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The "Prior Use" Defense In Trademark Infringement Loses Its Vitality

by
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1. Introduction

Due to recent decisions, the prior use defense to either a federal trademark infringement or false designation of origin cause of action may no longer be a complete defense. Instead, the prior use defense may only serve to change the evidentiary status of an incontestable federal trademark from conclusive evidence to prima facie evidence of a registrant's right to use the mark in commerce.

2. The Causes of Action

The Lanham Act provides for federal trademark infringement and false designation of origin causes of action. Section 33(1) of the Lanham Act (35 U.S.C. 1114(1)), which establishes a federal trademark infringement cause of action, states:

(1) Any person who shall without the consent of the registrant -

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

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; shall be liable in a civil action by the registrant... (Emphasis added.)

Accordingly, a federal trademark infringement action requires that the aggrieved party have a federally registered mark.

Section 43(a) of the Lanham Act (35 U.S.C. 1125(a)), which establishes a federal false designation of origin cause of action, states:

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use

of any such false description or representation. (Emphasis added.)

In contrast to a federal infringement cause of action, a federal false designation of origin cause of action can be brought by any person.

3. The Effect of a Federal Trademark Registration

A trademark registered on the federal principal register can be either prima facie or conclusive evidence of a registrant's exclusive right to use the registered mark in commerce. As stated in Sections 33(a) and (b) of the Lanham Act (35 U.S.C. 1115(a) and (b)):

(a) . . . a mark registered on the principal register and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence 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 affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein . . .

4. The Defense

Section 33(b)(5) of the Lanham Act (35 U.S.C. 1115(b)(5)) sets forth one of the seven defenses to an incontestable federal trademark registration. In particular, section 1115(b)(5) provides that:

(b) If the right to use the registered mark has become incontestable . . . the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services . . . except when one of the following defenses or defects is established: . . .

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; (Emphasis in original.)

5. The Current Law

The prior use or ^ 1115(b)(5) defense has been frequently used in the Ninth Circuit with respect to defending a claim for infringement under 35 U.S.C. ^ 1114. *Golden Door, Inc. v. Odisho*, 646 F.2d 347, 351, 208 USPQ 638, 642 (9th Cir. 1980); *Casual Corner Associates, Inc. v. Casual Corner Stores of Nevada, Inc.*, 493 F.2d, 709, 712, 181 USPQ 429, 431 (9th Cir. 1974); *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 842-843, 164 USPQ 67, 70 (9th Cir. 1969), *T Shirts Plus v. T-Shirts Plus, Inc.*, 222 USPQ 117, 120 (C.D. Cal. 1983). The elements of a prior use defense in section 1114 actions are (1) the junior user's use of the mark began before the mark's registration and (2) there has been continuing use since that time. *Casual Corner*, 493 F.2d at 712, 181 USPQ at 431. The prior use defense has also been used in the Ninth Circuit with respect to defending a claim for false designation of origin under 35 U.S.C. ^ 112(a). *T Shirts Plus*, 222 USPQ at 120.

The Ninth Circuit considers the prior use defense to be a complete defense to a section 1114 infringement cause of action. *Mister Donut*, 418 F.2d at 843, 164 USPQ at 70; *T Shirts Plus*, 222 USPQ at 120. The Central District of California held that prior use is a complete defense to a false designation of origin claim under section 1125(a). *T Shirts Plus*, 222 USPQ at 120. Furthermore, since the prior use defense is available in instances where the mark in question has become incontestable, the prior use

defense has been held to be a fortiori available where the mark remains vulnerable to attack. T Shirts Plus, 222 USPQ at 120. In view of this a fortiori reasoning, in a section 1125(a) false designation claim where a registered mark does not exist, under the current law it can be argued that the prior use defense should be available where it is established that (1) the junior user's use of the mark began before the junior user had actual or constructive notice (e.g., by a state registration) of another's prior use of the mark and (2) there has been continuing use since that time.

6. Changing Trend In The Law

The Northern District of California has questioned the correctness of the use of the prior use defense as a complete defense to a section 1114 infringement action. In particular, in *Golden Door, Inc. v. Odisho*, 437 F.Supp. 956, 964-965, 196 USPQ 532, 540 (N.D. Cal. 1977), the District Court stated the following:

Were there no Ninth Circuit decision on point, we would conclude that a careful reading of the statutory provision at issue compels the conclusion that establishment of the Section 1115(b)(5) "defense" affects only the evidentiary force to be accorded the registration and continuous use. This view is supported by the legislative history of the Lanham Act. In explaining the Senate-House Conference Report, Representative Lanham, principal author of the Act, stated that the defenses in Section 1115 "are intended to relate to and to affect the weight of the evidence to be given to the certificate of registration * * * but * * * are not intended to enlarge, restrict, amend, or modify the substantive law of trademarks. * * *" 92 Cong. Rec. 7524. Instead, proof of one of the Section 1115 defenses places on the registrant "a burden of proof in the event of litigation which others do not have to carry, but (sic) diluting the weight the court is to give to his certificate of registration as evidence of ownership and the right to use the mark. This is the intent and effect and the only intent and effect of the seven subparagraphs of section [1115]." Id.<

