

TrademarkThoughts

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Third Party Trademarks: Fair Use or Foul?

The core function of a trademark is to serve as an exclusive identifier of the source of a product or service. One of the most important rights enjoyed by a trademark owner is the right to stop others from using the same or a confusingly similar trademark. It stands to reason that the owner of a trademark can be the only legitimate user of that trademark. Or does it? It has become increasingly common to see trademarks being used by third parties in various ways and places—in news reports, in comparative advertisements, in slide presentations, on labels, etc. Are such uses legitimate when made without the brand owner’s permission?

U.S. trademark law incorporates the concept of “fair use,” which recognizes that in some instances it is permissible to use someone else’s trademark provided certain conditions are met. Trademark owners should be familiar with the concept of fair use so that they can better evaluate when a third party’s use of their trademark is fair. Similarly, the users of marks that are not their own should know when they may be crossing the line from fair use to infringement.

“Classic” Fair Use vs. “Nominative” Fair Use

Courts have identified two types of trademark fair use which have been held neither to infringe nor to dilute. So-called “classic” fair use exists where another’s trademark is being used for its ordinary, descriptive meaning to describe a product or service. Thus, in a case involving competing makers of permanent makeup, the defendant’s use of the term “microcolor” to describe its products was held by the U.S. Supreme Court to be a fair use of those words, despite the fact that the plaintiff held a federal registration for the mark MICRO COLORS for the same goods. *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004). Similarly, the use of the word “sweet-tart” to describe the flavor of a juice drink was found to be a fair use of those words and not an infringement of the mark SWEETTARTS for candy. *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F.3d 1055 (7th

Cir. 1995). “Classic” fair use comes into play when the mark at issue has a clearly understood descriptive meaning; the rationale is that the trademark owner should not be permitted to deprive competitors and others of the ability to use words that are legitimately needed to describe their products or services. Owners of more distinctive, less descriptive trademarks are therefore less vulnerable to the “classic” fair use defense.

Far more common are disputes involving what is called “nominative fair use.” Nominative use occurs when a third party uses someone else’s trademark not to describe its own products or services but to refer to the actual trademark owner or identify a product or service of the trademark owner. The simple fact that the use is not authorized by the trademark owner does not necessarily make such use infringing. To qualify as nominative fair use, the following elements must be present:

Nominative fair use also protects the use of a competitor's mark in a comparative advertisement.

- The use must accurately refer to the owner of the trademark or the goods or services sold under the trademark—it cannot be misleading or defamatory;
- The use must not imply any endorsement or sponsorship by the trademark owner;
- There should be no easier way to refer to the owner or its products; and
- Only so much of the trademark can be used as is needed to identify the trademark owner and no more—this is often taken to mean that only words may be used but not logos.

Nominative fair use comes up in a variety of settings and circumstances; we will look at some of the most common here.

News Reporting, Critiques and Reviews

The concept of nominative fair use was first recognized in a case involving news reporting. *USA Today* had used the name of the band New Kids on the Block in conjunction with a news story and a poll about the band. Because the use accurately referred to the band, because there was no other way to refer to the band than by its name, and because there was no suggestion of endorsement or sponsorship, the use of the band name was found to be non-infringing. Thus news outlets (whether mainstream or next generation) may legitimately use third-party trademarks in stories about the owners of those marks, and this extends to criticism and reviews—even negative reviews, provided the use is factually accurate.¹

Comparative Advertising

Nominative fair use also protects the use of a competitor's mark in a comparative advertisement. The nominative fair use factors listed above must be met, but so must the rules governing comparative ads—all claims must be strictly accurate and supported by backup documentation.

Compatibility and Ingredient Claims

A seller will often want to state that its product is compatible with, or suitable for use with, another's product; that it is made with a certain branded ingredient or component; or that it complies with a certain standard. The general rule is that such statements can qualify as nominative fair uses. Of critical importance in these situations are the elements that the statement is accurate and that it does not suggest endorsement. Thus, the simple "Compatible with X" is permissible, but "Recommended for use with X" may not be. In addition, technology companies often have their own rules for what they will and will not permit in terms of "compatible with" or "made with" statements, so it is advisable to check with the source before making such a claim. Standard-setting organizations are (and must be) particularly strict about use of their marks, so claims of compliance with a standard (e.g., "UL Approved") should not be made without express permission of the standard-setting organization.

Independent vs. Authorized Resellers, Distributors and Repair Service Providers

Third-party use issues often come up in the context of resellers, distributors and repair service providers. Brand owners who work with authorized resellers and distributors should and typically will have license agreements in place that govern how and where the reseller/distributor can use the brand owner's marks. Such agreements typically forbid, for example, the reseller from registering any domain names which incorporate the trademark of the brand owner, or from registering any trademarks of the brand owner in its own name.

In many industries, however, there are independent resellers, distributors, and brokers. If such an independent reseller specializes in the products of a particular company, it may use the

“Trademarks are part of our common language, and we all have some right to use them to communicate in truthful, non-misleading ways.”

—Judge Kozinski

trademarks of the company to state that specialty, but must avoid any suggestion that there is an endorsement or other relationship. Thus “Independent X Reseller” is permitted, but “Buy Your Next X From Us” or “Your Preferred Source for X” may not be to the extent it incorrectly implies that it is an original manufacturer-authorized sales channel.

