary meaning" and thus "cannot be challenged as lacking secondary meaning."⁶¹ This, according to the Fifth Circuit, "is perhaps the most significant benefit" that incontestable status affords a trademark owner.⁶²

E. Infringement

The owner of a registered trademark has the exclusive right to use the mark in connection with the goods for which it was registered.⁶³ It is an infringement for any person, without the consent of the registrant of a trademark, to:

use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or

57. Lanham Act, *supra* note 12, § 1057(b); see also *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1184 (5th Cir. 1980) ("Once a mark has been registered, proof of registration is prima facie evidence of the registrant's right to use the mark . . ."); U.S. Amicus Brief, *supra* note 56, at 4 ("Registration . . . substantially eases a trademark owner's burden of proof in an infringement action.")

58. Incontestable status may be attained if a registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce," and other conditions listed in section 1065 of the Lanham Act are satisfied. Lanham Act, *supra* note 9, § 1065.

59. *Id.* at § 1115(b).

60. *Soweco*, 617 F.2d at 1184 (footnote omitted) (noting that when a mark is deemed incontestable, registration of such mark constitutes "conclusive evidence" of the owner's "right to use the mark, subject only to the seven defenses enumerated in 15 U.S.C. § 1115(b).").

61. *Id.* at 1184-85.

62. *Id.* at 1185.

63. *PORT*, *supra* note 13, at 81 (noting the exclusive right that trademark law confers on trademark owners).

advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive⁶⁴

To prevail in an action for trademark infringement, the plaintiff must show that the mark in question qualifies for protection and that the defendant's use of a similar mark creates a likelihood of confusion.⁶⁵ The touchstone for infringement is the likelihood of confusion from the standpoint of the average purchaser⁶⁶ or in other words, "whether the defendant's use of the disputed mark is likely to cause confusion among consumers regarding the origin of the goods offered by the parties."⁶⁷ In addition to proving validity and ownership of a mark, the burden of proving likelihood of confusion falls on the plaintiff.⁶⁸

"[A] '[]likelihood of confusion exists when customers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark.'"⁶⁹ However, finding a "[l]ikelihood of confusion requires that

64. Lanham Act, *supra* note 12, § 1114(a) (emphasis added).

65. *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 536 (5th Cir. 1998) (citations omitted) (discussing elements of a trademark infringement claim).

66. See *Rock & Roll Hall of Fame and Museum, Inc. v. Gentile Prods.*, 134 F.3d 749, 753-54 (6th Cir. 1998) (citation omitted) ("[T]he plaintiff must establish a likelihood that the defendant's designation will be confused with the plaintiff's trademark, such that consumers are mistakenly led to believe that the defendant's goods are produced or sponsored by the plaintiff."); see also *Pebble Beach Co.*, 155 F.3d at 536-37 (citations omitted) ("Once a plaintiff's mark or trade dress is found to be protectible, liability for . . . infringement hinges upon whether a likelihood of confusion exists in the minds of potential consumers as to the source, affiliation, or sponsorship of the defendant's product or service due to the use of the allegedly infringing marks or trade dress."); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir. 1984) (citations omitted) ("The essential question in a trademark infringement case is whether the alleged infringement creates a likelihood of confusion. Unless there is a likelihood of confusion, there is, under the Lanham Trademark Act, no liability for trademark infringement."); *Munters Corp. v. Matsui America, Inc.*, 730 F. Supp. 790, 794 (N.D. Ill. 1989), *aff'd*, 909 F.2d 250 (7th Cir. 1990) (citation omitted) ("The crucial issue in this unfair competition and trademark infringement action based on secs. [sic] 32(1) and 43(a) of the Lanham Act and on common law is the likelihood of confusion on the part of the consuming public."); *PORT*, *supra* note 13, at 81 (observing that likelihood of confusion "is the central requirement in actions both at common law and under the federal trademark statute.").

67. *PACCAR Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 249 (6th Cir. 2003).

68. See, e.g., *Lindy Pen Co.*, 725 F.2d at 1243 (citation omitted) ("In an infringement suit, the plaintiff bears the burden of proving likelihood of confusion . . ."); U.S. Amicus Brief, *supra* note 56, at 6.

A plaintiff asserting that its trademark has been infringed carries the burden of establishing two distinct elements. First, the plaintiff must prove that its mark is valid and that it has the exclusive right to use the mark. Second, the plaintiff must prove that the allegedly infringing use of the mark by the defendant is "likely to cause confusion, or to cause mistake, or to deceive" consumers.

U.S. Amicus Brief, *supra* note 56, at 6 (citation omitted).

69. *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001) (quoting *Fuddrucker, Inc. v. Doc's B.R. Others, Inc.* 826 F.2d 837, 845 (9th Cir. 1987)).

confusion be probable, not simply a possibility.”⁷⁰ The focus of the likelihood of confusion analysis is broad,⁷¹ covering a wide range of confusions including “confusion between products . . . confusion as to endorsement, sponsorship, or any connection with the trademark owner.”⁷²

The standpoint of the average purchaser is used to determine the existence of a likelihood of confusion.⁷³ In effect, “the likelihood of confusion between the products at issue [in any given case] depends in part on the sophistication of the relevant purchasers.”⁷⁴ Courts will look at the reaction of the “ordinary purchaser, buying under the normally prevalent conditions of the market . . .”⁷⁵ The type and price of a product is also frequently used to gauge the reaction of the relevant purchasers.⁷⁶ Purchasers of small items like chewing gum are generally “considered casual purchasers prone to impulse buying” and more likely to be confused.⁷⁷ Courts have held that although “price differences are important in determining the sophistication of customers, they are not dispositive.”⁷⁸

The Lanham Act is silent on the precise test for determining the existence of a likelihood of confusion.⁷⁹ To guide them in making the likelihood of confusion determination, courts turn to the nonexclusive multifactor test set forth by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*⁸⁰ The factors

70. *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987) (citations omitted).

71. *Lindy Pen Co.*, 725 F.2d at 1246 (citations omitted) (“[T]he test for likelihood of confusion in this circuit is broader, embracing confusion as to the association between the goods or sponsorship of the allegedly infringing goods.”).

72. KANE, *supra* note 12, § 1:3.1, at 1-13.

73. *Id.* (noting the Average Purchaser Test: “If the product is sold to the general public, the average purchaser is the general public.”).

74. *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 398 (2d Cir. 1995); *W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 575 (2d Cir. 1993) (citation omitted) (“Likelihood of confusion must be assessed by examining the level of sophistication of the relevant purchasers.”).

75. *W.W.W. Pharm.*, 984 F.2d at 575 (citation omitted).

76. KANE, *supra* note 12, § 1:3.1, at 1-14 (“The care exercised by the general public is a function of the type and price of the product.”).

77. *W.W.W. Pharm.*, 984 F.2d at 575 (citation omitted).

78. *Arrow Fastener Co.*, 59 F.3d at 399; *cf. McGregor-Doniger, Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1137 (2d Cir. 1979) (citations omitted) (observing that although the “greater the value of an article the more careful the typical consumer can be expected to be,” the “general impression” of the consumer is the “touchstone.”).

79. PORT, *supra* note 13, at 93 (noting that the Lanham Act does not set out the exact parameters of infringement and that the tests for infringement “is a judicial construction.”).

80. 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961); see also *W.W.W. Pharm.*, 984 F.2d at 572 (noting the fact that courts rely on the Polaroid factors to guide likelihood of confusion determinations); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986) (observing that the Polaroid factors are “designed to help grapple with the ‘vexing’ problem of resolving the likelihood of confusion issue.”). Although the Second Circuit developed the Polaroid test, all other circuits use, with slight modification, similar multifactor tests to determine infringement. See PORT, *supra* note 13, at 94 (noting the

are: “the strength of the prior owner's mark, the similarity between the two marks, the competitive proximity of the products, the likelihood that the prior user will bridge the gap, actual confusion, the defendant's good faith, the quality of defendant's product, and the sophistication of the buyers.”⁸¹ “[E]ach factor [is] evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product.”⁸² The Polaroid factors merely serve “as a useful guide through a difficult quagmire.”⁸³ As the Second Circuit rightly notes, “the ultimate conclusion as to whether a likelihood of confusion exists is not to be determined in accordance with some rigid formula.”⁸⁴ “No single Polaroid factor is determinative.”⁸⁵ Rather, “[t]he proper approach is to weigh each factor in the context of the others to determine if, on balance, a likelihood of confusion exists.”⁸⁶

II. STATUTORY FAIR USE DEFENSE IN THE UNITED STATES

Not every unauthorized use of another's trademark triggers liability under the Lanham Act; some unauthorized uses of another's trademark are permissible as a matter of law. In a trademark infringement action, the alleged infringer has a number of defenses available under Section 33 of the Lanham Act.⁸⁷ One such defense is the fair use defense. Even incontestable marks are subject the defense of fair use.⁸⁸

fact that the Polaroid test is technically only applicable in the Second Circuit but that it has gained fame as the most popular test nation-wide and that “each circuits wording of the test differs slightly in terms but not in meaning.”).

81. *W.W.W. Pharm.*, 984 F.2d at 572 (citing *Polaroid*, 257 F.2d at 495) (noting the Polaroid factors).

82. *Lois Sportswear*, 799 F.2d at 872 (citation omitted).

83. *Id.*

84. *Id.*

85. *Plus Prods. v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983).

86. *W.W.W. Pharm.*, 984 F.2d at 572; see also *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 543 (5th Cir. 1998) (citation omitted) (“No single factor is dispositive, and a finding of a likelihood of confusion does not require a positive finding on a majority of these ‘digits of confusion.’”).

87. See Lanham Act, *supra* note 12, § 1115; see also U.S. Amicus Brief, *supra* note 56, at 6 (quoting Lanham Act, *supra*, at § 1115(a)-(b)) (“A party may defend against a claim of infringement by establishing one of nine statutory affirmative “‘defenses or defects.’”); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 Reporters’ Note to cmt. a; GRAEME B. DINWOODIE & MARK D. JANIS, *TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY* 695 (2004) (“There are a number of circumstances under which one may use another’s trademark without permission, and incur no Lanham Act liability.”).

88. See *Soweco, Inc., v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir. 1980) (citations omitted) (“Among the several permissible defenses to an ‘incontestable’ mark is the ‘fair-use’ defense.”); see also *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 n.3 (7th Cir. 1992) (citation omitted) (“Incontestable marks are subject to only seven defenses, one of which is fair use.”).

The Lanham Act codifies the common law doctrine of fair use.⁸⁹ The fair use defense arises when a competitor uses a mark in its common or primary sense to describe the competitor's own products.⁹⁰ The justification for the fair use defense is found in "the public interest in allowing competitors to make free use of the English language to describe their goods."⁹¹ "The 'fair-use defense' . . . forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods."⁹²

A. The Statutory Scheme

The Lanham Act allows a defendant to assert the fair use defense if he can show:

[t]hat the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, . . . or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin⁹³

The statutory fair use defense is broad and encompasses use of personal names, geographic designations and descriptive terms.⁹⁴ To successfully assert the fair use defense, a party must establish three elements:⁹⁵ first, he must show that he used the mark "otherwise than as a mark" (nontrademark use);

89. Lanham Act, *supra* note 12, § 1115(b)(4). *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (citation omitted) ("Fair use is a defense to liability under the Lanham Act even if a defendant's conduct would otherwise constitute infringement of another's trademark."); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995); *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1058 (7th Cir. 1995); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir. 1976); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. a; KANE, *supra* note 12, § 12:2.4[A], at 12-24.

90. U.S. Amicus Brief, *supra* note 56, at 6-7.

The fair use defense thus allows a defendant to use the term, not as a mark, but solely in a descriptive manner to characterize fairly its own products or services, even if the plaintiff has established that the term has acquired secondary meaning and functions as a trademark with regard to the plaintiff's goods or services.

Id.

91. KANE, *supra* note 12, § 12:2.4, at 12-42.

92. *Soweco*, 617 F.2d at 1185.

93. Lanham Act, *supra* note 12, § 1115(b)(4) (emphasis added).

94. See Brief for the Int'l Trademark Ass'n as Amici Curiae Supporting Petitioner at 5 n.4, *K.P. Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (No. 03-409) [hereinafter INTA] (citing Lanham Act, *supra* note 9, § 1115(b)(4)).

95. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 Reporters' Note to cmt. b ("The defendant bears the burden of proving each of the elements of fair use").

second, the party asserting the fair use defense must show that the use of the disputing term was fair and in good faith; finally, the party asserting the fair use defense must also show that he used the mark only to describe his goods or services.⁹⁶ As an affirmative defense, fair use is waived if not affirmatively pleaded under the Federal Rules of Civil Procedure 8(c).⁹⁷

1. Non-trademark Use

To avail oneself of the fair use defense, a defendant in a trademark infringement action must demonstrate that he did not use the plaintiff's mark in its trademark or secondary sense. In other words, the defense is available only to competitors who use a word in its common or primary sense.⁹⁸ In deciding whether a defendant used a word "otherwise than as a mark," the courts look at a number of factors including: whether the defendant used the trademark symbol in association with the word;⁹⁹ whether a defendant used a term as a symbol to attract public attention;¹⁰⁰ whether the defendant filed a trademark application;¹⁰¹ whether "given the rhyming quality of [plaintiff's and defendant's mark], the association between the two terms . . . [was] likely to be very strong, so that [the mark] appears as part of a memorable slogan that is uniquely associated with" the defendant's product;¹⁰² and whether use was meant to foster identification with defendant and its products.¹⁰³ The conjunction of defendant's trademark and the allegedly infringed term is not determinative. In other words, a defendant's use of a plaintiff's mark in

96. *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 270 (2d Cir. 1995) ("In short, fair use permits others to use a protected mark to describe aspects of their own goods, provided the use is in good faith and not as a mark."); *Munters Corp. v. Matsui America, Inc.*, 730 F.Supp. 790, 800 (N.D. Ill. 1989), *aff'd*, 909 F.2d 250 (7th Cir.) ("Therefore, to sustain on the fair use defense the defendant must establish three elements: 1) that the defendant used the word or symbol merely to describe its product; 2) that it did not use the word or symbol as a trademark; and 3) that it used the word or symbol in question in good faith."); see also INTA, *supra* note 94, at 10 ("As codified in section 33(b)(4) of the Lanham Act, 15 U.S.C. [section] 1115(b)(4), the defense has three basic requirements: (1) that the use be other than as a mark, (2) fair and in good faith, and (3) only to describe a defendant's goods and services.").

97. *Sugar Busters L.L.C. v. Brennan*, 177 F.3d 258, 271 (5th Cir. 1999); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. a (noting that it is understood that with descriptive terms, trademark rights "extend only to the source significance that has been acquired by such terms, not to their original descriptive meanings," and as a result, fair use allows reasonable use of a descriptive term by another).

98. *Jean Patou, Inc. v. Jacqueline Cochran, Inc.*, 201 F. Supp. 861, 865 (S.D.N.Y. 1962).

99. *Id.* at 864.

100. *Id.*

101. *Id.*

102. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 954 (7th Cir. 1992) (citation omitted).

103. *Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F. Supp. 1327, 1340 (E.D. Pa. 1976) (observing that use meant to foster identification with defendant and its product is not a fair use).

conjunction with its own trademark may not necessarily lead to a conclusion that the use was “other than as a trademark.”¹⁰⁴

In *PACCAR Inc. v. TeleScan Technologies, L.L.C.*,¹⁰⁵ the court denied the fair use defense, in part, because the court found that the defendant used the plaintiff's marks as trademarks.¹⁰⁶ In addition to using the plaintiff's marks “Peterbilt” and “Kenworth” on its Website, defendant, TeleScan, also displayed the marks in the wallpaper underlying the manufacturer-specific Websites in fonts similar to the distinctive fonts in PACCAR's trademarks and included the words “Peterbilt” and “Kenworth” in the sites' metatags.¹⁰⁷

In *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, plaintiff, Sands, Taylor & Wood Company (STW), alleged that Quaker's use of the words “Thirst Aid” in its advertising slogan “Gatorade is Thirst Aid for That Deep Down Body Thirst” infringed STW's registered trademark for THIRST-AID.¹⁰⁸ The district court found for the plaintiff and permanently enjoined Quaker from using the words “Thirst Aid.”¹⁰⁹ On the fair use defense, the district court concluded that Quaker used plaintiff's mark as a trademark.¹¹⁰ Affirming the decision of the district court, the court of appeals concluded that Quaker did

104. *Sands, Taylor & Wood Co.*, 978 F.2d at 954 (citation omitted) (“Nor is a defendant's use of a term in conjunction with its own trademark per se a use ‘other than as a trademark.’”). According to the court, “Clearly, then, the fact that the Gatorade trademark always appears in Quaker's ‘Thirst Aid’ advertisements does not preclude a finding that those advertisements also use ‘Thirst Aid’ as a trademark.” *Id.* See, e.g., *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1244, 1248 (9th Cir. 1984) (holding that a defendant's use of the descriptive word, “Auditors” on its pen was a trademark use even though the word appeared in conjunction with defendant's brand name on pens, packaging and promotional materials); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 711 F.2d 934, 938 (10th Cir.1983) (finding no fair use where defendant used “Brew Nuts” as a “secondary trademark” along with its own brand name on packaging); cf. *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (“The non-trademark use of the challenged phrase and the defendants' good faith are both evidenced by the fact that the source of the defendants' product is clearly identified by the prominent display of the defendants' own trademarks.”).

105. 319 F.3d 243 (6th Cir. 2003).

106. *Id.* at 255.

A consideration of the eight “likelihood of confusion” factors leads to the conclusion that TeleScan's use of PACCAR's trademarks in its domain names creates a strong likelihood of confusion regarding the source of the web sites [sic]. Based on . . . Rock and Roll Hall of Fame, such a conclusion establishes that TeleScan used the marks “Peterbilt” and “Kenworth” as trademarks, precluding the fair use defense.

Id. (footnote omitted).

107. *Id.* at 256.

108. 978 F.2d at 949.

109. *Id.*

110. *Id.*

make a trademark use of plaintiff's mark.¹¹¹ Citing J. Thomas McCarthy,¹¹² the court found that "Quaker's ads [did] not simply use the words 'Thirst Aid' in a sentence describing Gatorade, but as an 'attention-getting symbol.'"¹¹³ The fact that "[i]n many of the ads, the words 'Thirst Aid' appear[ed] more prominently and in larger type than [did] the word 'Gatorade'" weighed heavily in the mind of the court.¹¹⁴ The court also considered the "rhyming quality of 'Gatorade' and 'Thirst Aid,'" and concluded that "the association between the two terms created by Quaker's ads is likely to be very strong, so that 'Thirst Aid' appears as part of a memorable slogan that is uniquely associated with Quaker's product."¹¹⁵

2. Descriptive Use

For the fair use defense to apply, the defendant must use the term to describe his goods or services.¹¹⁶ The phrase "'used . . . only to describe the goods or services of [a] party'" is construed broadly and is not "narrowly confined to words that describe a characteristic of the goods, such as size or quality."¹¹⁷ Broadly construed, the phrase permits the use of words or phrases in textual descriptions and other settings as long as the words are used in their full descriptive sense.¹¹⁸ In *Cosmetically Sealed Industries, Inc. v. Cheesebrough-Pond's USA Co.*, the Second Circuit held that although "the words 'Seal it with a Kiss' do not describe a characteristic of the defendants' product," they are nevertheless "used in their 'descriptive sense'—to describe an action that the sellers hope consumers will take, using their product."¹¹⁹

3. Good Faith Use

A defendant cannot invoke the doctrine of fair use if use of plaintiff's mark was not a good faith attempt to describe defendant's goods. The courts look at a myriad of factors to determine whether a defendant used a plaintiff's marks in good faith. No factor is determinative. Factors that courts have looked at include: evidence that defendants intended to use the term in a trademark

111. *Id.* at 954 ("The evidence of Quaker's advertisements supports the district court's conclusion that Quaker used 'Thirst Aid' as a trademark.")