This position is also supported by the purposes behind the federal legislation, to provide greater protection to registered trademarks than was available at common law by establishing a presumption that the registrant is entitled to exclusive use of the mark (15 U.S.C. ^1115), by providing constructive notice of the registrant's claim to the mark (15 U.S.C. ^1127). Registration under the Lanham Act does not create a right to a trademark; trademarks may be acquired only by appropriation and use in accordance with common law principles. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 411, (1916); *Tillamook County Creamery Ass'n. v. Tillamook Cheese and Dairy Ass'n.* 345 F.2d 158, 160, 145 USPQ 244, 245 (9th Cir. 1965), cert. denied, 382 U.S. 903, 147 USPQ 541 (1965); *Restatement, Torts* ^715, comment p. 557; 4 *Callmann, Unfair Competition*, supra ^97.3 p. 587, n. 89.

If the mark had not been registered pursuant to the Lanham Act, once a likelihood of confusion were shown, plaintiff would be entitled to an injunction against defendant's use of its trademark or any confusingly similar mark as the prior user of the mark. *Stork Restaurant, Inc. v. Sahati*, 9th Cir., 166 F.2d 348, 76 USPQ 374. Good faith use without knowledge does not preclude the issuance of an injunction. *La Touraine Coffee Co., Inc. v. Lorraine Coffee Co., Inc.*, 157 F.2d 115, 118, 70 USPQ 429, 432-433 (2nd Cir. 1946); see also, *Chips 'N Twigs, Inc. v. Prives*, 226 F.Supp. 529, 139 USPQ 544 (N.D.Cal. 1963). To hold that Section 1115(b) provides substantive defenses to a claim of trademark infringement rather than exceptions to the section's conclusive presumption affords the registrant less protection than that to which he is entitled at common law, and thus defeats the purpose of the law.

The Court for these reasons urges reexamination of the holding of *Mister Donut of America, Inc.* supra, when the opportunity presents itself.

In *Park 'N Fly v. Dollar Park & Fly, Inc.*, 105 S.Ct. 658, 224 USPQ 327 (1985), the U.S. Supreme Court was faced with the issue of whether an incontestable mark could be cancelled because it was merely descriptive and therefore improperly originally registered. The cancellation petitioner argued that enforcing the mark would conflict with the goals of the Lanham Act because the mark is merely descriptive and should never have been registered in the first place. The petitioner noted that Representative Lanham had explained that the defenses enumerated in ^33(b) were not intended to enlarge, restrict, amend, or modify the substantive law of trademarks either as set out in other section of the act or as heretofore applied by the courts under prior laws. Petitioner reasoned that because the Lanham Act did not alter the substantive law of trademarks, the incontestability provisions cannot protect

the registrant's use of the mark if the mark were not originally registerable. In responding to the cancellation petitioner's arguments, the Supreme Court stated:

Representative Lanham made his remarks to clarify that the seven defenses enumerated in Section 33(b) [i.e., 15 U.S.C. 1115(b)] are not substantive rules of law which go to the validity or enforceability of an incontestible mark. . . Instead, the defenses affect the evidentiary status of registration where the owner claims the benefit of a mark's incontestible status. If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner's right to exclusive use of the mark.

Park 'N Fly, 105 S.Ct at 664, 224 USPQ at 331-332. Accordingly, in view of the above comments by the Supreme Court, a California court may feel that an opportunity has presented itself to reexamine the holding of Mister Donut.

7. Common Law Rule

If the ^ 1115(b)(5) prior use defense is not available as a "complete defense" in view of Park 'N Fly, supra, a junior trademark user in order to defeat a claim under section 1114 or 1125(a) will have to establish a common law right to use his mark. A junior user's common law right to use his mark was discussed in *Southland Corp. v. Schubert*, 297 F.Supp. 477, 160 USPQ 375, 388 (C.D. Cal. 1968). In *Southland Corp. v. Schubert*, the Central District of California stated:

Under the common law an innocent junior user, that is to say a party who adopted the name or mark without knowledge of the activities of the senior user, has the right to use the name or mark in issue in an area remote from the areas wherein the senior user is presently operating, or from the areas to which he is foreseeably likely to expand his operations. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). In a word, under the common law a junior user will be protected if he is (1) innocent and (2) remote.

Accordingly, the common law enables a junior user to continue using his mark if the junior user can establish (i) innocent adoption of the mark in a (2) remote area.

8. Conclusion

In view of the Supreme Court's comments in Park 'N Fly, a prior use or section 1115(b)(5) defense may no longer be a complete defense to a section 1114 or section 1125(a) cause of action. Instead, a section 1115(b)(5) defense only will lower the evidentiary status of an incontestable mark from conclusive evidence to prima facie evidence of the registrant's exclusive right to use the registered mark. The junior trademark user must then carry the burden of establishing his common law right to continue using the mark.

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