The same rules apply to repair shops. Independent repair shops may state that they specialize in a certain brand, as long as it is otherwise clear that they are independent and not a licensed or authorized repair provider. The statement must also be accurate—a claim to specialize in repairing a certain brand must be backed up by actual competence in repairing that brand; false statements along these lines raise not only trademark issues but false advertising and consumer protection liability as well. Agreements with authorized repair shops should include trademark licensing provisions with detailed usage rules in order to preserve the reputation of the marks.

Domain Names, Websites and Microsites

What about using another’s trademark as part of a domain name? According to the Ninth Circuit, “Trademarks are part of our common language, and we all have some right to use them to communicate in truthful, non-misleading ways.” *Toyota Motor Sales U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010). This right to use another’s mark in order to communicate effectively extends to domain names, as the court in *Tabari* made clear by permitting an independent auto sales broker to use the domains <buy-a-lexus.com> and <buyorleaselexus.com>. Importantly, the actual content of these sites was not misleading with respect to Tabari’s independence from Toyota.

Evaluating fair use in the context of microsites is more challenging. A microsite is nothing more than a website with its own domain name that provides information about a particular subject and usually contains a link back to some main site. The subject matter of a microsite may be brand-oriented or product/service-oriented. Consider <accessoriesforwebergrills.com>—a brand-oriented site that tells you everything you need to know about accessories for your Weber grill. And consider a product-oriented microsite that tells you everything you need to know about rotisseries for grills (one of which may be a Weber) at <grillrotisseries.com>. Both these sites may link back to an independent retailer of grills and grill accessories.

Let’s assume that the use of “Weber” on either of these microsites meets the standards for nominative fair use. Should Weber be concerned? What if this retailer has dozens of Weber-oriented microsites as part of a sophisticated domain name registration and search engine optimization program?² While each individual site may appear fair, the program as a whole may in fact be unfairly leveraging the brand. Brand owners should evaluate use of their mark by another in the broadest possible context to ensure that no more is being used than is necessary.

Identifying Customers and Business Partners

It is extremely common to see companies identify their customers and other business partners on their websites and other marketing materials, often by use of the companies’ logos. Nominative fair use permits this to an extent—one may make a factual statement that XYZ Company is a customer. But is use of the logo going too far? The traditional view is that using a logo would exceed the requirement that one use only as much of the mark as needed to identify the company, so

“Some possibility of consumer confusion is compatible with fair use.”

—Justice Souter

the safer advice is that logos should not be used without the brand owner’s permission. That being said, logos can be very efficient, functional ways to identify their owners, and their use in this context has become almost ubiquitous. Regardless of what trademark law may require, preserving good relations with a business partner may militate in favor of seeking permission prior to such a use.

In addition, the requirement that no endorsement be implied is particularly important in this context. One may state that XYZ Company is a customer, but one should not state that XYZ Company is a *happy* or satisfied customer, absent permission. Good business practices and common courtesy would dictate against using even a company name without first asking, regardless of what fair use might permit—seeking permission first is always the best practice. On the flip side, brand owners may want to incorporate clauses in significant agreements which state whether or how the contracting partner may publicly disclose the relationship and identify the brand owner as a customer/vendor/partner.

Practical Considerations

If you are a brand owner and have discovered a third party using your trademark without permission, consider whether the use meets the requirements of nominative fair use:

- Is the reference factually accurate?
- Is there no easier way to identify you or your product?
- Have they limited the use of your mark to the minimum needed for their purposes?
- Is there any suggestion of endorsement, sponsorship or any other relationship?

Each fair use assessment is highly fact-sensitive, but an honest evaluation of these factors will help determine what, if anything, can or should be done to correct the use and what tone to adopt in approaching the user.

If you want to use someone else’s trademark for any reason, consider your business reasons for the use and whether it is feasible to identify the party some other way. Whenever possible, ask for the brand owner’s permission before proceeding—securing advance permission is the only sure way to avoid disputes later. Make sure the use is strictly accurate and makes no misleading suggestions; and don’t use logos or stylization without permission.

A final word of caution to brand owners: According to the Supreme Court, “some possibility of consumer confusion is compatible with fair use.” *KP*, 543 U.S. at 113. And from *Tabari*, “momentary uncertainty does not preclude a finding of nominative fair use.” *Tabari*, 610 F.3d at 1708. If there is a tiebreaker in determining the fairness of a particular use, it is competition. A use that fosters competition without causing harmful confusion wins the day.

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- 1 This protection for reviews and criticism also extends to parodies, but parody is a genre unto itself with its own First Amendment protections, which are beyond the scope of this article. The same applies to the use of trademarks in order to provide realism in other expressive works, from novels to video games: First Amendment rights will generally carry the day.
- 2 The use of third-party trademarks such as metatags, hidden website text, advertising keywords and other SEO tools is a topic that requires—and has received—detailed separate treatment. Such uses are often permissible if they are accurate, do not falsely suggest endorsement or permission, and are not likely to confuse consumers about the source of the ad or website. Nevertheless, the law regarding the use of trademarks as keywords in particular is still not entirely settled, and caution should be exercised.