112. 1 J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 11:17, at 476-77 (2d ed. 1984).

113. *Sands, Taylor & Wood Co.*, 978 F.2d at 954 (citation omitted).

114. *Id.* (citation omitted).

115. *Id.* (citation omitted).

116. KANE, *supra* note 12, § 12:2.4[A], at 12-43 (citation omitted) ("Fair use applies so long as defendant's use is descriptive, regardless of how the plaintiff's mark is classified.")

117. *Cosmetically Sealed Indus., Inc. v. Cheesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (quoting Lanham Act, *supra* note 12, § 1115(b)(4) (second alteration in original)).

118. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. c (observing that the "[u]se of a descriptive term in textual commentary or instructions . . . is ordinarily a fair use.")

119. 125 F.3d at 30 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. c).

sense;¹²⁰ whether the defendant ever “attempted to register the words as a trademark”;¹²¹ evidence that defendants believed that the mark in question was generic;¹²² and whether the defendant took action to minimize confusion, such as use of dissimilar trade dress.¹²³

Overall, “where the senior user’s trademark is not so well-known” and is not descriptive and the junior user could choose from an “infinite number of marks,” the decision to choose a confusingly similar mark may lead to an inference of bad faith.¹²⁴ Much will depend on whether the courts are convinced that the defendant’s conduct is compatible with good-faith business judgment.¹²⁵

B. Fair Use and Likelihood of Confusion:

Will fair use defense be allowed where defendant’s use causes likely confusion? Or, does a finding of a likelihood of confusion automatically foreclose a fair use defense? Until the Supreme Court decision, there was a disagreement among the courts of appeals and among scholars on the question of whether fair use was an absolute defense to a charge of likely confusion.¹²⁶

120. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983) (citation omitted).

121. *Id.* (citation omitted).

122. *Id.* (citation omitted) (“Oak Grove and Visko’s apparently believed ‘fish fry’ was a generic name for the type of coating mix they manufactured.”).

123. *Id.* (“Oak Grove and Visko’s consciously packaged and labelled [sic] their products in such a way as to minimize any potential confusion in the minds of consumers.”). Where a defendant’s failure to take measures to minimize confusion is based on an honest belief that no trademark issue was raised, a court may be reluctant to infer bad faith. See *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 962 (7th Cir. 1992) (observing that defendant (Quaker) had “no reason to take any precautions to avoid likelihood of confusion; Quaker’s research had revealed that there was no product about which people were likely to be confused.”).

124. *Sands, Taylor & Wood Co.*, 978 F.2d at 963 (citation omitted).

125. *M-F-G Corp. v. EMRA Corp.*, 817 F.2d 410, 412 (7th Cir. 1987) (citation omitted) (“[I]t is lawful to use a mark that does not infringe some other; intentional infringement creates some problems, but intentional use of a mark that [the defendant] had every right to use is not itself a ground on which to draw an adverse inference.”); *Munters Corp. v. Matsui America, Inc.*, 730 F. Supp. 790, 799 (N.D. Ill. 1989), *aff’d*, 909 F.2d 250 (7th Cir. 1990) (citation omitted).

Also, mere knowledge on the part of the defendant of the plaintiff’s mark and the defendant’s refusal to relinquish its mark upon demand are not necessarily indicative of bad faith. Those actions could also be explained by a good faith judgment on the part of the defendant that its use does not infringe the plaintiff’s mark.

Munters Corp., 730 F.Supp. at 799.

126. *KANE*, *supra* note 12, § 12:2.4[C], at 12-46 (noting that while some courts treat fair use as an absolute defense, others hold “that fair use cannot be a defense where likely

While the Second, Fourth, Seventh and Third Circuit held that fair use was an absolute defense to a trademark infringement action even if likely confusion is proven, the Ninth and the Sixth Circuits took the position that fair use cannot be a defense where likely confusion is proven; the Fifth Circuit wavered between the two positions.

1. Likelihood of Confusion: A Bar to the Fair Use Defense (Sixth Circuit, Fifth Circuit, and the Ninth Circuit).

Prior to the Supreme Court decision in *KP Permanent Make-Up*, the Sixth Circuit, Ninth Circuit and the Fifth Circuit held the view that the Lanham Act precluded reliance on the fair use doctrine whenever confusion was likely. In *PACCAR Inc. v. TeleScan Technologies, L.L.C.*,¹²⁷ PACCAR, a leading manufacturer of trucks who administered a used truck locator service, brought a trademark infringement action against another operator of a used truck locator service alleging, inter alia, that its registered marks, “Peterbilt” and “Kenworth,” were infringed. Defendant TeleScan owned several websites providing truck locator services. One website, “www.telescanequipment.com, provided links to [six] TeleScan[] manufacturer-specific web sites [sic], including www.peterbiltnewtrucks.com, www.peterbiltusedtrucks.com . . . www.kenworthnewtrucks.com, [and] www.kenworthusedtrucks.com . . .”¹²⁸ “Each manufacturer-specific web site [sic] contain[ed] the [] disclaimer: “This web site [sic] provides a listing service for name brand products and has no affiliation with any manufacturer whose branded products are listed herein.”¹²⁹ The district judge entered a preliminary injunction in favor of PACCAR, and TeleScan appealed.¹³⁰ On appeal, the issue was whether TeleScan’s use of PACCAR’s marks created a likelihood of confusion that supported preliminary injunctive relief and, if so, whether the fair use defense remained available to TeleScan.¹³¹ To the first question, the court held that PACCAR had demonstrated a likelihood of confusion and thus a strong likelihood of success on the merits of its trademark infringement claim.¹³² On the second question, the court held that the fair use defense was not available because “TeleScan’s use of PACCAR’s trademarks in its domain names create[d] a strong likelihood of confusion regarding the source of the web sites [sic].”¹³³ Citing *Rock and Roll Hall of Fame and Museum, Inc. v. Gentile*

confusion has been proven.”). Compare SEIGRUN D. KANE, *TRADEMARK LAW: A PRACTITIONER’S GUIDE* 173 (1987) (footnote omitted) (“So long as defendant’s use is descriptive, in good faith, and not as a trademark, it will be permitted—even if it causes likely confusion.”), with MCCARTHY, *supra* note 112, § 11:17, at 477 (emphasis in original) (“The better view is that it is inconsistent to find both likely confusion and a fair use.”).

127. 319 F.3d 243, 247 (6th Cir. 2003).

128. *Id.* at 247.

129. *Id.* at 248.

130. *Id.* at 247.

131. See generally *id.*

132. See generally *id.* at 250-255.

133. *Id.* at 255.

Productions,¹³⁴ the Sixth Circuit concluded that “a finding of a likelihood of confusion forecloses a fair use defense.”¹³⁵ The PACCAR decision is difficult to follow, however. On the one hand, the court appeared to indicate that the fair use defense was not available to the defendant, because he used the plaintiff’s mark as a trademark.¹³⁶ On the other hand, the court also appeared to be advocating that a finding of a likelihood of confusion automatically foreclosed the applicability of the fair use defense.¹³⁷

The Ninth Circuit has consistently held that the fair use defense is not available if a likelihood of confusion has been shown.¹³⁸ In *Transgo, Inc. v. Ajac Transmission Parts Corp.*,¹³⁹ the Ninth Circuit cited with approval the Fifth Circuit decision in *Zatarains* to the effect that:

“[t]he holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of the goods or services.”¹⁴⁰

134. 134 F.3d 749 (6th Cir. 1998)

135. PACCAR, 319 F.3d at 256.

136. *Id.* at 255 (citation omitted) (emphasis in original).

Rock and Roll Hall of Fame supports the district court’s rejection of TeleScan’s fair use defense. A consideration of the eight “likelihood of confusion” factors leads to the conclusion that TeleScan’s use of PACCAR’s trademarks in its domain names creates a strong likelihood of confusion regarding the source of the web sites [sic]. Based on . . . Rock and Roll Hall of Fame, such a conclusion establishes that TeleScan used the marks “Peterbilt” and “Kenworth” as trademarks, precluding the fair use defense.

Id.

137. *Id.* at 255-56. The court also rejected the fair use defense because the defendant did not use plaintiff’s mark only to describe his own product and not to describe the plaintiff’s product. See *id.* at 255-56 n.8 (citation omitted) (emphasis in original) (“The fair use defense allows the use of a term to describe the defendant’s goods or services, not the plaintiff’s. According to TeleScan, it used PACCAR’s marks to describe PACCAR’s products; therefore, the defense does not apply.”).

138. *Playboy Enters., Inc. v. Nestcape Commc’ns Corp.*, 354 F. 3d 1020, 1029 (9th Cir. 2004) (“A fair use may not be a confusing use.”); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002).

139. 911 F.2d 363 (9th Cir. 1990).

140. *Id.* at 366 n.2 (quoting *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir. 1983)) (emphasis in original). The court noted that “the jury specifically determined that [defendants] Fairbanks used the term ‘Shift Kit’ unfairly and in a manner that confused customers as to the source of the automatic transmission parts,” and concluded that

[w]ithout any showing of change in the likelihood of customer confusion, appellants’ attempt to distinguish between trademark and nontrademark,

In *Lindy Pen Co. v. Bic Pen Corp.*,¹⁴¹ the question was whether the defendant could invoke the fair use defense to immunize it from liability even though a likelihood of confusion had been shown.¹⁴² The Ninth Circuit declined to adopt “so broad an interpretation of the fair use defense,” concluding that the fair use defense is not available if likelihood of confusion has been shown.¹⁴³ In *Zatarains*, the Fifth Circuit opined that:

The holder of a protectable descriptive mark has no legal claim to an exclusive right in the primary, descriptive meaning of the term; consequently, anyone is free to use the term in its primary, descriptive sense so long as such use does not lead to customer confusion as to the source of the goods or services.¹⁴⁴

The Fifth Circuit came to a different conclusion in *Soweco, Inc. v. Shell Oil Co.*¹⁴⁵ In *Soweco*, the court affirmed the district court’s determination that a likelihood of confusion was not established. In the alternative, the court stated:

[W]e are convinced that even if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of § 1115(b)(4). To hold otherwise would effectively eviscerate the fair-use defense. If defendant’s use of a term to fairly describe a characteristic of its goods creates a likelihood of confusion, then plaintiff should adopt some other method of distinguishing its goods from those of defendant. He cannot deprive defendant of his statutory defense once defendant has established the elements of that defense¹⁴⁶

fair and unfair, use of [disputed term] in a modification proceeding [was]
an inappropriate reconsideration of the jury’s determination

Id. (citation omitted).

141. 725 F.2d 1240 (9th Cir. 1984).

142. Id. at 1248.

143. Id. (holding that: “This court has never adopted so broad an interpretation of the fair use defense, and we decline to do so here.”). Interestingly, the court also came to the conclusion that the fair use defense did not apply because defendant had made a trademark use of plaintiff’s mark. The court then stated, “Bic is making a trademark use of the word ‘Auditor’s,’ and is not immune from liability for infringement on the basis of the fair use defense.”

144. *Zatarains*, 698 F.2d at 791 (emphasis added) (citation omitted). In this case, *Zatarains, Inc.*, (“*Zatarains*”), the manufacturer and distributor of coatings or batter mixes used to fry foods and sold under the trademarks “Fish-Fri” (coating mix for fish) and “Chick-Fri” (coating mix for chicken), sought to prevent appellees, *Oak Grove Smokehouse, Inc.* (“*Oak Grove*”) and *Visko’s Fish Fry, Inc.* (“*Visko’s*”), from marketing their “fish fry” and a “chicken fry” product using the words ‘FISH FRY’ OR ‘CHICKEN FRY.’ Id. at 788-89. In an action for trademark infringement, one of the issues was whether the fair-use defense was available to the defendants. Id. at 789.

145. 617 F.2d 1178 (5th Cir. 1980).

146. Id. at 1189 n.30.

The decision in *Soweco* was followed in *Sugar Busters L.L.C. v. Brennan*¹⁴⁷ and *Pebble Beach Co. v. Tour 18 I Ltd.*¹⁴⁸

2. Likelihood of Confusion not a Bar to the Fair Use Defense (Second, Fourth and Seventh Circuits).

The Second, Fourth and Seventh Circuits recognize the fair use defense as an independent defense to infringement that may be raised even when confusion is likely. In *Shakespeare Co. v. Silstar Corp. of America*,¹⁴⁹ the Fourth Circuit concluded that a determination of likely confusion does not preclude considering fair use.¹⁵⁰ Shakespeare Company (Shakespeare), the owner of a registered trademark for fishing rods with a “whitish translucent” tip and a contrasting opaque shaft, brought an action for trademark infringement against Silstar Corporation of America, Inc. (Silstar) which also manufactured a clear-tipped fishing rod.¹⁵¹ The district court held that Shakespeare failed to establish a likelihood of confusion and, alternatively, that Silstar established the fair use defense.¹⁵² The district court was of the opinion “that the fair-use defense may be available even where a likelihood of confusion has been established”¹⁵³ The Fourth Circuit concluded that a finding of likelihood of confusion did not preclude consideration of the fair use defense.¹⁵⁴ It would defy logic to hold otherwise, the court concluded.¹⁵⁵ According to the court:

The fair-use defense comes into play only when infringement—including a likelihood of confusion—has been established. A defense which can be considered only when the *prima facie* case has failed is no defense at all. While it is true that to the degree that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use.¹⁵⁶

147. 177 F.3d 258, 271 (5th Cir. 1999) (citations omitted) (In dicta, the court adopted the view of the *Soweco* court. The court stated: “The fair use defense does not apply if a term is used as a mark to identify the markholder’s goods or services, but the fair use of a term may be protected even if some residual confusion is likely.”) (emphasis added).

148. 155 F.3d 526, 545 n.12 (5th Cir. 1998) (citing *Soweco*, 617 F.3d at 1185, the court stated: “Unlike the use to identify the markholder’s goods or services, a fair use of a term may be protected even if a likelihood of confusion exists.”).

149. 110 F.3d 234 (4th Cir. 1997).

150. *Id.* at 243.

151. *Id.* at 236.

152. *Id.* at 238 (citation omitted).

153. *Id.*

154. *Shakespeare*, 110 F.3d at 243.

155. *Id.* (“[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered.”).

156. *Id.* (emphasis in original).

In *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*,¹⁵⁷ the Seventh Circuit also found that likelihood of confusion did not preclude the fair use defense. In *Sunmark*, trademark owner, Sunmark, Inc. (Sunmark), maker of SweetTARTS, a popular fruit-flavored sugar candy, brought action under the Lanham Act and Illinois Anti-Dilution Act against Ocean Spray Cranberries, Inc. (Ocean Spray), maker of a variety of sugar-flavored cranberry juice drinks.¹⁵⁸ Ocean Spray had since 1942 sporadically advertised its juice drink as tasting sweet or tart or “sweet-tart.”¹⁵⁹ On the question of whether a likelihood of confusion is inconsistent with a fair use defense, the Seventh Circuit answered in the negative.¹⁶⁰ Citing cases in which the Ninth Circuit, Fifth Circuit and the Second Circuit held that confusion is inconsistent with a fair use defense, the Seventh Circuit thought that “none of these cases . . . ask[ed] how an accurate description [could] be objectionable.”¹⁶¹ The court distinguished these cases on the grounds that none of them dealt with unrelated products.¹⁶² In the opinion of the court, where unrelated products are in issue and the defendant uses the plaintiff’s marks fairly to describe its product, the fair use defense may apply even if some confusion arises.

In *Cosmetically Sealed Industries, Inc., v. Chesebrough-Pond’s USA Co.*, the Second Circuit held that the fair use defense may succeed even if there is a likelihood of confusion.¹⁶³ According to the court, “[i]f any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.”¹⁶⁴

157. 64 F.3d 1055 (7th Cir. 1995).

158. *Id.* at 1057.

159. *Id.*

160. See generally *id.*

161. *Id.* at 1059.

162. *Id.*

When the products involved are similar, “likelihood of confusion” may amount to using a word in a “misleading” way, violating 15 U.S.C. § 1125(a)(1)—not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product’s source shows that the words are being used, *de facto*, as a mark. And the defense is available only to one who uses the words of description “otherwise than as a mark.”

Id.

163. 125 F.3d 28, 30-31 (2d Cir. 1997).

164. *Id.* at 30.

So long as the defendants in good faith are using the phrase in its descriptive sense and prominently identifying the product with the defendants’ marks, the defendants incur no liability simply because the materials containing the descriptive phrase are so widely disseminated as to form some degree of association in the public’s mind between the phrase and the product. That too is a risk the plaintiff took in selecting as its mark a phrase that was not only descriptive but readily recognized by consumers.

Id. at 31.

C. Conclusion: Fair Use Defense before KP Permanent Make-Up

Before KP Permanent Make-Up, circuit courts were divided on the elements that had to be established by a party seeking to assert the statutory fair use defense. While some circuits adopted a literal construction of § 33(b)(4) and required the defendant to prove only the three elements specified in the article, others imposed an additional element to the defense not expressly set forth in the statute. The confusion that surrounded the fair use defense and the scope of the rights of a trademark owner made it imperative that the Supreme Court step in and resolve the dispute.

III. KP PERMANENT MAKE-UP, INC. V. LASTING IMPRESSION I, INC.

In KP Permanent Make-Up, the question that arose was whether the fair use defense applied where likelihood of confusion is proven. The district court answered in the affirmative and granted summary judgment to the defendant.¹⁶⁵ The Ninth Circuit reversed the summary judgment on the grounds that the district court did not appropriately consider the likelihood of confusion.¹⁶⁶ Ending the division among the circuit courts on the subject, the Supreme Court granted certiorari to decide the issues.¹⁶⁷

A. Background to the Case

KP¹⁶⁸ and Lasting are in the permanent makeup industry.¹⁶⁹ Permanent makeup is big business with both cosmetic and medical uses.¹⁷⁰ Lasting began

165. KP Permanent Make-Up, Inc. v. Lasting Impression, Inc., No. SA-CV-00-276-GLT, 2001 WL 34900932, at *4 (C.D. Cal. May 16, 2001).

166. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d 1061, 1073 (9th Cir. 2003).

167. 540 U.S. 1099 (2004).

168. Established in 1985, KP describes itself as a manufacturer and wholesaler of permanent make-up supplies. KP Permanent Make-Up, Inc., <http://www.kpmakeup.com/> (last visited Oct. 5, 2006). Products manufactured and sold include pigment colors, permanent make-up machines and semi-permanent pigment pens. *Id.* KP is located at 950 N. Broadway, Los Angeles, CA 90012. *See id.*

169. Permanent makeup is considered a specialty within the art of tattooing and refers to the art of implanting pigments beneath the surface of the skin with needles. KP Permanent Make-Up, 328 F.3d at 1065. It is generally used to enhance facial features. *Id.* The pigments used for permanent makeup are generally sold in small bottles for use by trained professionals. *Id.* KP and Lasting are direct competitors in the industry in that they manufacture pigment colors used in the permanent makeup process to the same end users. *Id.* Permanent makeup is also known as permanent cosmetics, permanent makeup, micropigmentation, medical tattoo, and cosmetic tattoo. *See* Wikipedia.org, Permanent Makeup, http://en.wikipedia.org/wiki/Permanent_Makeup (last visited April 2, 2007). Although a form of tattooing, permanent makeup is considered a specialized art form. *Id.* Permanent makeup is usually performed by a board certified permanent cosmetics artist (certified by the American Academy of Micropigmentation). *Id.*

using “micro colors” as a trademark for its line of permanent makeup colors in April 1992. The mark was registered on May 11, 1993, as a design and word mark.¹⁷¹ As registered, the mark consists of a solid black rectangle, with the words “micro” and “colors” in reverse white lettering.¹⁷² The word “micro” appears directly over the word “colors,” and the two are separated by a green horizontal bar.¹⁷³ Lasting’s registered mark achieved incontestability status in 1999.¹⁷⁴

KP claimed that it first used the term “micro color” on its advertising flyers in 1990, and since 1991 used the term on its pigment bottles.¹⁷⁵ As used on the bottle labels, the word “micro color” appears in full capital letters “before the actual color of the pigment [contained] in the bottle.”¹⁷⁶ For example, on a bottle containing green pigment the word “micro color” would appear as: “MICROCOLOR: GREEN.”¹⁷⁷ In 1999, in addition to using the term “microcolor” on pigment bottles, KP also began to use the term in its marketing brochures.¹⁷⁸ In a ten-page brochure produced by KP, “micro color” appeared in a stylized format and was the most dominant feature of the image.¹⁷⁹ The brochure also contained a chart displaying all the various colors that KP marketed.¹⁸⁰

Offended by the brochure, Lasting demanded that KP stop using the term.¹⁸¹ Instead of stopping the use of the term, KP commenced legal action in March 2000, seeking a declaration that its use of the term “microcolor” did not infringe any exclusive right claimed by Lasting.¹⁸² Lasting counter-claimed, alleging, *inter alia*, that KP’s use of the phrase “microcolor” infringed Lasting’s “micro colors” mark.¹⁸³ KP filed a motion for summary judgment

170. See generally Permanent Makeup Society, <http://www.permanentmakeupsociety.com> (last visited Oct. 5, 2006). As a cosmetic, permanent makeup can be used to provide eyelash enhancement, full lip color, permanent lipliner, permanent eyeliner, and permanent eyebrows. *Id.* Medically, it is frequently used for skin color correction, scar camouflage, scalp camouflage and areola restoration. See *id.* For more on permanent makeup, see the website of the Permanent Makeup Society International. *Id.*

171. Trademark Registration No. 1,769,592, United States Patent & Trademark Office (May 11, 1993).

172. *Id.*

173. *Id.*

174. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 115 (2004).

175. *Id.* at 114. Although KP claimed it began using the single-word version “micro-color” since 1990 or 1991, Lasting denied that KP began using the term that early. *Id.* The district court, appeals courts, and the Supreme Court accepted KP’s allegation as true. See *id.* The Supreme Court, however, noted that “the disputed facts do not matter to [its] resolution of the issue.” *Id.* (citation omitted).

176. *K.P. Permanent Make-Up, Inc. v. Lasting Impression I*, 328 F.3d 1061, 1065 (9th Cir. 2003).

177. *Id.*

178. *Id.* at 1066.

179. *Id.*

180. *Id.*

181. *KP Permanent Make-Up*, 328 F.3d at 1065.

182. *Id.* at 1066.

183. *Id.*

asserting, *inter alia*, the affirmative defense of fair use.¹⁸⁴ Lasting also moved for summary adjudication of certain issues.¹⁸⁵

B. Decision of the District Court

Without inquiring into whether KP's use of the term was likely to cause confusion, the district court entered summary judgment for KP.¹⁸⁶ The district judge held that the words "micro colors" were generic and incapable of obtaining protection under the Lanham Act.¹⁸⁷ The district court further held that Lasting did not have the exclusive use or rights in the terms "microcolors" and "micro colors," and prohibited the defendant from interfering with plaintiff's use of the words.¹⁸⁸

C. Decision of the Ninth Circuit

On appeal, the Ninth Circuit started by reiterating the distinction drawn in *Cairns v. Franklin Mint Co.*¹⁸⁹ between classic fair use¹⁹⁰ and nominative fair use.¹⁹¹ "The distinction between the two types of fair use is important," according to the court, "because each type calls for a different analysis" in the sense that while "it is not necessary to address likelihood of confusion" when analyzing nominative fair use,¹⁹² "it is still necessary to analyze likelihood of

184. *Id.* KP also argued that: (1) "Lasting's picture mark registration did not give Lasting the exclusive right to the term 'micro color' separate from the logo"; (2) that the term "micro color" was generic; (3) the phrase "micro color" had not acquired secondary meaning; (4) that Lasting was "estopped from arguing the term is not generic," having itself used "micro color" in a generic sense; (5) that Lasting could not meet its burden of proving the existence of a likelihood of confusion; and (7) that KP's "continuous prior use of the term 'micro color' defeats Lasting's claim to exclusivity." *Id.*

185. *Id.* Lasting argued that "KP's contention that the term 'micro colors' is generic had no merit, that KP's prior use contention had no merit, and that Lasting's registered trademark was not limited to the composite." *Id.*

186. KP Permanent Make-Up, 2001 WL 34900932, at *4. The district court found that Lasting conceded that KP used the term not as a mark but only to describe its goods, and held that KP was acting fairly and in good faith. *Id.*

187. *Id.* at *2.

188. *Id.* at *4.

189. 292 F.3d 1139, 1150 (9th Cir. 2002).

190. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d 1061, 1071 (9th Cir. 2003) (quoting *Cairns*, 292 F.3d at 1151) (alterations in original) ("Classic fair use is that in which the alleged infringer 'has used the [trademark [sic] holder's] mark only to describe his own product, and not at all to describe the [trademark holder's] product.'").

191. *Id.* at 1071-72. (quoting *Cairns*, 292 F.3d at 1151) (alterations in original) ("[N]ominative fair use occurs when the alleged infringer uses 'the [trademark holder's] mark to describe the [trademark holder's] product'").

192. *Id.* at 1072 (citing *Cairns*, 292 F.3d at 1151; *New Kids on the Block v. New Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)).

confusion” when the classic fair use defense is raised¹⁹³ because “the fair use analysis ‘only complements the likelihood of customer confusion analysis,’” but does not emasculate it.¹⁹⁴

Concluding that the instant case concerned the classic fair use defense, the Ninth Circuit held that “KP can only benefit from the fair use defense if there is no likelihood of confusion between KP’s use of the term ‘micro color’ and Lasting’s mark.”¹⁹⁵ The court concluded that the district court erred in declining to engage in a likelihood of confusion analysis,¹⁹⁶ and that in addressing KP’s motion for summary judgment, it “must determine whether there are any genuine issues of fact that exist with respect to likelihood of confusion.”¹⁹⁷ Discussing the multifactor tests used in likelihood of confusion analysis,¹⁹⁸ the Ninth Circuit concluded that “these factors involve[d]

When analyzing nominative fair use, it is not necessary to address likelihood of confusion because the nominative fair use analysis replaces the likelihood of confusion analysis. To successfully assert the nominative fair use defense, the alleged infringer must show that: 1) the product in question is not readily identifiable without use of the trademark; 2) only so much of the mark is used as reasonably necessary to identify the product; and 3) the user of the mark did nothing that would suggest sponsorship by the trademark holder.

Id.

193. Id. (citing *Cairus*, 292 F.3d at 1151) (“[W]hen the classic fair use defense is raised, it is still necessary to analyze likelihood of confusion.”).

194. Id. (quoting *Cairns*, 292 F.3d at 1150) (citations omitted) (emphasis in original).

195. *KP Permanent Make-Up*, 328 F.3d at 1072. The Ninth Circuit reasoned, “This is a case concerning the classic fair use defense. KP is using the term ‘micro color’ to describe its own products, not that of Lasting.” Id.

196. Id. (“The district court declined to discuss likelihood of confusion because it found KP’s use to be fair. However, as discussed above, because in this case there can be no fair use if there is a likelihood of confusion, the likelihood of confusion analysis must be addressed.”).

197. Id. Quoting *Downing v. Abercrombie & Fitch*, 265 F.3d 994, 1008 (9th Cir. 2001), and citing *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001), respectively, the Ninth Circuit concluded that

“[s]ummary judgment is inappropriate when a jury could reasonably conclude that there is a likelihood of confusion.” Due to the factual nature of likelihood of confusion, determining whether a likelihood of confusion exists at the summary judgment stage is generally disfavored because a full record is usually required to fully assess the facts.

Id.

198. The Ninth Circuit relies on an eight-factor test in determining the existence of a likelihood of confusion. Id. at 1073 (citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979)). The eight-factor test is:

- 1) the strength of the mark;
- 2) proximity or relatedness of the goods;
- 3) the similarity of the marks;
- 4) evidence of actual confusion;
- 5) the marketing channels used;

numerous genuine issues of material fact” and remanded the case.¹⁹⁹ The Ninth Circuit did not directly address whether Lasting had to show the existence of likelihood of confusion or, conversely, whether KP had to show absence of consumer confusion.²⁰⁰ However, a close reading of the decision suggests that, in the opinion of the court, the burden was on the party asserting the fair use defense to prove the absence of consumer confusion.²⁰¹

D. Decision of the Supreme Court

The Supreme Court started by noting that in a trademark infringement action, the plaintiff’s success is subject to proof of infringement as defined in Section 1114 of the Lanham Act, which “requires a showing that the defendant’s actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.”²⁰² According to the court, “[t]his plaintiff’s burden has to be kept in mind when reading the relevant portion of the [] provision for an affirmative defense of fair use”²⁰³

On the question of whether the fair use defense placed a burden on the defendant to show the absence of a likelihood of confusion, the Supreme Court noted that “Congress said nothing about likelihood of confusion in setting out the elements of the fair use defense in § 1115(b)(4),”²⁰⁴ and concluded that:

[A] plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 U.S.C. § 1115(b), while the defendant has no independent burden to negate the

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- 6) the degree of care customers are likely to exercise in purchasing the goods;
 - 7) the defendant’s intent in selecting the mark; and
 - 8) the likelihood of expansion into other markets.

Id. (citing *AMF Inc.*, 599 F.2d 341 at 348-49).

199. *KP Permanent Make-Up*, 328 F.3d at 1073.

200. See generally *id.*

201. See *id.* at 1072. According to the court, KP could only benefit from the fair use defense “if there is no likelihood of confusion between KP’s use of the term ‘micro color’ and Lasting’s mark.” *Id.* Because Section 32 of the Lanham Act requires the plaintiff in a trademark infringement action to show the existence of a likelihood of confusion, it appears that the Ninth Circuit expects the party asserting fair use to disprove the existence of a likelihood of confusion. Lanham Act, *supra* note 12, § 1115(b)(4). The court did not explain what type of proof was sufficient in such a situation.

202. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (citations omitted).

203. *Id.* at 118. The Supreme Court further noted that “Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration.” *Id.*

204. *Id.*

likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, § 1115(b)(4).²⁰⁵

In the opinion of the Supreme Court, it appeared somewhat ridiculous to place any burden of proving a likelihood of confusion on a defendant when a showing of a likelihood of confusion is one of the elements for a cause of action under the Lanham Act.²⁰⁶

The Court took note of the fact that the House Subcommittee on Trademarks declined to forward a proposal to provide expressly as an element of the defense that a descriptive use be “‘not calculated to deceive the public,’”²⁰⁷ and concluded that the failure of Congress to say anything about a defendant's burden on this point “was almost certainly not an oversight.”²⁰⁸ The Court rejected Lasting's argument “that ‘used fairly’ in § 1115(b)(4) [was] an oblique incorporation of a likelihood-of-confusion test developed in the common law of unfair competition.”²⁰⁹ In the opinion of the Supreme Court, it simply made no sense to place the burden of showing nonconfusion on a defendant. As the court noted:

If a plaintiff succeeds in making out a prima facie case of trademark infringement, including the element of likelihood of consumer confusion, the defendant may offer rebutting evidence to undercut the force of the plaintiff's evidence on this (or any) element, or raise an affirmative defense to bar relief even if the prima facie case is sound, or do both. But it would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot

205. *Id.* at 124.

206. *Id.* at 118 (citations omitted)

[I]t takes a long stretch to claim that a defense of fair use entails any burden to negate confusion. It is just not plausible that Congress would have used the descriptive phrase “likely to cause confusion, or to cause mistake, or to deceive” in § 1114 to describe the requirement that a markholder show likelihood of consumer confusion, but would have relied on the phrase “used fairly” in § 1115(b)(4) in a fit of terse drafting meant to place a defendant under a burden to negate confusion.

Id.

207. Trade-Marks: Hearings on H.R. 102, H.R. 5461, & S. 895 Before the H. Subcomm. on Trade-Marks & H. Comm. on Patents, 77th Cong. 167-168 (1941) (testimony of Prof. Milton Handler).

208. *KP Permanent Make-Up*, 543 U.S. at 118 n.4.

209. *Id.* at 119. (citations omitted)

Lasting is certainly correct that some unfair competition cases would stress that use of a term by another in conducting its trade went too far in sowing confusion, and would either enjoin the use or order the defendant to include a disclaimer. But the common law of unfair competition also tolerated some degree of confusion from a descriptive use of words contained in another person's trademark.

Id.

succeed in proving some element (like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. A defendant has no need of a court's true belief when agnosticism will do. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense²¹⁰

Thus, according to the Supreme Court, the burden of proving likelihood of confusion rests with the plaintiff,²¹¹ and "the fair use defendant has no free-standing need to show confusion unlikely" ²¹² In other words, "some possibility of consumer confusion [is] compatible with fair use" ²¹³ However, a holding that "fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair."²¹⁴ The Supreme Court was reluctant to rule out completely the pertinence of the degree of consumer confusion in assessing the applicability of the fair use defense. Ultimately, the Court "vacat[ed] the judgment [of the Ninth Circuit] and remand[ed] the case for further proceedings consistent with this opinion."²¹⁵

V. CRITICAL ANALYSIS OF THE SUPREME COURT DECISION IN KP PERMANENT MAKE-UP

The decision of the Supreme Court in *KP Permanent Make-up* is supported by statutory text and is consistent with the overall statutory structure of the Lanham Act and past decisions of the Supreme Court. The decision also advances the purpose of the fair use defense and the underlying policies of trademark law, and effectively balances the competing public and private interests implicated in trademark law. Moreover, as analysis in Part VI and VII of this article suggests, the decision is also consistent with the decisions of the

210. *Id.* at 120.

211. *Id.* at 118.

212. *Id.* at 121.

213. *KP Permanent Make-up*, 543 U.S. at 121-22 (citation omitted).

The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.

Id.

214. *Id.* at 123.

215. *Id.* at 124 & n.6 ("The record indicates that on remand the courts should direct their attention in particular to certain factual issues bearing on the fair use defense, properly applied.").

English courts and the ECJ on the subject. The decision does not necessarily render trademark owners more vulnerable to the unfair and deceptive tactics of unscrupulous competitors. Moreover, other causes of action, such as actions in passing off or dilution remain available to trademark owners.

Although the Supreme Court arrived at the right conclusion, the decision introduces a new layer of uncertainty in an area already plagued with uncertainties. Attention must now turn to the problem of determining the degree of confusion that may be compatible with fair use. On this issue, it may be difficult, if not impossible, to expect agreement among the lower courts as the Supreme Court did not offer much guidance on the issue.

A. KP Permanent Make-UP was Rightly Decided

1. A Balance of Competing Interests

In arriving at its conclusion, the Supreme Court sought to erect a scheme that balanced competing policy goals that are implicated in trademark law. The real issue in the case was “how to reconcile the public interest in maintaining descriptive terms and features in the public domain for use by all in their descriptive sense with the public interest in minimizing or avoiding relevant consumer confusion.”²¹⁶

The public interest in keeping signs and indications which describe characteristics of goods or services free for use by all is a fundamental principle of trademark law. Indeed, “[t]he fair use doctrine is based on the principle that no one should be able to appropriate descriptive language through trademark registration.”²¹⁷ To require the defendant to prove the absence of a likelihood of confusion would have amounted to rewarding a trademark owner for grabbing a word in the public domain first;²¹⁸ this would be undesirable from the point of view of free competition. A trademark owner arguably assumes the risk when he chooses a descriptive term as a trademark.²¹⁹ Society should not reward his risk-taking by conferring on him a monopoly over such a mark.

216. INTA, *supra* note 94, at 6.

217. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 951 (7th Cir. 1992) (citation omitted).

218. *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (“The phrase ‘sealed with a kiss’ is a fixture of the language, used by generations of school girls, who have given it such currency that it is readily recognized when communicated only as an acronym—SWAK.”); *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995) (citation omitted) (“The principle is of great importance because it protects the right of society at large to use words or images in their primary descriptive sense, as against the claims of a trademark owner to exclusivity.”).

219. *Cosmetically Sealed Indus.*, 125 F.3d at 30 (citing *Car-Freshner Corp.*, 70 F.3d at 270) (“If any confusion results, that is a risk the plaintiff accepted when it decided to identify its product with a mark that uses a well known descriptive phrase.”).

One justification for the decision of the Ninth Circuit was the need to prevent consumer confusion.²²⁰ Without a doubt, preventing consumer confusion is an important goal of trademark law. In the context of the fair use defense, several thorny questions inevitably arise. Does the Lanham Act promise absolute protection against all forms and all degrees of consumer confusion? Should the goal of preventing consumer confusion be pursued at all cost, or does the Lanham Act allow some cost-benefit analysis to be factored when determining the level of confusion society can live with? Preventing consumer confusion is not the only policy goal that the Lanham Act seeks to advance.

An examination of the defenses set forth in Section 33 of the Lanham Act (15 U.S.C. § 1115) suggests that Congress did not intend that in every circumstance the goal of preventing consumer confusion trumps all other policy considerations.²²¹ In Section 33, Congress clearly signaled an interest in advancing a host of other objectives including preventing fraud and misrepresentation, preventing the violation of antitrust laws, and keeping functional marks in the public domain.²²² To require proof of absence of confusion before a party can assert most of the defenses listed in Section 33 would not make sense “because the listed defenses serve important public policy goals that stand separate and apart from any generalized interest in preventing consumer confusion.”²²³ In other words, “[t]he strong public interest in preventing fraud, misrepresentation, or violations of the antitrust laws . . . outweighs any countervailing interest in protecting consumers from confusion about the source of goods.”²²⁴

Arguably, there is a degree of confusion society must live with if other vital policy objectives are to be advanced. To require proof of absence of confusion as a condition for asserting the affirmative defenses listed in section 1115 will result in a costly reification of one policy objective (prevention of consumer confusion) at the expense of other equally laudable policy goals. It would also allow trademark owners to craftily circumvent the age-old checks and balances

220. A close reading of the Ninth Circuit’s decision indicates that the danger of consumer confusion weighed heavily in the mind of the court. See U.S. Amicus Brief, *supra* note 56, at 17 (observing that the sole justification the Ninth Circuit offered for supplementing the fair use defense with an unwritten element is the perceived need to prevent consumer confusion).

221. Lanham Act, *supra* note 12, § 1115(b). The Lanham Act provides several defenses including: (1) functionality; (2) fraud in obtaining registration or incontestable status; (3) abandonment; (4) misrepresentative use of the mark by trademark owner; (5) prior use of the mark by a defendant—that is, that defendant made innocent and continuous use of the mark within a limited area prior to registration by the plaintiff; (6) use of the mark by trademark owner in violation of federal antitrust laws; and (7) equitable principles, such as laches, estoppel, and acquiescence. *Id.*

222. *Id.* § 1115(b)(1)-(3), (5)-(9); see also U.S. Amicus Brief, *supra* note 56, at 7-8 (discussing the defenses available under the Lanham Act).

223. U.S. Amicus Brief, *supra* note 56, at 22.

224. *Id.* (citation omitted).

built into trademark law. Section 33(b)(4) provides enough built-in mechanisms to minimize consumer confusion, hence the requirements that the mark must be used fairly and in good faith, not used as a trademark, and used to describe the product.²²⁵

2. The Decision Preserves the Underlying Purpose of Section 33(4)(b)

The fair use doctrine together with other doctrines, such as the doctrine of secondary meaning, mark the outer boundary of the trademark monopoly²²⁶ and strike a balance “between the hardships to a competitor in hampering the use of an appropriate word and those to the owner.”²²⁷ The fair use defense is supposed to arise after a plaintiff has made out a prima facie case of infringement by showing the existence of a likelihood of confusion. If a defendant has the burden of proving the absence of a likelihood of confusion, it means that the plaintiff has no case in the first place and there is no need to rely on the affirmative defense of fair use.²²⁸ According to the U.S. Solicitor General:

Because the party asserting an infringement claim must always prove a likelihood of confusion in order to prevail, neither the fair use defense nor any of the other defenses in Section 1115(b) would be needed if there were no such likelihood of confusion. The plaintiff’s case would fail on its own terms. The defenses to trademark infringement established by Congress are, by their very design, intended to apply after the plaintiff has introduced prima facie proof of a likelihood of confusion. Construing the statutory fair use defense to require disproving the very predicate that triggers application of the defense in the first place thus would empty the defense of significance.²²⁹

The fair use defense is one of the safeguards purposely inserted in the Lanham Act to prevent commercial monopolization of language.²³⁰ The

225. *Id.* at 29 (“The self-limiting terms of the fair use defense ameliorate the risk of confusion by restricting the defendant’s use of a term to a purely descriptive and non-trademark [sic] function that is undertaken fairly and in good faith.”).

226. *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995) (citations omitted) (“It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark.”).

227. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 10 (2d Cir. 1976); see also *INTA*, *supra* note 94, at 6 (“[T]he fair use defense represents a common-law and statutory compromise of competing interests that tolerates a likelihood of confusion, under limited circumstances, in favor of the public’s interest in having access to descriptive terms.”).

228. U.S. Amicus Brief, *supra* note 56, at 18 (“The court of appeals failed to explain why any defendant who can prove that there is no likelihood of confusion, and thus can defeat the plaintiff’s case on its own terms, would bother assuming the difficult task of proving the other statutory elements of the fair use defense.”).

229. *Id.* at 17 (footnote omitted).

230. See *Car-Freshner Corp.*, 70 F.3d at 269 (noting importance of protecting “the right of society at large to use words or images in their primary descriptive sense . . .”); see also *Park*

Lanham Act does not promise complete immunity to the holder of a descriptive mark, hence the requirement that to be protected, a descriptive mark must acquire secondary meaning.²³¹ “[T]he trademark in a descriptive term attaches only to the specialized, secondary meaning that a word has acquired, and not to its original, primary descriptive content.”²³² As Thomas McCarthy rightly notes, “[t]he only aspect of the mark which is given legal protection is that penumbra or fringe of secondary meaning which surrounds the old descriptive word.”²³³

3. Decision Followed the Basic Rules of Statutory Construction

Section 33(4)(b) of the Lanham Act did not list likelihood of confusion as an element to be established by a party seeking to assert the fair use defense.²³⁴ The basic rules of statutory construction required that the Supreme Court not read extratextual materials into the statute that Congress did not intend.²³⁵ In the past, the Supreme Court has generally resisted “reading words or elements into a statute that do not appear on its face.”²³⁶ To require a party asserting fair

²³¹ *N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 201 (1985) (citation omitted) (noting safeguards in Lanham Act to prevent commercial monopolization of language).

²³² *KP Permanent Make-Up Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111, 122 (2004). (“This right to describe is the reason that descriptive terms qualify for registration as trademarks only after taking on secondary meaning as ‘distinctive of the applicant’s goods,’ 15 U.S.C. § 1052(f), with the registrant getting an exclusive right not in the original, descriptive sense, but only in the secondary one associated with the markholder’s goods.”).

²³³ U.S. Amicus Brief, *supra* note 56, at 20 (citations omitted).

²³⁴ *MCCARTHY*, *supra* note 112, § 11:17, at 476; see also U.S. Amicus Brief, *supra* note 56, at 4.

Even when a descriptive mark has acquired secondary meaning and thus is eligible for protection under the Lanham Act, the trademark embraces only that acquired secondary meaning. The original and primary descriptive meaning of the term remains available for others to use to describe their products.

U.S. Amicus Brief, *supra* note 56, at 4 (footnote omitted); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13 cmt. e (1995) (citing *id.* at § 28) (“Protection extends, however, only to the secondary meaning that has attached to the designation. The trademark owner acquires no exclusive right to the use of the term in its original, lexicographic sense.”).

²³⁵ *INTA*, *supra* note 94, at 5 (“Likelihood of confusion is not referenced by the statute, and a defendant asserting the fair use defense need not prove the absence of likely confusion if the three statutory prerequisites for the defense are met.”).

²³⁶ Criticizing the Ninth Circuit decision, the Solicitor General observed: “The court of appeals’ requirement that the defendant prove the absence of a likelihood of confusion makes no appearance in the statutory text. It simply is not one of the elements of the fair use defense that Congress enacted” U.S. Amicus Brief, *supra* note 56, at 14-15 (citations omitted).

²³⁷ *Bates v. United States*, 522 U.S. 23, 29 (1997); see also *Lamie v. United States Trustee*, 540 U.S. 526, 534 (2004) (citations omitted) (noting the well-established rule that

use to prove the absence of a likelihood of confusion would have required the Supreme Court to import the element of likelihood of confusion into Section 33(4)(b).²³⁷ Such an interpretation would have amounted to unfair burden-shifting since Section 32 and Section 43(a) of the Lanham Act both require that the trademark owner prove likelihood of confusion as part of his prima facie case of infringement.²³⁸ The Supreme Court was thus right in concluding that it would make little sense for Congress to “provide an affirmative defense of no confusion plus good faith, when merely rebutting the plaintiff’s case on confusion would entitle the defendant to judgment, good faith or not.”²³⁹

4. Decision is anchored in Precedent and Common Law

The decision of the Supreme Court that the fair use defense does not require proof of absence of confusion has foundation in common law and past decisions. Common law does not confer exclusive rights to the proprietor of a descriptive mark that has acquired secondary meaning.²⁴⁰ As the Supreme Court observed in 1910, “no one can appropriate as a trade-mark a generic name or one descriptive of an article of trade, its qualities, ingredients or characteristics, or any sign, word or symbol which from the nature of the fact it is used to signify others may employ with equal truth.”²⁴¹

Common law protected the proprietor of a descriptive mark only against uses that are calculated to mislead the public with respect to the origin or association of the goods.²⁴² In other words, a degree of confusion was expected and accommodated.²⁴³ In the 1905 case of *Howe Scale Co. v. Wyckoff*,

“when the statute’s language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms.”)

237. See U.S. Amicus Brief, *supra* note 56, at 2 (observing that the Ninth Circuit read into the Lanham Act a likelihood of confusion element that is not expressly provided in the statutory text).

238. INTA, *supra* note 94, at 5 (noting, in a criticism of the Ninth Circuit decision, that the court “erred by importing the likelihood of confusion test into section 33(b)(4) and by requiring petitioner to establish the absence of likely confusion.”).

239. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 120 (2004); *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) (“[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant.”).

240. U.S. Amicus Brief, *supra* note 56, at 26-27 (citing *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 335 (1938) (observing that common law did not confer monopoly against descriptive marks but only protected the unfair use of such marks.)).

241. *Standard Paint Co. v. Trinidad Asphalt Mfg. Co.*, 220 U.S. 446, 453 (1911).

242. U.S. Amicus Brief, *supra* note 56, at 27 (citations omitted).

243. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. b (stating that the fair use defense “can be applicable even if the trademark owner presents evidence sufficient to prove a likelihood of confusion.”). According to the Restatement, provided that:

the manner of use by the defendant is reasonable in light of the commercial justification for the use, the possibility or even certainty that some prospective purchasers will perceive the term as an indication of source despite the reasonableness of the defendant’s use is not sufficient

Seamans & Benedict,²⁴⁴ the Supreme Court stated that “courts will not interfere where the only confusion, if any, results from a similarity of the names and not from the manner of the use.”²⁴⁵ According to the *Howe Scale Co.* Court, “[t]he essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another, and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails.”²⁴⁶ Also, in the 1924 case of *William R. Warner & Co., v. Eli Lilly & Co.*, the Supreme Court categorically stated:

A name which is merely descriptive of the ingredients, qualities or characteristics of an article of trade cannot be appropriated as a trademark and the exclusive use of it afforded legal protection. The use of a similar name by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product.²⁴⁷

At issue in *Brown Chemical Co. v. Meyer* was whether the defendant could legitimately use upon their product (medicine) the words “Brown’s Iron Tonic” in view of the fact that the plaintiff had previously adopted as a trademark for its medicine the word’s “Brown’s Iron Bitters.”²⁴⁸ The Court noted the descriptive character of the words “Iron Bitters”²⁴⁹ and reiterated the general proposition that no one could acquire exclusive rights over descriptive terms.²⁵⁰ Affirming the decision of the court of appeal, Justice Brown observed:

A man’s name is his own property, and he has the same right to its use and enjoyment as he has to that of any other species of property. If such use be a reasonable, honest and fair exercise of such right, he is no more liable for the incidental damage he may do a rival in trade than he would be for injury to his neighbor’s property by the smoke issuing from his chimney, or for the fall of his neighbor’s house by reason of necessary

to deprive the defendant of the right to employ the term in its descriptive sense.

Id.

244. 198 U.S. 118 (1905).

245. Id. at 140.

246. Id.

247. 265 U.S. 526, 528 (1924) (emphasis added) (citations omitted).

248. 139 U.S. 540 (1891).

249. Id. at 542 (noting that “Iron Bitters” was “so far indicative of the ingredients, characteristics and purposes of the plaintiff’s preparation as to fall within the scope of [descriptive marks].”).

250. Id. (citations omitted) (“The general proposition is well established that words which are merely descriptive of the character, qualities or composition of an article, or of the place where it is manufactured or produced, cannot be monopolized as a trade mark.”).

excavations upon his own land. These and similar instances are cases of *damnum absque injuria*.²⁵¹

B. Lingering Questions Unanswered by the Supreme Court in *KP Permanent Make-Up*.

The decision of the Supreme Court in *KP Permanent Make-Up, Inc.* reaffirmed the established rule that “[t]here 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.”²⁵² Neither the acquisition of secondary meaning nor the attainment of incontestability status confers on a holder of a trademark the exclusive property right in a mark.²⁵³ The holder of a descriptive mark that has acquired secondary meaning does not *ipso facto* acquire legal claim to an exclusive right in the original, descriptive sense of the term.²⁵⁴ Competitors remain free to use the term in its ordinary, descriptive sense. Incontestability status also does not confer absolute immunity to the holder of a mark.²⁵⁵ Likelihood of confusion is the touchstone for trademark infringement but is a burden that Congress has chosen to impose on the plaintiff in a trademark infringement action. This burden remains on the plaintiff even if the mark has attained incontestability status.²⁵⁶

There are lingering questions that the Supreme Court did not address. What degree of confusion is compatible with the fair use defense? What type(s) of confusion will justify a denial of the fair use defense? What is the role of the terms “used fairly” and “in good faith” found in Section 33 (b)(4) of the Lanham Act in future fair use analysis? What additional factors, if any, should lower courts look at in determining if a defendant in a trademark infringement action is deserving of the fair use defense? The Supreme Court did not

251. *Id.* at 544 (first emphasis added).

252. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

253. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 796 (5th Cir. 1983) (“Although the trademark is valid by virtue of having acquired a secondary meaning, only that penumbra or fringe of secondary meaning is given legal protection.”); *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1247 (9th Cir. 1984) (citations omitted) (In this case the plaintiff argued that the “incontestability of its mark, without more, entitled it to prevail on its infringement claim under the provisions of 15 U.S.C. § 1115(b) (1976).” The Ninth Circuit Court of Appeals disagreed, holding that: “[i]ncontestability of a mark may protect the registrant’s mark from cancellation, but is of no offensive use.”).

254. *Zatarains*, 698 F.2d at 796 (holding that the plaintiff, *Zatarain’s*, had no legal claim to an exclusive right in the original, descriptive sense of the term “Fish-Fri”, which had acquired secondary meaning).

255. *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055, 1058 (7th Cir. 1995) (citation omitted) (“That *Swee TARTS* is an incontestable mark for sugar candy does not make *Sunmark* the gatekeeper of these words for the whole food industry.”); *INTA*, *supra* note 94, at 5 (observing that while incontestability may excuse a federal registrant from carrying what otherwise would be its burden to prove the secondary meaning of its mark, “this statutory burden-shifting does not extend to the test for liability itself . . .”).

256. *Lindy Pen Co.*, 725 F.2d at 1247 (citation omitted). Regarding incontestability, the Ninth Circuit has held that, “[t]here can be no liability for trademark infringement, even where a mark has attained incontestable status, in the absence of likelihood of confusion.” *Id.* (emphasis added).

provide any clear direction on the degree of confusion that is compatible with the fair use defense. The sources cited by the Court, *Shakespeare Co. v. Silstar Corp. of America*²⁵⁷ and *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*,²⁵⁸ are not particularly helpful.

On remand, the Ninth Circuit did not offer any additional guidance.²⁵⁹ Adopting the position of the Fourth Circuit in *Shakespeare Co.*,²⁶⁰ the Ninth Circuit noted that “to the degree that confusion is likely, a use is less likely to be fair”²⁶¹ and that “the degree of customer confusion remains a factor in evaluating fair use.”²⁶² Addressing KP’s motion for summary judgment, the Ninth Circuit once again declined to uphold the district court’s summary judgment in favor of KP holding that “[s]ummary judgment on the defense of fair use is [] improper.”²⁶³ Remanding the case for further proceedings, the court stated:

There are genuine issues of fact that are appropriate for the fact finder to determine in order to find that the defense of fair use has been established. Among the relevant factors for consideration by the jury in determining the fairness of the use are the degree of likely confusion, the strength of the trademark, the descriptive nature of the term for the product or service being offered by KP and the availability of alternate descriptive terms, the extent of the use of the term prior to the registration of the trademark, and any differences among the times and contexts in which KP has used the term.²⁶⁴

IV. FAIR USE DEFENSE: THE JURISPRUDENCE OF COURTS IN THE U.K. AND THE EUROPEAN COURT OF JUSTICE

The fair use defense has its origin in common law. Consequently, the jurisprudence of the English courts may shed some light on the issue of the applicability of the defense and the relevant burden of proof. Moreover, with globalization and deepening integration of markets,²⁶⁵ decisions of modern

257. 110 F.3d 234 (4th Cir. 1997).

258. 64 F.3d 1055.

259. See generally *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596 (9th Cir. 2005).

260. 110 F.3d at 243.

261. *KP Permanent Make-Up*, 408 F.3d at 607-08 (quoting *Shakespeare*, 110 F.3d at 243) (emphasis omitted).

262. *Id.* at 609 (accord *Shakespeare*, 110 F.3d at 243).

263. *Id.*

264. *Id.*

265. The International Monetary Fund (IMF) describes globalization as:

the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.

domestic courts pertaining to intellectual property are increasingly subjected to scrutiny by foreign companies and by international trade lawyers alike. This section examines the fair use defense as it interpreted by courts in the U.K. and by the ECJ.

A. Fair Use Defense in the United Kingdom

1. Statutory Scheme

The Trademarks Act of 1994 (TMA) provides for the registration of trademarks and the protection of registered trademarks in the United Kingdom.²⁶⁶ The TMA supersedes the Trademarks Act of 1938. The TMA was passed in part to implement European Union Council (EUC) Directive No. 89/104/EEC of 21st December 1988.²⁶⁷ The TMA defines a trade mark as “any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings.”²⁶⁸ Under the TMA, “[a] registered trade mark is personal property.”²⁶⁹ “The proprietor of a registered trade mark has exclusive rights in

Martin Wolf, *Why this Hatred for Market?*, in *THE GLOBALIZATION READER* 9, 9 (Frank J. Lechner & John Boli, eds., 2000). For literature on globalization, see generally: RICHARD J. BARNET & JOHN CAVANAGH, *GLOBAL DREAMS: IMPERIAL CORPORATIONS AND THE NEW WORLD ORDER* (1994); RICHARD J. BARNET & RONALD E. MUELLER, *GLOBAL REACH: THE POWER OF THE MULTINATIONAL CORPORATIONS* (1974); *THE CASE AGAINST THE GLOBAL ECONOMY—AND FOR A TURN TOWARD THE LOCAL* (JERRY MANDER & EDWARD GOLDSMITH eds., 1996); THOMAS L. FRIEDMAN, *THE LEXUS AND THE OLIVE TREE* (1999); *GLOBAL CULTURE: NATIONALISM, GLOBALIZATION AND MODERNITY* (Mike Featherstone ed., 1990); ANDREW MCGREW, *A GLOBAL SOCIETY*, in *MODERNITY AND ITS FUTURES: UNDERSTANDING MODERN SOCIETIES*, BOOK IV (David Hell, Stuart Hall, Tony McGrew, & Stuart Hall eds., 1992); *THE POLITICS OF THE WORLD-ECONOMY: THE STATES, THE MOVEMENTS, AND THE CIVILIZATIONS—ESSAYS BY IMMANUEL WALLERSTEIN* (Comité de Rédaction ed. bd., 1984); ROLAND ROBERTSON, *GLOBALIZATION: SOCIAL THEORY AND GLOBAL CULTURE* (1992); MALCOLM WATERS, *GLOBALIZATION* (2d ed. 2001).

266. See generally Trademarks Act of 1994, available at <http://www.patent.gov.uk/tm/legal/tmact94.pdf> [hereinafter TMA]. The TMA replaces the Trademark Act of 1938, which was found to be complicated and unworkable. See Catherine Colston, *PRINCIPLES OF INTELLECTUAL PROPERTY LAW* 343 (1999) (observing that the old law was complex, difficult to use, and had fallen behind trading practices).

267. See *infra* Part IV.B for discussions on Council Directive No. 89/104; see also *Premier Luggage and Bags Ltd. v. Premier Co. (UK)*, [2002] EWCA (Civ.) 387, [10] (Eng.) (noting that the Trademark Act of 1994 “was enacted for the purpose of implementing Council Directive No 89/104 of 21 December 1988,” and that “[t]he Act is to be construed with that purpose in mind.”); *Bravado Merch. Servs. Ltd. v. Mainstream Pub’g (Edinburgh) Ltd.*, [1996] S.L.T. 597 (Sess. 1995), 2002 WL 347042, at *3 (observing that the Trademarks Act of 1994 “was intended inter alia to implement Council Directive No 89/104/EEC of 21st December 1988 to approximate the laws of the member states relating to trade marks.”).

268. TMA, *supra* note 266, § 1(1). In the U.K., a trademark may “consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging.” *Id.* The TMA protects registered marks, which are property rights “obtained by the registration of [trademarks] under [the] Act.” *Id.* § 2(1).

269. *Id.* § 22.

the trade mark”²⁷⁰ As it is in the United States, the traditional function of a trademark is to identify the source or origin of the goods to which it is affixed.²⁷¹

In the U.K., EUC regulation 40/94 governs community trademarks in EUC member states.²⁷² A Community trademark is “a trade mark for goods or services registered in accordance with the Regulation.”²⁷³ A registered Community trademark gives the proprietor the right to prevent “all third parties not having his consent from using in the course of trade a sign which is identical with” or similar to the Community trademark, such that “there exists a likelihood of confusion on the part of the public.”²⁷⁴ To protect the interest of the owner of a trademark, the TMA provides that “[a]n infringement of a registered trade mark is actionable by the proprietor of the trade mark.”²⁷⁵ Much like the U.S., the cornerstone for liability under the TMA is “likelihood of confusion.”²⁷⁶ The TMA provides a range of defenses. According to Section 11(2):

270. *Id.* § 9(1).

271. Jepson, *supra* note 28; see also *Bravado Merch. Servs.*, 2002 WL 347042, at *8 (“I consider that the definition of ‘trade mark’ in section 1(1) of the 1994 Act clearly shows that the primary purpose of a trade mark is to indicate the provenance of goods or services: that is clear from the words ‘capable of distinguishing goods or services of one undertaking from those of other undertakings.’”).

272. See *Ladas & Parry LLP, The Community Trademark*, <http://www.ladas.com/Trademarks/MadridAgreement/Madrid06.html> (last visited Oct. 4, 2006).

European Council Regulation (EC) No. 40/94 establishes the Community Trademark. Under the Regulation, a single application submitted to a central office will result in a registration valid in all the Member States of the European Union. The Regulation does not abolish national trademark protection but creates a community that co-exists with national trademarks.

Id.

273. *Int’l Bus. Machs. Corp. v. Web-Sphere Ltd.*, [2004] EWHC 529, [29] (Eng.) (discussing the nature of community trademarks).

274. TMA, *supra* note 266, § 10(1), (2)(b); see also *Langericht [LG] [Trial Court] June 11, 1999, Lloyd Schuhfabrik Meyer & Co. GmbH v. Klijsen Handel B.V.*, [2000] F.S.R. 77 [27] (ECJ discussing the criteria to be applied in deciding whether there was a likelihood of confusion between a mark and a sign).

275. TMA, *supra* note 266, § 14(1). “In any action for infringement, all such relief by way of damages, injunctions, accounts or otherwise is available [to the proprietor of the trademark] as is available in respect of the infringement of any other property right.” *Id.* § 14(2).

276. Under the TMA:

[a] person infringes a registered trade mark if he uses in the course of trade a sign where because—

(a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or

A registered trade mark is not infringed by—

(a) the use by a person of his own name or address.

(b) the use of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services, or

(c) the use of the trade mark where it is necessary to indicate the intended purpose of a product or service (in particular, as accessories or spare parts), provided the use is in accordance with honest practices in industrial or commercial matters.²⁷⁷

A similar provision is found in Article 12 of Regulation 40/94.²⁷⁸ The proviso (provided the use is in accordance with honest practices in industrial or commercial matters) applies to all three sub-paragraphs of Article 12.²⁷⁹ Article 11 is somewhat similar to Section 33(b)(4) of the Lanham Act. Thus, while the Lanham Act requires that a party asserting fair use actually use the disputing term “fairly” and “in good faith,” Article 11 of the TMA requires that the protected use be in accordance with “honest practice in industrial or commercial matters.”²⁸⁰ While the Lanham Act, however, expressly prohibits the use of another’s mark in a trademark sense, the TMA is silent on whether a party who has used a registered trademark as a trademark may rely on the defense.²⁸¹

2. Jurisprudence of the English Courts

How have the English courts construed Article 11 and the accompanying proviso? Can the Article 11(2) defense be raised if there is a likelihood of confusion? What constitutes honest practice? The TMA is a relatively new law and the parameters of Article 11(2)(a) “are still developing [] particularly on the question of who may invoke the defen[s]e and in what circumstances” the defense applies.²⁸² Can a defendant’s use of a mark be found to be a use in

(b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.

Id. at § 10(2) (emphasis added); see also Jepson, *supra* note 28 (discussing the likelihood of confusion as the touchstone for liability in English law).

²⁷⁷ *Id.* § 11(2).

²⁷⁸ *Int’l Bus Machs. Corp. v. Web-Sphere Ltd.*, [2004] EWHC (Ch.) 529, [35] (Eng.) (noting the important exception to the rights given by a Community trademark).

²⁷⁹ *Id.* at [36].

²⁸⁰ TMA, *supra* note 266, § 11(2).

²⁸¹ See generally *id.*

²⁸² R. G. C. Jenkins & Co., UK Court Diary: Honestly Not Infringing: The Parameters of the “Own-Name” Defense, http://www.jenkins-ip.com/mym/autumn2004/item_13.htm (last visited

accordance with honest practices in industrial or commercial matters if likelihood of confusion is shown to result? In other words, can the “honest practice” defense and likelihood of confusion coexist? English courts answer in the affirmative.

i. Honest Practice and Likelihood of Confusion: In *International Business Machines Corp.*,²⁸³ the court was called upon to construe Article 12 of Council Regulation 40/94.²⁸⁴ The facts were fairly simple. IBM was the proprietor of a registered Community trademark “WEBSPHERE.”²⁸⁵ “In May 1998, IBM launched a software application called WebSphere Application Server Version 1.0.”²⁸⁶ Although the first defendant was initially incorporated under the name Publiweb Ltd. on 9 June 1999, it changed its name to Web-Sphere Ltd. and also obtained three Internet addresses: www.web-sphere.com, www.web-sphere.net, and www.web-sphere.org.²⁸⁷ From approximately June 2000, Web-Sphere Ltd started providing a range of Internet-related computer services under the name Web-Sphere and in 2002 launched Web-Sphere software.²⁸⁸ IBM sued for trademark infringement.²⁸⁹

The court found that there was a likelihood of confusion.²⁹⁰ A finding of a likelihood of confusion did not automatically foreclose reliance on the Article 12 defenses. Rather, the court proceeded to examine whether the defendant’s use of Web-Sphere was in accordance with “honest practices.”²⁹¹ On the question whether a finding of the existence of a likelihood of confusion foreclosed the defense, the learned judge observed:

The fact that a trader’s own name is used as a trade mark does not necessarily take the case out of the “own name” exception. Even if there is some

Oct. 4, 2006); see also *Int’l. Bus. Machs. Corp.*, [2004] EWHC (Ch.) 529 [37] (Eng.) (“The boundaries of the ‘own name’ exception are not entirely clear.”).

283. [2004] EWHC (Ch.) 529 (Eng.).

284. Council Regulation 40/94 was in issue because the plaintiff was the proprietor of a registered Community trademark and Council Regulation 40/94 was “directly applicable in the United Kingdom.” *Id.* at [29].

285. *Id.* at [1]. The classes of goods and services for which “WEBSPHERE” was registered included “Class 9 (in particular computer software and computer software for web site development), Class 38 (in particular communications services, communication by computer terminals, electronic mail and computer-aided transmission of data) and Class 42 (in particular services for developing and maintaining web sites and services for providing user access to computers for business management).” *Id.*

286. *Id.* at [2].

287. *Id.* at [3].

288. *Int’l Bus. Machs. Corp.*, [2004] EWHC (Ch.) 529 [3].

289. *Id.* at [4].

290. *Id.* at [66].

291. *Id.* at [66] (“In my judgment there is a real likelihood of confusion. It follows therefore, that, subject to the ‘own name’ exception, infringement has been established under Article 9 (1)(b).”).

actual confusion with a registered mark, the exception may still apply. The amount of confusion which can be tolerated is a question of degree. Only if what the trader does, viewed objectively, amounts to unfair competition will there be infringement.²⁹²

A similar conclusion was reached in *Reed Executive P.L.C. v. Reed Business Information Ltd.*²⁹³ In *Reed*, attorney for the plaintiff/respondent argued that “the phrase ‘honest practices in industrial and commercial matters’ could not apply where the defendant was causing confusion, even if at the time he believed he was not.”²⁹⁴ Plaintiff also argued that the defense would not apply the moment the defendant knew that he was causing significant confusion.²⁹⁵ On the contrary, attorney for the appellant/defendant argued that “where a man was using his own name then, even if he was causing some confusion, the defen[s]e could apply. Otherwise it would be virtually devoid of content”²⁹⁶ The court rejected the plaintiff’s argument because, in the opinion of the court, “it limit[ed] the scope of the defen[s]e too much.”²⁹⁷ Relying on the decision of the ECJ in *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*,²⁹⁸ the court concluded that “[o]nce an alleged infringement is within one of the heads of Art. 6 the only further question is whether it is ‘used in accordance with honest practices etc.’”²⁹⁹ More specifically, the court noted, “[T]here are some kinds of cases where people have to put up with some degree of confusion and the public has to get used to it. Provided the parties behave fairly and reasonably it works.”³⁰⁰ In response to the case at bar, the court concluded:

[A] man may use his own name even if there is some actual confusion with a registered trade mark. The amount of confusion which can be tolerated is a question of degree—only if objectively what he does, in all the circumstances, amounts to unfair competition, will there also be infringement. In practice there would have to be significant actual deception—mere possibilities of confusion, especially where ameliorated by other surrounding circumstances (mere aural confusion but clearly different bottles) can be within honest practices. No doubt in some cases where a man has set out to cause confusion by using his name he will be outside the defen[s]e—in others he may be within it if he has taken reasonable precautions to reduce confusion. All will turn on the overall circumstances of the case.³⁰¹

In *Mercury Communications Ltd. v. Mercury Interactive (UK) Ltd.*,³⁰² a case decided under Section 8(a) of the Trademarks Act of 1938, the court,

292. *Id.* at [41] (emphasis added) (citations omitted).

293. [2004] EWCA (Civ.) 159.

294. *Id.* at [118].

295. *Id.*

296. *Id.* at [117].

297. *Id.* at [122].

298. Case C-100/02, 2004 E.C.R. I-691.

299. *Reed Executive P.L.C.*, [2004] E.C.W.A. (Civ.) 159, at [124].

300. *Id.* at [127] (emphasis added) (citations omitted).

301. *Id.* at [129] (emphasis added) (citations omitted).

302. [1995] F.S.R. 850 (Ch.).

interpreting a provision similar to Article 11 of the TMA,³⁰³ also concluded that a use by the defendant was “excluded from infringement so long as it is bona fide and otherwise meets the requirements of the subsection.”³⁰⁴ In the opinion of the court, the section allowed a defendant who comes within the subsection to use a controversial mark even as a trademark.³⁰⁵ Implicit in the holding of the court is the understanding that a likelihood of confusion cannot preclude a defendant who otherwise comes within the ambit of Section 8(a) from relying on the statutory defense provided. The learned Judge Laddie (Chancery Division) reiterated the purpose of the defense, which was to exclude “from the ambit of the monopoly conferred by trade mark registration certain acts which otherwise would amount to infringements.”³⁰⁶

A review of the decisions of English courts indicates that the existence of actual confusion does not automatically foreclose the application of the “honest-practice” defenses. In other words, the English courts tolerate some degree of confusion. Any disadvantage to the proprietor, the courts believe, is mitigated by the existence of some common law rights that remain available.³⁰⁷ As Judge Laddie observed in *Mercury Communications Ltd.*:

In cases where the proprietor has a well-established mark and the defendant invades his market innocently under the cover of the subsection, that does not allow the defendant to trade off the proprietor's goodwill. On the contrary, where damage in the market place is likely to occur, the proprietor of the registered trade mark will be able to use his common law rights to restrain the defendant. . . . The fear that a new company could be set up innocently using the trade mark of some other well-known product and then use the subsection to allow it to trade under that mark

303. *Bravado Merch. Servs. Ltd. v. Mainstream Pub'g (Edinburgh) Ltd.*, [1996] S.L.T. 597 (Sess. 1995), 2002 WL 347042, at *4 (observing that section 8 of the 1938 Act “contained a provision broadly similar to that contained in section 11 of the 1994 Act.”).

304. *Mercury Comm'ns Ltd.*, [1995] F.S.R. at 856.

305. *Id.* at 856-57 (“It follows that once a defendant comes within the subsection he can openly and persistently use his name as a trade mark on the same type of goods as the registered proprietor and the latter can not complain.”).

306. *Id.* at 856.

307. *Id.* at 857.

It may be thought that this is too serious an inroad into a proprietor's rights but the proprietor will only be disadvantaged where he has no common law rights which he can enforce against the defendant. In other words, in the majority of cases the registered proprietor of a mark will only notice the loss of his right to use his registration against a rival when that rival is not causing him damage in the market place. I have no reason to believe that Parliament considered this restriction on the proprietor's rights to be undesirable.

Id. See also *Baume & Co. v. A. H. Moore Ltd.*, [1958] R.P.C. 226, 235 (A.C.) (“In our judgment, if a trader is honestly using his own name, then no action will lie for infringement of trade mark and any rival trader who thinks himself aggrieved must sue, if at all, for passing off.”).

is, it seems to me, unreal. The true position is that a subsection is only likely to be of benefit to a defendant when he is not guilty of passing off.³⁰⁸

ii. In Accordance with honest practices in industrial or commercial matters: According to the courts in the U.K., “[T]he condition of honest practice constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner.”³⁰⁹ English courts appear to be divided over whether the defendant’s conduct is to be judged objectively (i.e. according to what is expected of a reasonable trader in its place) or subjectively (i.e. focusing on defendant’s conduct and intent and determining if it was honest)?

In *International Business Machines Corp.*, the court held that “[t]he test is both objective and one of reasonable foreseeability.”³¹⁰ According to Judge Lewison:

The fact that a trader may honestly believe himself to be entitled to use his sign is not relevant. In considering what is reasonably foreseeable, the court will expect a trader, before starting to trade under a particular name, to search the national and European registers of trademarks, and if alerted to a potentially conflicting mark, to have made reasonable investigation as to whether it has been used enough to have acquired a reputation or goodwill.³¹¹

Taking into account the totality of evidence relating to the circumstances under which the defendant changed its name, the court concluded that the defendant’s actions were not in accordance with honest practices.³¹² The court found persuasive the following facts: there was no evidence indicating that the defendant conducted any search of trademark registers before changing its name, no attempt was taken to “minimize the risk of confusion,” and it appeared that the name “was deliberately chosen to take advantage of IBM’s reputation and goodwill.”³¹³ An objective test was applied in *Reed Executive P.L.C.*³¹⁴ According to the *Reed* court, in each case the court must “carry out an overall assessment of all the circumstances—and in particular to assess whether the defendant ‘might be regarded as unfairly competing with the proprietor of the trade mark.’”³¹⁵ An objective approach was also

308. *Mercury Commc’ns Ltd.*, [1995] FSR at 859 (emphasis added).

309. *Int’l Bus. Machs. Corp. v. Web-Sphere Ltd.*, [2004] EWHC (Ch.) 529, [40] (Eng.) (citing *Case C-100/02, Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*, 2004 E.C.R. I-691, [24]; *Reed Executive P.L.C. v. Reed Bus. Info. Ltd.*, [2004] E.C.W.A. (Civ.) 159, [126] (Eng.)).

310. [2004] EWHC (Ch.) 529, [41] (Eng.)

311. *Id.* at [41] (citations omitted).

312. *Id.* at [68].

313. *Id.*

314. [2004] E.W.C.A. (Civ.) 159, [123], [126] (citing *Gerolsteiner*, 2004 E.C.R. I-691, [24]) (adopting the definition of “honest practice” offered by the ECJ in *Gerolsteiner*: “‘condition of honest practices constitutes in substance the expression of a duty to act fairly in relation to legitimate interests of the trade mark owner.’”).

315. *Id.* at [126] (citations omitted).

acknowledged in *Provident Financial P.L.C. v. Halifax Building Society*³¹⁶ and followed in *Cable and Wireless P.L.C. v. British Telecommunications P.L.C.*³¹⁷

In *Baume & Co. v. A. H. Moore Ltd.*, decided under the 1938 Act, both the High Court and the court of appeal adopted a subjective approach.³¹⁸ Bona fide was defined to mean “the honest use by the person of his own name, without any intention to deceive anybody or without any intention to make use of the goodwill which has been acquired by another trader.”³¹⁹ Also, in *Mercury Communications Ltd. v.*

316. [1994] F.S.R. 81, 93 (Ch. 1993).

317. [1998] F.S.R. 383 (Ch. 1997) (citation omitted). This case arose in the context of comparative advertising. Cable and Wireless sued British Telecommunications (BT) for infringement of their trademarks. *Id.* The question before the court was whether BT had a defense under section 10(6) of the Trademarks Act 1994. *Id.* Section 10(6) allows the use of another’s trademark in comparative advertising qualified by the sentence:

But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark, if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

TMA, *supra* note 266, § 10(6). Citing a previous case, *Barclays Bank P.L.C. v. RBS Advanta*, [1996] RPC 307, 315-16 (Ch. 1996), the court interpreted section 10(6) to require that use of another’s trademark must be in accordance with honest practices. The test of whether a party has engaged in honest practice is objective. *Id.* at 391 According to the Court, “[t]he test is objective: would a reasonable reader be likely to say, upon being given the full facts, that the advertisement [was] honest?” *Id.* at 390 (citations omitted). The court went on the note that:

Statutory or industry agreed codes of conduct are not a helpful guide as to whether an advertisement is honest for the purposes of section 10(6). Honesty has to be gauged against what is reasonably to be expected by the relevant public of advertisements for the goods and services in issue.

Id. (citations omitted).

318. [1958] R.P.C. 226(A.C.). According to the court of appeal:

The mere fact in itself that a trader is using his own name which too closely resembles a registered trade name of which he is aware does not prevent the user from being “bona fide”, provided that the trader honestly thought that no confusion would arise and if he had no intention of wrongfully diverting business to himself by using the name. The truth is that a man is either honest or dishonest in his motives; there is no such thing, so far as we are aware, as constructive dishonesty.

Id.

319. *Baume & Co. Ltd. V. A.H. Moore, Ltd.*, [1957] R.P.C. 463 (emphasis added). The definition was put forth by the High Court Judge Dankwerts, and was adopted by the court of appeal. *Baume & Co.*, [1958] R.P.C. 226 (A.C.); see also *Parker-Knoll Ltd. v Knoll Int’l Ltd.* (No. 2) [1962] R.P.C. 265. In *Parker-Knoll*, Lord Denning of the House of Lords said:

Mercury Interactive (UK) Ltd., Judge Laddie applied the subjective test concluding that an objective approach would render the defense useless.³²⁰

B. Fair Use and the European Court of Justice

1. Statutory Scheme

First Council Directive to Approximate the Laws of the Member States Relating to Trademarks (First Directive) harmonized the trademark law of the member states of the E.U.³²¹ One of the purposes of the First Directive was to abolish existing disparities that impede the free movement of goods and distort competition in the common market.³²² The scope of the First Directive is extremely broad.³²³ Nondistinctive marks,³²⁴ as well as descriptive marks,³²⁵

And “bona fide” means what it says. It means honestly in good faith. So that the section means that it is no infringement for any person honestly to use his own name, in relation to his goods, so long as he has no intention to deceive anybody and no intention to make use of the goodwill, which has been acquired by another trader.

[1962] R.P.C. at 275.

320. [1995] F.S.R. 850, 859 (Ch.)

If the test is objective, it is difficult to see what would be the point in having the subsection. In the overwhelming majority of cases a reasonably careful trader will be assumed to have carried out a registered trade mark search. In virtually all cases he would find the registered trade mark which, ex [sic] hypothesi, he would reali[z]e or suspect interfered with his right to use his own name.

Id.

321. First Council Directive 89/104, 1989 O.J. (L 40) 1 (EC), available at <http://oami.europa.eu/emark/aspect/direct/direc.htm>. The goal of the First Directive was to approximate the law of Member States of the E.U. Id. at 1 (preamble). The fifth recital in the preamble to the Directive states:

Whereas the trade mark laws at present applicable in the Member States contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market; whereas it is therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of Member States

Id.

322. Id.

323. First Directive, *supra* note 321, Article 1 states:

This Directive shall apply to every trade mark in respect of goods or services which is the subject of registration or of an application in a Member State for registration as an individual trade mark, a collective mark or a guarantee or certification mark, or which is the subject of a registration or an application for registration in the Benelux Trade Mark Office or of an international registration having effect in a Member State.

did not qualify for registration and, if registered, were subject to cancellation for invalidity. As in the United States, the primary function of a registered mark in the E.U. is “to guarantee the trademark as an indication of origin.”³²⁶

A registered trademark confers on the proprietor exclusive rights therein.³²⁷ Registration confers on the proprietor the right “to prevent all third parties not having his consent from using in the course of trade” any mark which is identical or similar to a registered mark if there is a “likelihood of confusion on the part of the public.”³²⁸ As in the United States, the touchstone for infringement is the presence or absence of a likelihood of confusion.³²⁹ The burden is on the trademark owner to show that “there exists a likelihood of confusion on the part of the public” as a result of a defendant’s use of a similar mark.

Id. at art. 1; see also Ladas & Parry LLP, *supra* note 272.

The Directive applies to all registered national trademarks with respect to goods and services, but requires EU member states to develop their own procedure for registration and maintenance of national trademarks. The Directive establishes use requirements and a single exhaustion doctrine, as well rules governing licensing and acquiescence by trademark owners in use by third parties. The Directive also sets forth a common definition of a trademark and establishes absolute and relative grounds for refusal of registration and for cancellation of national trademark registrations.

Ladas & Parry LLP, *supra* note 272.

324. First Directive, *supra* note 321, art. 2 (defining a trademark “any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”) (emphasis added).

325. Id. at art. 3(1)(c) (stating that “trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods” do not qualify for registration).

326. *British Sugar P.L.C. v. James Robertson & Sons Ltd.*, [1996] R.P.C. 281, 298 (Ch.) (citation omitted) (The court observed that the only function of a trademark mentioned in the Directive is “to guarantee the trademark as an indication of origin.” According to Judge Jacob, “I think this sole purpose permeates the whole Directive and hence our 1994 Act. If there is doubt as to the meaning of any particular provision, regard should be had to this purpose.”).

327. First Directive, *supra* note 321, art. 5(1).

328. Id. at Article 5(1)(a) and (b) (prohibiting the use of “any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered,” and “any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.”) (emphasis added).

329. Case C-251/95, *Sabel B.V. v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-6191, [8] (interpreting Article 4(1)(b) of the First Council Directive 89/104/EEC, which provides that “a trademark shall not be registered or, if registered, shall be liable to be declared invalid . . . if, because of its identity with, or similarity to, [an earlier mark] . . . there exists a likelihood of confusion on the part of the public . . .”).

Article 6 imposes some limitations on the rights of a trademark owner. Article 6(1) provides:

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,
 - (a) his own name or address;
 - (b) indications concerning 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 goods or services;
 - (c) the trade mark 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.³³⁰

Article 6 is a manifestation of the fair use doctrine. As with the statutory fair use defense, Article 6 attempts to balance two competing policy objectives. On the one hand is the goal of protecting the capacity of a mark to continue to indicate the source of the goods and services and to provide useful information to consumers. On the other hand is the goal of promoting free competition by preventing trademark owners from controlling the use of ordinary descriptive words.³³¹ Much hinges on the meaning of the phrase “honest practices in industrial or commercial matters.” What role does consumer confusion play in the analysis of whether a defendant’s use of a mark passes muster under Article 6? Does the ECJ interpret the First Directive to allow for the coexistence of a likelihood of confusion with an Article 6 defense? Unfortunately, the preamble to the First Directive does not shed any light on the purpose of Article 6.³³²

2. Jurisprudence of the ECJ

Because the First Directive has effectively brought the trademark laws of all of the twenty-five member states of the European Union (EU) into uniformity, the decisions of the ECJ on provisions of the Directive reflect the

330. First Directive, *supra* note 321, art. 6(1) (emphasis added).

331. Case C-100/02, *Gerolsteiner Brunner GmbH & Co. v. Putsch GmbH*, 2004 E.C.R. I-691 [16] (citation omitted) observing that Article 6:

seeks to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfill their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.

Id.

332. *British Sugar P.L.C.*, [1996] P.R.C. 281, 298 (Ch.) (noting that there is no recital to the Directive which throws any light on the purpose of Article 6).

state of the law in the twenty-five countries that now make up the EU.³³³ In its interpretation of the First Directive, the ECJ has demonstrated a strong intention to secure to the public the use of descriptive terms.

In *Gerolsteiner*, decided 7 January, 2004, the ECJ (Fifth Chamber) was called upon to interpret Article 6(1)(b) of the First Directive.³³⁴ *Gerolsteiner* was a reference for a preliminary ruling from the Federal Court of Justice in Germany (Bundesgerichtshof).³³⁵ The case arose between Gerolsteiner Brunnen GmbH & Co. (*Gerolsteiner*) and Putsch GmbH (*Putsch*) and concerned the alleged infringement of Gerolsteiner's trademark GERRI.³³⁶ Gerolsteiner bottles mineral water and produces soft drinks that it markets in Germany under the registered mark GERRI, which "cover[s] mineral water, non-alcoholic beverages, fruit-juice based drinks and lemonades."³³⁷ In the mid-1990s, Putsch began marketing soft drinks in Germany under the label KERRY Spring.³³⁸ The name KERRY was chosen apparently because the drinks by Putsch were "manufactured and bottled in Ballyferriter in County Kerry, Ireland, by the Irish company Kerry Spring Water using water from a spring called Kerry Spring."³³⁹

333. See Ladas & Parry LLP, *supra* note 272 ("The European Commission's Harmonization Directive has now brought the trademark laws of all of the member states of the European Union into uniformity.").

334. [2004] E.C.R. I-691.

335. "By order of 7 February 2002, received at the [ECJ] on 18 March 2002, the Bundesgerichtshof [] referred to the [ECJ] for a preliminary ruling under Article 234 EC two questions on the interpretation of Article 6(1)(b) of First Council Directive . . ." *Id.* at [1].

336. *Id.* at [7].

The Gesetz über den Schutz von Marken und sonstigen Kennzeichen (German law on the protection of trade marks and other distinctive signs) of 25 October 1994 (BGBl. 1994 I, p. 3082, 1995 I, p. 156; the Markengesetz) transposed Directive 89/104 into German law.

Id. at [5].

337. *Id.* at [7]. It is the proprietor of word mark No 1100746 Gerri, registered in Germany with priority dated 21 December 1985, and of German word/figurative marks Nos 2010618, 2059923, 2059924 and 2059925, which contain the word GERRI. *Id.*

338. *Id.* at [8].

339. *Id.* The trademark GERRI has no geographical connotation, while the trademark KERRY Spring refers to, the geographical origin of the water used in the manufacture of the product in question, the place where the product is bottled, and the place where the producer is established. *Id.*

Kerry Spring is expressly included in the list of mineral waters recognized by Ireland for the purposes of Council Directive 80/777/EEC of 15 July 1980 on the approximation of the laws of the Member States relating to the exploitation and marketing of natural mineral waters.

Id. at [21] (citation omitted).

Gerolsteiner Brunnen commenced proceedings against Putsch in the German Courts for trademark infringement.³⁴⁰ The Munich Regional Court (the Landgericht München), “found for Gerolsteiner Brunnen and restrained Putsch from using the distinctive sign KERRY Spring for mineral water or soft drinks.”³⁴¹ On appeal, the Munich Higher Regional Court (the Oberlandesgericht München) overturned the decision of the court of first instance and dismissed Gerolsteiner’s claim.³⁴² Gerolsteiner appealed to the Federal Court of Justice.³⁴³ The Federal Court of Justice found that there was a likelihood of confusion between GERRI and KERRY.³⁴⁴ Having found the existence of a likelihood of confusion, the question was whether the defendant could still avail itself of the Article 6(1) defenses.³⁴⁵ By order of 7 February, 2002, the Federal Court of Justice stayed proceedings and referred two questions to the ECJ for a preliminary ruling.³⁴⁶ First, “[i]s Article 6(1)(b) of the First Trade mark Directive also applicable if a third party uses the indications referred to therein as a trademark (markenmässig)?”³⁴⁷ Second, “[i]f so, must that use as a trade mark be taken into account when considering, pursuant to the final clause of Article 6(1) of the First Trade Mark Directive, whether use has been in accordance with honest practices in industrial or commercial matters?”³⁴⁸

In its judgment, the ECJ began by stressing the important role of Article 6(1) in balancing the competing interests at stake in a trademark infringement claim. Next, the Court observed that Article 6(1)(b) draws no distinction between the possible uses of the indications referred therein.³⁴⁹ “For such an indication to fall within the scope of that Article,” the Court noted, “it suffices that it is an indication concerning one of the characteristics set out therein, like geographical origin.”³⁵⁰ In other words, a third party may use a disputed indication as a trademark.

Regarding whether a finding of a likelihood of confusion under Article 5(1) precluded a defense under Article 6(1),³⁵¹ the ECJ answered in the negative.³⁵²

340. *Id.* at [9].

341. *Id.*

342. *Id.*

343. *Id.*

344. *Id.* at [10].

345. *Id.*

346. *Id.* at [11].

347. *Id.*

348. *Id.*

349. *Id.* at [19].

350. *Id.*

351. *Id.* at [23].

The question therefore arises whether such a likelihood of confusion between a word mark and an indication of geographical origin entitles the proprietor of the trade mark to rely upon Article 5(1)(b) of Directive 89/104 to prevent a third party from using the indication of geographical origin.

Id.

According to the ECJ, “[i]n answering that question, the only test mentioned in Article 6(1) of Directive 89/104 is whether the indication of geographical origin is used in accordance with honest practices in industrial or commercial matters.”³⁵³ More specifically, the court noted:

The mere fact that there exists a likelihood of aural confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State is [] insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices.³⁵⁴

What does “honest practice” mean? According to the ECJ, “[t]he condition of honest practice constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trademark owner.”³⁵⁵ This means in effect that even in the face of evidence of a likelihood of confusion, national courts must “carry out an overall assessment of all the relevant circumstances” to determine whether the defendant has engaged in unfair competition.³⁵⁶ In the instant case concerning bottled drinks, the ECJ held that in making an overall assessment of all the relevant circumstances, it would particularly take into account, “the shape and labelling of the bottle in order to assess, [and] more particularly, whether the producer of the drink bearing the indication of geographical origin might be regarded as unfairly competing with the proprietor of the trade mark.”³⁵⁷

In *Gillette Co. v. LA-Laboratories Ltd. Oy*, decided 17 March, 2005, the ECJ had the opportunity to better define the contours of the phrase “honest practices in industrial and commercial matters.”³⁵⁸ *Gillette* was a reference from Finland for a preliminary ruling concerning the interpretation of Article 6(1)(c) of the First Directive.³⁵⁹ Although several questions were referred to the ECJ, only one is relevant to our discussions: “[w]hat factors should be taken into account when assessing use in accordance with honest commercial practice?”³⁶⁰ The ECJ held that the use of the trademark will not be in accordance with honest practices in industrial and commercial matters if: (a) “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”; (b) “it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute”; (c) “it entails the discrediting or denigration of

352. *Id.* at [24].

353. *Id.*

354. *Id.* at [25].

355. *Id.* at [24] (emphasis added) (citation omitted).

356. *Id.* at [26].

357. *Id.* (emphasis added).

358. Case C-228/03, 2005 E.C.R. I-0000, [7].

359. See generally *id.*

360. *Id.* at [23(4)].

that mark”; or (d) “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.”³⁶¹

Gerolsteiner and Gillette are significant for several reasons. The two cases indicate that in the EU a finding of the existence of aural confusion will not *ipso facto* foreclose the honest use defense set forth in the First Directive.³⁶² Second, the ECJ has not spelled the degree of confusion that must be tolerated nor has it attempted to provide bright-line rules that courts in Member States may adopt in assessing when a defendant has crossed the line between honest practice and unfair competition; a case by case assessment is required.³⁶³ Third, in *Gerolsteiner*, the ECJ was guided as much by the traditional policies underlying trademark law as by practical considerations of what is really tenable in an increasingly globalized world marked by deepening integration of markets.³⁶⁴

C. Conclusion: Bona Fide Use not a License for Passing Off

Like the American courts, the ECJ and courts in the U.K. are concerned about the danger of monopolization of descriptive terms that competitors need to accurately describe their products.³⁶⁵ Courts in Europe see the need to

361. *Id.* at [49] (emphasis added).

362. Case C-100/02, *Gerolsteiner Brunner GmbH & Co. v. Putsch GmbH*, 2004 E.C.R. I-691, [27].

Article 6(1)(b) of [First Council] Directive 89/104/[EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks] is to be interpreted as meaning that, where there exists a likelihood of aural confusion between a word mark registered in one Member State and an indication, in the course of trade, of the geographical origin of a product originating in another Member State, the proprietor of the trade mark may, pursuant to Article 5 of Directive 89/104, prevent the use of the indication of geographical origin only if that use is not in accordance with honest practices in industrial or commercial matters. It is for the national court to carry out an overall assessment of all the circumstances of the particular case in that regard.

Id.

363. See *id.* (“It is for the national court to carry out an overall assessment of all the circumstances of the particular case in that regard.”).

364. *Id.* at [25] As the ECJ noted:

In a Community of 15 Member States, with great linguistic diversity, the chance that there exists some phonetic similarity between a trade mark registered in one Member State and an indication of geographical origin from another Member State is already substantial and will be even greater after the impending enlargement.

Id.

365. *British Sugar P.L.C. v. James Robertson & Sons, Ltd.*, [1996] R.P.C. 281, 285 (Ch.).

balance competing public policies implicated in trademark law: the need to prevent the monopolization of descriptive words and the need also to protect trademark owners from those who would intentionally trade on the good will of their registered mark.³⁶⁶ In Europe, the need to prevent the monopolization of descriptive words appears to be paramount; hence, the fair use defense allows trademark use of another's trademark provided that associated conditions are met.³⁶⁷ Moreover, "[w]hether a word mark is descriptive is not

I am not concerned with such a case. I am concerned with a much commoner sort of case: where a trader has made some use of a common laudatory word along with a distinctive mark. He can show that the word has achieved some recognition (quaere as really denoting trade origin on its own) but no more. Can he then avail himself of the Act to get a monopoly in the common word? If he can, then the 1994 Act enables big business to buy ordinary words of the English language as trademarks at comparatively little cost.

Id.

366. See *Mercury Commc'ns Ltd. v. Mercury Interactive (UK) Ltd.*, [1995] F.S.R. 850, 859 (Ch.). According to that court:

A registered trademark gives a statutory monopoly to its proprietor but for public policy reasons (the justification for which is not open to the court to challenge) that shall not be effective against a trader who innocently trades under his own name. It can be seen that section 8(a) and (b) fit together. When a trader innocently uses his own name or a description of his own products, he does not need to look over his shoulder to make sure that a registered trademark is not in the way, unless, of course, he has been warned in advance. He may fall foul of passing off, but that is another matter.

Id.

367. Id. at 856-57.

It follows that once a defendant comes within the subsection he can openly and persistently use his name as a trade mark on the same type of goods as the registered proprietor and the latter can not [sic] complain.

Baume & Co. v. A. H. Moore Ltd., [1958] R.P.C. 226(A.C.).

Section 8(a) is expressed in perfectly general terms, and we can see no sufficient warrant for confining its operation to the bona fide use by a trader of his own name as a trade name as distinct from using it as a trademark. . . . It seems to us that its object was to ensure that the use by a man of his own name should be protected, provided that the user was bona fide, whether he traded under that name or whether he used it as a trademark in respect of his goods; and, if the narrower interpretation for which [Mr. Aldous] contends is attributed to the section, it is difficult to apprehend

Id.

measured by whether it describes characteristics of the goods and services claimed in the traditional sense. Rather, it depends on whether the relevant consumers might reasonably associate the word with those characteristics now or in the future.”³⁶⁸ The ECJ has made a distinction between traditional descriptiveness and legal descriptiveness. While traditional descriptiveness looks at the present, legal descriptiveness looks to the future and forecasts potential usefulness of a word to competitors taking into account the nature of the goods.³⁶⁹

VI. FAIR USE AND THE UNITED STATES’ OBLIGATION UNDER INTERNATIONAL LAW

The section examines the compatibility of the Supreme Court decision in *KP Permanent Make-Up* with the U.S.’s obligation under the TRIPS Agreement and the Paris Convention. The Paris Convention and TRIPS Agreement both

368. Jenkins, *Descriptive Marks: Do You Know Them When You See Them?*, http://www.jenkins-ip.com/mym/autumn2004/item_02.htm (last visited Oct. 1, 2006).

369. *Id.*

Traditional descriptiveness involves a word being immediately perceived now as a descriptor. In contrast, legal descriptiveness may apply even where a word or product is totally new and has not yet been introduced in a market. Relevant consumers may not at the time of filing be in a position to put the mark into a utilitarian context.

Id. In *UNIVERSALTELEFONBUCH*, *Telefon & Buch VerlagsgmbH* applied to register *UNIVERSALTELEFONBUCH* and *UNIVERSALKOMMUNIKATIONSVERZEICHNIS* as Community Trademarks for data carriers, printed matter, publishing services and the editing of written texts. In German, the marks meant “universal telephone book” and “universal communications directory.” OHIM rejected the applications under Articles 7(1)(b) and (c) of the Community Trademark Regulation (Council Regulation 40/94), equivalent to Articles 3 (1) (b) and (c) of the Directive, finding the words to be devoid of any distinctive character and capable of being used in trade to describe characteristics of the goods and services. On appeal, *Telefon* argued that the words were not purely descriptive because they were unusual juxtapositions of existing words, which did not convey direct and immediate information on the goods and services claimed. As neologisms, the marks had never been used before and there was no underlying need to keep them available for all. The ECJ was not persuaded. It observed that Article 7 (1)(c) was intended to secure the public interest in keeping signs and indications which describe characteristics of goods or services free for use by all. *Case C-326/01 P, Telefon & Buch VerlagsgmbH v. Office for Harmonisation in the Internal Mkt. (Trademarks & Design)*, 2004 E.C.R. R-1371. Following the ECJ’s earlier ruling in *DOUBLEMINT* (*Case C-191/01 P*), it was not necessary that the indications be in descriptive use now. *Case C-191/01 P, Office for Harmonisation in the Internal Revenue Mkt. (Trademarks & Design) v. Wm. Wrigley Jr. Co.*, 2003 E.C.R. 2-0000. The capacity of the words to be used descriptively in the future was enough to justify refusal. The absence of a current market for “universal telephone or communication directories” was not, therefore, determinative. The test for whether a sign had the potential for future descriptiveness was whether it could be reasonably envisaged that the relevant public would associate the sign with characteristics of the goods or services in the future. Such an association had to be specific, direct, immediate, and without the need for further reflection. In this case, the ECJ agreed that the marks had descriptive potential and upheld OHIM’s refusal. *Telefon & Buch*, 2004, E.C.R. R-1371.

define U.S. international obligations in the area of trademarks.³⁷⁰ Section 44 of the Lanham Act (15 U.S.C. § 1126) incorporates all international agreements relating to trademarks which the United States has ratified³⁷¹ and provides a system for the registration of foreign trademarks.³⁷²

A. The Fair Use Defense Under the Paris Convention and the TRIPS Agreement

1. The Paris Convention

The Paris Convention was the “first major international treaty designed to help the people of one country obtain protection in other countries for their intellectual creations in the form of” patents, trademarks and industrial

370. See generally Paris Convention, *supra* note 8 and TRIPS Agreement, *supra* note 9. A number of other treaties establish registration procedures and guidelines for obtaining trademark rights in member states. These include: Protocol to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, 2003 O.J. (L 296) 22; Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, June 12, 1973, 1863 U.N.T.S. 318; Locarno Agreement Establishing an International Classification for Industrial Designs, Oct. 8, 1968, 23 U.S.T. 1389; Lisbon Agreement for the Protection of Appellations of Origin and Their International Registration, Oct. 31, 1958, 923 U.N.T.S. 189; Nice Agreement Concerning the International Classification of Goods and Services to which Trademarks Are Applied, June 15, 1957, 23 U.S.T. 1336; Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods, Apr. 14, 1891, 828 U.N.T.S. 163 (The Madrid System); and Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 329.

371. Lanham Act, *supra* note 12, § 1126. This section provides a system for the registration of marks communicated by international bureaus. See, e.g., § 1126(a).

The Director shall keep a register of all marks communicated to him by the international bureaus provided for by the conventions for the protection of industrial property, trademarks, trade and commercial names, and the repression of unfair competition to which the United States is or may become a party, and upon the payment of the fees required by such conventions and the fees required in this Act may place the marks so communicated upon such register.

Id. See also Patricia V. Norton, *The Effect of Article 10bis of the Paris Convention on American Unfair Competition Law*, 68 *FORDHAM L. REV.* 225, 225 (1999) (footnote omitted) (observing that the Lanham Act “incorporates international agreements involving trade marks to which the United States is a signatory nation.”).

372. See *id.* at § 1126(b). This section extends the law to benefit

[a]ny person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law

Id.

designs.³⁷³ Article 6 of the Paris Convention provides that, “[t]he conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation.”³⁷⁴ “Every trademark duly registered in the country of origin shall [also] be accepted for filing and protected as is in the other countries of the Union”³⁷⁵ Such trademarks may not be denied registration nor invalidated in member states except:

when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed[.]³⁷⁶

In other words, the Paris Convention does not allow merchants to monopolize descriptive terms and requires that marks are distinctive.

Under the Paris Convention, trademark owners have the right to prevent the registration or use of a mark where such use is likely to cause confusion³⁷⁷ and have up to five years to request the cancellation of any confusingly similar

373. World Intellectual Property Organization (WIPO), WIPO Treaties—General Information: Major Events 1883 to 2002, <http://www.wipo.int/treaties/en/general/> (last visited Oct. 15, 2006) (noting that in 1884, the Paris Convention entered into force with just 14 member States).

374. Paris Convention, *supra* note 8, art. 6(1).

375. *Id.* at art. 6quinquies A.(1).

Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

Id.

376. *Id.* at art. 6quinquies B.(2).

377. *Id.* at art. 6bis (1).

The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

Id.

marks.³⁷⁸ There is no time limit for requesting the cancellation or the prohibition of the use of “marks registered or used in bad faith.”³⁷⁹ The Paris Convention does not expressly provide for the defense of fair use; it nevertheless establishes the “minimum substantive enforcement standards for trademark rights.”³⁸⁰ Article 10bis is devoted to unfair competition.³⁸¹ State Parties to the Paris Convention undertake to assure to nationals of contracting parties, effective protection against unfair competition.³⁸² Unfair competition is defined as “[a]ny act of competition contrary to honest practices in industrial or commercial matters”³⁸³ Specifically, the Paris Convention calls on State Parties to prohibit “all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor. . . .”³⁸⁴ as well as “indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”³⁸⁵ State Parties to the Paris Convention also “undertake to assure to nationals of the other countries of the Union appropriate legal remedies effectively to repress all the acts referred to in . . . 10bis.”³⁸⁶

2. Fair Use Doctrine and the TRIPS Agreement

The Trips Agreement obliges WTO members to provide a system for the protection and registration of trademarks.³⁸⁷ Descriptive marks do not receive

378. *Id.* at art. 6bis (2) (“A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.”).

379. *Id.* at Art. 6bis (3).

380. DORIS ESTELLE LONG & ANTHONY D’AMATO, A COURSEBOOK IN INTERNATIONAL INTELLECTUAL PROPERTY 336 (2000).

381. Paris Convention, *supra* note 8, art. 10bis. The Paris Convention as adopted did not initially contain any specific section of unfair competition; that was first introduced in 1900 following the Revision Conference of Brussels. See G. H. C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY AS REVISED AT STOCKHOLM IN 1967 142 (1991), cited in LONG & D’AMATO, *supra* note 380, at 352.

382. Paris Convention, *supra* note 8, at art. 10bis (1) (“The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.”).

383. *Id.* at art. 10bis (2) (emphasis added).

384. *Id.* at art. 10bis (3)(1) (emphasis added).

385. *Id.* at art. 10bis (3)(3) (emphasis added).

386. *Id.* at art. 10ter (1).

387. TRIPS Agreement, *supra* note 9, art. 15(1), at 89. Article 15(1) defines protectable marks to be:

[a]ny sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings . . .

. [s]uch signs, in particular words including personal names, letters, numerals, figurative elements and combinations of [colors] as well as any combination of such signs, shall be eligible for registration as trademarks.

automatic protection. The TRIPS Agreement permits members to make registrability of such marks dependent on attainment of distinctiveness through use.³⁸⁸ Article 16 confers broad rights on a trademark owner including

the exclusive right to prevent all third parties not having [the owner's] consent 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 registered where such use would result in a likelihood of confusion.³⁸⁹

Article 17 indirectly provides basis for some limitations on the exclusive rights of the trademark owner but essentially leaves it to Member States to define the exception. Thus, Article 17 states, “[M]embers may provide limited exceptions to the rights conferred by a trademark, 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.”³⁹⁰ Article 2 of the TRIPS Agreement incorporates by reference Article 10bis of the Paris Convention.³⁹¹

A. Mapping the International Obligation of the United States

The TRIPS Agreement and the Paris Convention oblige the U.S. to protect foreign nationals against unfair competition. Section 44(h) of the Lanham Act gives effect to this directive by providing that:

Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this [Act] shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.³⁹²

Id.

388. Id. (“Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.”).

389. Id. at art. 16(1), at 89 (emphasis added).

390. Id. at art. 17, at 90 (emphasis added).

391. Id. at art. 2(1), at 85. that (“In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1-12 and [Article] 19 of the Paris Convention (1967).”); see also id. at art. 2(2), at 85 (further providing that “[n]othing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.”). The provisions of the TRIPS Agreement relating to trademarks are located in Part II of the TRIPS Agreement and are thus covered by the above provisions. Id. at arts. 9-40, at 87-99.

392. Lanham Act, *supra* note 12, § 1126(h) (emphasis added); see also § 1126(b) Section 4 of the Lanham Act provides:

Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be entitled

Section 43(a) of the Lanham Act provides broad protection against unfair competition in the United States.³⁹³ Section 43(a)(1) states:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.³⁹⁴

Three questions inevitably arise. First, what is the precise effect of Article 10bis of the Paris Convention in the United States? In other words, does Article 10bis through section 44 of the Lanham Act “grant[] substantive rights or merely reciprocal rights” to foreigners?³⁹⁵ This question is important because:

If Article 10bis grants reciprocal rights, then the Paris Convention affords citizens of signatory nations only the rights that each signatory nation affords its citizens within its borders. On the other hand, if the Paris Convention affords substantive protections, then each signatory nation agrees, at a minimum, to protect against unfair competition as defined by the treaty, not as defined by each individual country’s laws.³⁹⁶

Second, does section 43(a)(1)(A) satisfy the obligation of the U.S. to protect foreign trademark owners from unfair competition? Third, does the U.S. provide effective protection against unfair competition given the scope of the fair use defense as interpreted by the Supreme Court?

1. Effect of Article 10bis in the United States

to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this [Act].

Lanham Act, *supra* note 12, § 1126(b).

393. *Id.* at § 1125; Norton, *supra* note 371, at 225 (“Federal and state statutes incorporate the broad unfair competition law that has developed in the United States.”).

394. Lanham Act, *supra* note 12, § 1125(a)(1)(A).

395. Norton, *supra* note 371, at 226.

396. *Id.*

In discussing the effect of Article 10bis, one is immediately confronted by the vagueness of the Article. Article 10bis offers only a scant definition of unfair competition defining it only as “[a]ny act of competition contrary to honest practices in industrial or commercial matters”; no definition of “honest practices” or “competition” is offered.³⁹⁷ The problem is that the concept of “honest practices,” goes by different labels in different countries. For instance, “[i]n Belgium and Luxembourg honest practices are sometimes referred to as ‘honest trade practices,’ [sic] in Switzerland and Spain as ‘the principle of good faith’ and in Italy as ‘professional correctness.’”³⁹⁸

It is arguably up to individual member states to define what constitutes dishonest practice by drawing on their respective conception of unfair competition. As G. M. C. Bodenhausen observed, “[t]he various countries of the Union have different concepts of what is to be understood by ‘unfair competition’. . . . In giving effective protection against unfair competition, each country may itself determine which acts come under this category”³⁹⁹ The European Space Agency (ESA) adopts a similar position. According to the ESA:

It is not easy to find a clear-cut and worldwide definition of what constitutes an act contrary to honest practices. Standards of ‘honesty’ and ‘fairness’ may differ from country to country to reflect the economic, sociological and moral concepts of a given society. Therefore, the notion of ‘honesty’ has to be interpreted by the judicial bodies of the country concerned. Conceptions of honest practices established by international trade should also be taken into consideration, especially in cases of competition between organi[z]ations in different countries.⁴⁰⁰

It thus appears to be the intent of the framers of the Paris Convention to leave it up to the members to fill in the gaps of the statute, taking into account the established principles of treaty interpretation enshrined in the Vienna Convention on the Law of Treaties.

2. Does Section 43(a)(1)(A) of the Lanham Act Satisfy the Obligation of the U.S. under the Paris Convention and the TRIPS Agreement?

Section 43(a) of the Lanham Act, which “forbids the use of false designations of origin and false descriptions or representations in the advertising and sale of goods and services,”⁴⁰¹ offers broad protection against

397. Paris Convention, *supra* note 8, at art. 10bis (emphasis added), quoted in BODENHAUSEN, *supra* note 381 at 144; see also *Cable & Wireless P.L.C. v. British Telecomms. P.L.C.* [1998] F.S.R. 383, 391 (Ch. 1997) (Jacob, J., commenting that the phrase “honest practice in industrial and commercial matters” was a “pretty woolly phrase”).

398. European Space Agency (ESA), Intellectual Property Rights: What Is Unfair Competition?, http://www.esa.int/SPECIALS/Intellectual_Property_Rights/SEMV0T9D_FZD_0.html (last visited Oct. 4, 2006).

399. BODENHAUSEN, *supra* note 381, at 144.

400. ESA, *supra* note 398.

401. *Smith v. Montoro*, 648 F.2d 602, 603 (9th Cir. 1981) (citation omitted).

unfair competition and appears to address acts of competition that are “contrary to honest practices in industrial or commercial matters” as prescribed by the Paris Convention.⁴⁰² Section 43(a) provides many advantages over section 32. First, Section 43(a) addresses a broader range of unfair trade practices than does Section 32.⁴⁰³ Second, Section 43(2) is structured to evolve with changing times.⁴⁰⁴ Third, for an action under Section 43(a), it is not necessary that the mark be registered.⁴⁰⁵ In other words, Section 43(a) protects qualifying unregistered marks while Section 32 applies only to registered marks. Finally, an action under Section 43 need not involve trademarks.⁴⁰⁶ As the court in *L & L White Metal Casting Corp. v. Joseph* stated:

The purpose of [Section 43(a)] was to create a new federal cause of action for false representation of goods in commerce in order to protect persons engaged in commerce from, among other things, unfair competition, fraud and deception which had theretofore only been protected by the common law. While this section is broad enough to cover situations involving the common law “palming off” of the defendants’ products by the use of the plaintiff’s photographs, it is also comprehensive enough to include other forms of misrepresentation and unfair competition not involving “palming off.”⁴⁰⁷

3. Does the Fair Use Defense as Interpreted by the U.S. Supreme Court Diminish the Protection that the U.S. Affords Holders of Foreign Trademarks?

Although broad in its coverage, Section 43(a) is however subject to the fair use defense.⁴⁰⁸ Can the U.S be considered to be in full compliance of its

402. Paris Convention, *supra* note 8, at art. 10bis.

403. *Two Pesos, Inc., v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 858 (1982)), quoted in *Sugar Busters L.L.C. v. Brennan*, 177 F.3d 258, 267 (9th Cir. 1999).

404. *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603, 604 (2d Cir. 1925), *rev’d on other grounds*, *Muster Safe Co. v. Ely-Norris Safe Co.*, 273 U.S. 132, (1927) (“[T]here is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today.”).

405. *New West Corp. v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1198 (9th Cir. 1979) (citations omitted) (“To recover for a violation of this section it is not necessary that a mark or trade-mark be registered. The dispositive question is whether the party has a reasonable interest to be protected against false advertising.”).

406. *In re Uranium Antitrust Litigation*, 473 F. Supp. 393, 408 (N.D. Ill. 1979) (citation omitted) (“[T]he misrepresentations need not be used in an attempt to ‘palm off’ defendant’s product as plaintiff’s, and need not involve a trademark.”); *Alberto-Culver Co. v. Gillette Co.*, 408 F. Supp. 1160, 1163 (N.D. Ill. 1976) (citations omitted) (“A plaintiff is not required to allege ‘palming off’ of defendant’s product as plaintiff’s. Nor must the allegations involve misuse of a trademark.”).

407. 387 F. Supp. 1349, 1356 (E.D.N.Y. 1975) (citations omitted).

408. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. a (“The fair use defense has been recognized with respect to both registered and unregistered trademarks,” and “has also been recognized at common law and under § 43(a) of the Lanham Act.”).

international obligations to protect holders of foreign trademarks against unfair competition if it provides broad immunity from liability to potential infringers via the fair use defense? The answer is relatively straight-forward under the TRIPS Agreement. The TRIPS Agreement makes a provision for the fair use defense but essentially leaves it up to Member States to decide whether to provide the fair use defense and the scope of the defense. Arguably, both the formulation of fair use defense under Section 33(4)(b) and the recent interpretation offered by the Supreme Court in *KP Permanent Make-Up* are permissible under the TRIPS Agreement.

Under the Paris Convention, the answer is not readily apparent. The convention is silent on the fair use defense. The convention appears to call for comprehensive protection against all “act of competition contrary to honest practices in industrial or commercial” and specifically, protection against “all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor.” Applying the principles of treaty construction, it can be argued that the Paris Convention does not foreclose the fair use doctrine or the expansive interpretation of the doctrine offered by the U.S. Supreme Court. The phrase “an act or practice contrary to honest practices” is subject to a wide interpretation.⁴⁰⁹ The fair use defense is conditioned on a defendant in a trademark infringement action acting “fairly” and in “good faith.”

VII. FAIR USE DEFENSE AFTER KP PERMANENT MAKE-UP

According to the Supreme Court, mere risk of confusion or even a finding of a likelihood of confusion does not automatically foreclose reliance on the fair use defense.⁴¹⁰ There is a degree of confusion that society must live with if other deserving policies are to be advanced. In other words, “fair use can occur along with a degree of confusion.”⁴¹¹ The extent of any likely consumer confusion may be relevant, however, in assessing whether a defendant’s use is objectively fair.⁴¹² In other words, while a finding of confusion does not foreclose the fair use defense, a finding of actual confusion may be an indication that the defendant’s use was not fair.⁴¹³ It may be that in the future, while paying attention to the presence or absence of confusion, courts may be minded to pay serious attention to other elements of the fair use defense, that is, nontrademark use, and “used fairly and in good faith.” Likelihood of confusion should not be dispositive in any fair use analysis but should be an important element to be taken into consideration.

409. *ESA*, *supra* note 398.

410. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

411. *Id.* at 123.

412. *Id.*

413. *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234, 243 (4th Cir. 1997) (citation omitted) (“The district court correctly followed our mandate in *Shakespeare II* that ‘any inquiry into an alleged “fair use” of the clear tip must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar’s use of the clear tip.’”).

The Fourth Circuit's holding in *Shakespeare* stating "to the degree that confusion is likely, a use is less likely to be found fair" is not particularly helpful.⁴¹⁴ In accepting the defendant's fair use defense, however, the Fourth Circuit noted the following: the defendant acted in good faith;⁴¹⁵ the defendant had a legitimate, nonpredatory reason for using the disputed design, in that the design was adopted "to take advantage of its functional and descriptive aspects";⁴¹⁶ the defendant did not attempt to use the disputed design as a source of origin;⁴¹⁷ and, there was no alternative design which would be as effective in communicating the descriptive aspects of the product to consumers.⁴¹⁸ In *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, the fact that the goods of the plaintiff and defendant were unrelated was a factor that weighed strongly in the mind of the court.⁴¹⁹

A. What Options for Lower Courts?

Insight from the jurisprudence of the European Court of Justice and courts in the U.K. indicates that a degree of confusion is compatible with the fair use defense. Nevertheless, the courts in Europe have avoided injecting excessive consideration of confusion into their analysis and have preferred to adopt a case-by-case approach to the problem. Lower courts must carry out an overall objective assessment of each case to determine the applicability of the fair use defense. In their assessment, the primary focus must be on the three elements of Section 33(b)(4). In other words, in each case three questions will remain relevant. First, did the defendant use the mark fairly to describe his goods? Second, did the defendant use the mark in good faith? And third, did the defendant use the mark in a non-trademark sense? Depending on the facts of a case, likelihood of consumer confusion will have a bearing on all three questions. In approaching the difficult task of determining whether the fair use defense is available, the following may be helpful:

1. Confusion versus Deception:

A distinction must be drawn between a deceptive use of another's trademark and a use that is likely to cause confusion. The difference is a small one, however. As Judge Jacob observed in the English case of *Reed Executive P.L.C. v. Reed Business Information Ltd.*, "the difference between mere confusion and deception is elusive."⁴²⁰ Where a defendant in a trademark infringement

414. *Id.* (emphasis omitted).

415. *Id.*

416. *Id.*

417. *Id.*

418. *Id.*

419. 64 F.3d 1055, 1060 (7th Cir. 1995).

420. [2004] E.W.C.A. (Civ.) 159, [111] (Eng.).

action meets all the conditions of Section 33(b)(4) of the Lanham Act, the mere possibilities of confusion and even the existence of minimal confusion should not be enough to preclude reliance on the defense. Oftentimes, the existence of substantial confusion is the only objective evidence that a defendant is engaging in deceptive practices.⁴²¹ Given the important policy goal of preventing the monopolization of ordinary terms, lower courts should not deny the fair use defense unless substantial confusion is shown to exist. In this respect, survey evidence may be relevant to determine how many people are confused. Whether or not the defendant is using a disputed term as a source identifier or merely to convey information about his product would be relevant.

2. Damaging versus non-damaging confusion:

Not every type of confusion is damaging to the interest of the proprietor of a trademark. Sometimes the public may be momentarily confused but the confusion does not affect the ultimate purchasing decisions, because the public is not confused as to the source of the defendant's goods. It will therefore be necessary to consider whether a significant number of the public has been misled into thinking that the goods of the defendant originate from the plaintiff.⁴²² Are members of the public merely wondering whether there is a connection between the plaintiff and the defendant, or are they assuming that there is a connection between a trademark owner and the party seeking to assert the fair use defense?⁴²³ Survey evidence will be relevant to determine the perception of prospective purchasers.⁴²⁴

3. The Strength of the Plaintiff's Mark:

The strength of a plaintiff's mark remains highly relevant in the fair use analysis.⁴²⁵ First, compared to descriptive marks, it would be much harder for a defendant to prove that he has made a descriptive use of a fanciful or arbitrary mark. Second, compared to descriptive marks, it is more likely that the consuming public will assume a connection when a party has made use of a fanciful mark. In other words, because descriptive marks are functional, the consuming public is less likely to be deceived when a competitor uses a

421. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. b (noting that the extent of likely or actual confusion is an important factor in determining whether a use is fair).

422. *Reed Executive P.L.C.*, [2004] EWCA (Civ.) 159, [111] (The English court draws a distinction between damaging and non-damaging confusion. Background, nondamaging confusion exists when consumers merely wonder whether there is a connection between a trademark owner and a competitor. Damaging confusion occurs “[o]nce the position strays into misleading a substantial number of people.”).

423. *Id.*

424. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 cmt. b (noting that surveys and other evidence relating to the perception of prospective purchasers are relevant in determining the applicability of the fair use defense).

425. *Id.* (“The strength of the plaintiff's mark is an important factor in determining whether a use is fair.”).

descriptive term (as opposed to a fanciful term) to fairly describe his own product. More often than not, the public will assume that such a party is simply trying to describe his product. Conversely, a competitor's use of a descriptive mark will be more readily seen as an honest attempt by a party to describe his goods.

4. Intent:

It may be relevant for the court to ascertain the reason why a defendant chose a particular term or phrase. Did the defendant set out to cause confusion or was his decision driven by the need to accurately describe a quality or characteristic of his product? Obviously, where a person has set out to cause confusion by using another's trademark, the courts may presume that the person accomplished his purpose. Moreover, it may be relevant to determine whether, upon becoming aware that the use of another's mark is causing some confusion, the defendant took reasonable steps to reduce confusion.⁴²⁶ The fact that a defendant has taken reasonable precautions to reduce confusion is another factor that must be taken into account in determining the applicability of the fair use defense.

5. Context is Important:

To determine whether a defendant's use of a disputed mark qualifies for the fair use defense, courts will have to look at the overall circumstances of a case. The weight given to factors such as, whether the defendant conducted a basic trademark search prior to use of the term, whether defendant continued to use the term after it discovered defendant's registration of the term, and whether the defendant sought formal legal opinion regarding potential trademark issues before using the term would depend on the facts of each case. Where a party did not conduct a trademark search because of an honest belief that a term was being used descriptively and not as a trademark, a court may be reluctant to imply bad faith.⁴²⁷ Equally, "[t]he fact that one believes he has a right to adopt a mark already in use because in his view no conflict exists since the products are separate and distinct cannot, by itself, stamp his conduct as in

426. *Reed Executive P.L.C.*, [2004] EXCA (Civ.) 159, [130] ("Here RBI never set out to cause confusion. All they ever wanted to do was to associate their name with their totaljobs website. When they found that Version 1 caused some confusion they progressively reduced the use of the name Reed Business Information. At no time after Version 1 did they have any evidence of any real substantial deception of the public. I think they were acting in accordance with honest business practices thereafter.").

427. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 962 (7th Cir. 1992) ("For example, Quaker's in-house counsel, Lannin, testified at trial that his review of the 'Thirst Aid' campaign in February or March of 1984 did not include a trademark search because he concluded that the proposed advertisements used the words 'Thirst Aid' descriptively, and not as a trademark, and therefore did not raise any trademark issues.").

bad faith”⁴²⁸ According to the Seventh Circuit in *Sands, Taylor & Wood Co.*, “[a] party who acts in reasonable reliance on the advice of counsel regarding a close question of trademark law generally does not act in bad faith.”⁴²⁹ Also, a party’s decision to proceed with the use of a term after learning of another’s registration of the same as a trademark may not be indicative of bad faith.⁴³⁰ A “defendant’s refusal to cease using a mark upon demand” or decision to continue to use a mark despite agreement to the contrary “is not necessarily indicative of bad faith” if such decision is “compatible with a good faith business judgment.”⁴³¹

What about a plaintiff’s failure to obtain a formal legal opinion from outside counsel before using the term? That without more may also not be indicative of bad faith according to the Seventh Circuit.⁴³² Where failure to obtain formal opinion was based on a sincere, reasonable conclusion that no trademark issue was raised, the court would be reluctant to infer bad faith.⁴³³

B. Options For Trademark Owners after KP Permanent Make-Up

The decision of the Supreme Court leaves intact some of the traditional protections available to trademark owners such as a cause of action in passing off under common law. A trademark owner can also assert causes of action for trademark dilution under Section 43(c) of the Lanham Act (15 U.S.C. § 1125(c)), unfair competition and trade dress infringement under Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)), and unfair competition under applicable state law.⁴³⁴ Action in passing off is particularly promising and is discussed below.

428. *Nalpac, Ltd. v. Corning Glass Works*, 784 F.2d 752, 755 (6th Cir. 1986) (quoting *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 441 F.Supp. 1220, 1230 (S.D.N.Y. 1977), *aff’d*, 580 F.2d 44 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979)).

429. 978 F.2d at 962 (citation omitted).

430. *Id.* (holding that “[Defendant] Quaker’s decision to proceed with the ‘Thirst Aid’ campaign once it learned of [plaintiff’s] registrations” did not necessarily show bad faith because it was based on an honest conclusion that the term in question was descriptive and an investigation revealed that no current use was being made of the term).

431. *Id.* (citation omitted) (“Even the defendant’s refusal to cease using the mark upon demand is not necessarily indicative of bad faith.”); see also *Munters Corp. v. Matsui America, Inc.*, 730 F. Supp. 790, 799-800 (N.D. Ill. 1989), *aff’d*, 909 F.2d 250 (7th Cir. 1990) (stressing that absent more, courts should “not make an inference of bad faith from evidence of conduct that is compatible with a good faith business judgment.”); *id.* at 801 (holding that plaintiff did not present any convincing evidence to compel the court to conclude that defendant’s “actions were not made within the context of good faith business judgment.”).

432. See *Sands, Taylor & Wood Co.*, 978 F.2d at 962.

433. *Id.* (The court found that Quaker’s failure to obtain formal legal opinion from outside counsel until after the “Thirst Aid” campaign began was not weak evidence of bad faith. The court thought that given in-house counsel’s “sincere, reasonable conclusion that Quaker’s ads used ‘Thirst Aid’ descriptively, so that no trademark issue was raised, Quaker had no reason to seek the opinion of outside trademark counsel.”).

434. Lanham Act, *supra* note 12, § 1125. For more on these sections of the Lanham Act, see *supra* Part V.

1. Passing Off in the United States

The fair use defense does not provide immunity for conducts that are calculated to deceive the public as to the identity of a party's business or establishment. Common law provides ammunition that a trademark owner may use against a defendant that attempts to pass off his goods as those of another. The rule laid down in *Singer Mfg Co. v. June Mfg Co.* is pertinent.⁴³⁵ In *Singer*, Mr. Justice White stated:

This fact is fully recognized by the well-settled doctrine, which holds that although "every one has the absolute right to use his own name honestly in his own business, even though he may thereby incidentally interfere with and injure the business of another having the same name. In such case the inconvenience or loss to which those having a common right are subjected is *damnum absque injuria*. But although he may thus use his name, he cannot resort to any artifice or do any act calculated to mislead the public as to the identity of the business firm or establishment, or of the article produced by them, and thus produce injury to the other beyond that which results from the similarity of name."⁴³⁶

Also, in *Howe Scale Co. v. Wyckoff, Seamans & Benedict*,⁴³⁷ Mr. Justice Fuller observed that "[t]he essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another, and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails."⁴³⁸

The question is not whether it is necessary for the defendant to use the plaintiff's mark, but whether his use is reasonable and honest, or whether it is calculated to deceive.⁴³⁹ Although a party may have the right to use a descriptive mark, where another has begun using it, the failure to adopt distinguishing signs may give rise to an inference that actions were calculated to deceive.⁴⁴⁰

435. 163 U.S. 169 (1896).

436. *Id.* at 187 (emphasis added to last sentence) (citation omitted).

437. 198 U.S. 118 (1905).

438. *Id.* at 140.

439. *Id.* at 137.

440. *Id.* at 137-38 In *Brown Chemical Co. v. Meyer*, trademark owner marketed his medicine under the label "Brown's Iron Bitters" sought to enjoin a defendant from marketing a similar medicine under the name "Brown's Iron Tonic." 139 U.S. 540, 544-545 (1891). The Supreme Court dismissed the action in passing off finding that in this case, "the usual indicia of fraud [were] lacking." *Id.* at 540. According to the Court:

Not only do defendants' bottles differ in size and shape from those of the plaintiff, but their labels and cartons are so dissimilar in color, design and detail that no intelligent person would be likely to purchase either under the impression that he was purchasing the other. There are certain resemblances in the prescriptions and instructions for the use of the respective preparations, but no greater than would be naturally expected in

2. Passing Off in the U.K.

In the U.K., an action in passing off remains available to trademark owners. As stated by Judge Romer in *Rodgers v. Rodgers* and approved by the majority of the House of Lords in *Parker-Knoll v. Knoll International*,⁴⁴¹ “[t]o the proposition of law that no man is entitled so to describe his goods as to represent that the goods are the goods of another, there is no exception.”⁴⁴² In *Baume & Co. v. A. H. Moore, Ltd.*, the court of appeal affirmed the decision of the High Court that the plaintiff had not established a case for trademark infringement, but nevertheless proceeded to find that the defendant’s conduct constituted a passing off which should be restrained by an injunction.⁴⁴³ According to the court of appeals, “if a trader is honestly using his own name, then no action will lie for infringement of trade mark and any rival trader who thinks himself aggrieved must sue, if at all, for passing off.”⁴⁴⁴

In the U.K., passing off has been defined as “a wrongful invasion of a right of property vested in the plaintiff.”⁴⁴⁵ The property protected by the tort of passing off “is not the plaintiff’s proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant’s misrepresentation.”⁴⁴⁶ In *Erven Warnink B.V. v. J. Townsend & Sons (Hull) Ltd.*,⁴⁴⁷ a case that went up to the House of Lords, Lord Diplock espoused what is generally considered the “authoritative modern formulation of the tort of passing off.”⁴⁴⁸ The five elements of the tort of passing off according to Lord Diplock are:

- (1) a misrepresentation (2) made by a trader in the course of trade (3) to prospective customers of his or ultimate consumers of goods or services supplied by him (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.⁴⁴⁹

two medicinal compounds, the general object of which is the same. Under such circumstances, a certain similarity in the methods of using and recommending them to the public is almost unavoidable. While the resemblances in this case are perhaps too great to be considered the result of mere accident, the dissimilarities are such as to show an intention to avoid the charge of piracy.

Id.

441. [1962] R.P.C. 265.

442. *Rodgers v. Rodgers*, [1924] 41 R.P.C. 277.

443. [1958] R.P.C. 226 (A.C.).

444. *Id.*

445. *Harrods Ltd. v. Harrodian School Ltd.*, [1996] R.P.C. 697, 711 (A.C.) (citations omitted).

446. *Id.* (citations omitted).

447. [1979] A.C. 731 (H.L.) (appeal taken from Eng.) (U.K.).

448. *Id.* at 742, quoted in *Harrods Ltd.*, [1996] R.P.C. at 710.

449. *Id.* at 742 (citation omitted), quoted in *Harrods Ltd.*, [1996] R.P.C. at 706.

Deception is the touchstone for the tort of passing off.⁴⁵⁰ However, although helpful to the plaintiff's case, "it is not necessary for a plaintiff to establish that the defendant consciously intended to deceive the public if that is the probable result of his conduct."⁴⁵¹ Whether a party's conduct is likely to cause confusion is a question of fact.⁴⁵² As authoritatively stated by Lord Halsbury, L.C. in *Reddaway v. Banham*:

For myself, I believe the principle of law may be very plainly stated, and that is that nobody has any right to represent his goods as the goods of somebody else. How far the use of particular words, signs or pictures does or does not come up to the proposition which I have enunciated in each particular case must always be a question of evidence, and the more simple the phraseology, the more like it is to a mere description of the article sold, the greater becomes the difficulty of proof; but, if the proof establishes the fact the legal consequence appears to follow.⁴⁵³

In conclusion, an action in passing off remains available to trademark owners even when the honest use defense forecloses a trademark infringement claim. Whether the courts will conclude that there is a reasonable likelihood of deception will depend on the facts of each case. Where there is a demonstrated intention to deceive, the courts will invariably find for the trademark owner. Absent a demonstrated intention to deceive a number of factors may weigh strongly in the mind of a court including, strong similarity in the marks coupled with similarity in product, similarity in quality of product, price and marketing channels.⁴⁵⁴ When a descriptive mark is at issue, a small

450. *Harrods Ltd.*, [1996] R.P.C. at 706 ("Deception is the gist of the tort of passing off, but it is not necessary for a plaintiff to establish that the defendant consciously intended to deceive the public if that is the probable result of his conduct. Nevertheless, the question why the defendant chose to adopt a particular name or get up is always highly relevant.").

451. See *Baume & Co. v. A. H. Moore, Ltd.*, [1958] R.P.C. 226(A.C.) (noting that it is not a valid defense in an action for passing off to assert that the defendant had no intention to deceive because "fraud is not a necessary constituent of such an action."); see also *Office Cleaning Servs. Ltd. v. Westminster Office Cleaning Ass'n*, [1944] 2 All E.R. 269, 270-71 (A.C.) (citation omitted).

The foundation of the right to restrain the user of a similar name is the principle that no one is entitled to represent his business or goods as being the business or goods of another by whatever means that result may be achieved, and it makes no difference whether the representation be intentional or otherwise.

Office Cleaning Servs. Ltd., [1944] 2 All E.R. at 270-271. The court also noted that "it is easier for a plaintiff to discharge the burden on him if he can prove that the defendants [sic] object is to produce confusion, and is, therefore, fraudulent." *Id.*

452. *Baume & Co.*, [1958] R.P.C. 226.

453. [1896] A.C. 199, 202 (H.L.) (Eng.).

454. *Baume & Co.*, [1958] R.P.C. 226. (Where plaintiff had since 1878 carried on the business of distributors and sellers of watches under the name of *Baume & Co., Ltd.*, the court

differentiation between the plaintiff's mark and the defendant's mark may be sufficient to defeat the plaintiff's claim.⁴⁵⁵

VIII. CONCLUSION

It is a settled principle of common law, codified in the Lanham Act and reinforced in the TRIPS Agreement and the Paris Convention, that a merchant is not free to appropriate for his exclusive use terms that are descriptive of the qualities, ingredients, or characteristics of a product. The rule protects the information value of trademarks and promotes healthy competition in the market-place.⁴⁵⁶ In *KP Permanent Make-Up*, the Supreme Court was faced with two types of conflict. First, the Court was faced with a "conflict between the public interest in preserving a right to describe and the public interest in avoiding consumer confusion."⁴⁵⁷ Additionally, the Court was faced with a conflict between the private interest in protecting the goodwill and trade name of a merchant and the public interest in promoting competition. Overruling the Ninth Circuit, the Supreme Court opted for a broad interpretation of the fair use doctrine, one that did not require the defendant to prove the absence of a likelihood of confusion.

A robust fair use defense advances longstanding trademark policy. On the other hand, a narrowly defined fair use defense would have produced serious anticompetitive results that would have been detrimental to competitors and the consumers. The decision of the Supreme Court in *KP Permanent Make-Up* preserves the balance embodied in the Lanham Act "between granting trademark protection for the source-identifying meaning of ordinary words, and preserving the descriptive meaning of those same words for appropriate use by all competitors in the marketplace."⁴⁵⁸ The decision will thus ensure that the Lanham Act's scheme for the protection of trademarks "comports with Congress's carefully calibrated approach . . . to advance consumer welfare through promoting competition, enhancing the fairness and reliability of product information, and protecting consumers against confusion in the

of appeal held that that use by defendant of the name "Baume & Mercier, S.A." in the marketing of watches constituted a passing off. The court found persuasive testimonies of a jeweler who told the court that he would not stock both Baume and Baume & Mercier watches in his shop because he thought it would result in confusion both among his staff and among the public.).

455. *Office Cleaning Servs.*, [1944] 2 All E.R. at 271 ("In the absence of any fraudulent intention," defendant could continue to carry on business under the name "Office Cleaning Association" though somewhat similar to plaintiff's trade name, Office Cleaning Services Ltd. In the opinion of the court, the differentiation between the words "Services" and "Association" was sufficient to distinguish the defendants' business from that of the plaintiff).

456. INTA, *supra* note 94, at 7 (observing that the rule prohibiting monopoly of descriptive terms is "necessary to promote competition by enabling merchants access to terms that describe the nature, qualities, ingredients, or characteristics of the goods or services they offer").

457. *Id.* at 10.

458. AIPLA, *supra* note 22, at 8.

marketing of goods and services.”⁴⁵⁹ The decision ensures that big businesses do not “buy ordinary words of the English language as trademarks at comparatively little cost.”⁴⁶⁰ Moreover, the decision is in accord with the jurisprudence of courts in other jurisdictions, particularly the European Court of Justice and courts in the U.K., and advances the goals of the TRIPS Agreement and the Paris Convention to which the U.S. is a party.

The Supreme Court decision in *KP Permanent Make-Up* nevertheless protects and preserves the legitimate interests of a trademark owner. Carefully applied, the decision can advance the Lanham Act’s goals of protecting a trademark owner’s property interest in his trademark, prevent damaging consumer confusion, and maintain fairness in the market place. The lesson learned is that a person adopts a descriptive or potentially descriptive mark at his peril. The statement made by Mr. Justice Strong in 1872 remains true today. According to Justice Strong:

No one can claim protection for the exclusive use of a trade-mark or trade-name which would practically give him a monopoly in the sale of any goods other than those produced or made by himself. If he could, the public would be injured rather than protected, for competition would be destroyed. Nor can a generic name, or a name merely descriptive of an article of trade, of its qualities, ingredients, or characteristics, be employed as a trade-mark and the exclusive use of it be entitled to legal protection.⁴⁶¹

459. U.S. Amicus brief, *supra* note 56, at 1.

460. *British Sugar P.L.C. v. James Robertson & Sons, Ltd.*, [1996] R.P.C. 281, 285 (Ch.).

461. *Del. & Hudson Canal Co. v. Clarke*, 80 U.S. (13 Wall.) 311, 323 (1871).