A Study of Indian and US Trademark Law Relating to the Effect of ‘Non-Use’ of a Trademark

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This paper surveys the operation of user requirements and the effect of non-use of trademarks in USA and India and examines what constitutes ‘use’ of a trademark and then also examines non-use and its effects. Even though proof of use is not required in many countries for either registration or renewal it is critical for maintaining trademark rights. Generally, the right to exclusive use of a mark grows out of its use in connection with an established business or trade. The user who first appropriates the mark obtains an enforceable right to exclude others from using it, as long as the initial appropriation and use are accompanied by an intention to continue exploiting the mark commercially. Accordingly, failure to use the mark can result in a loss of that right and trademarks may be attacked on the ground of abandonment or non-use. Almost all countries in the world permit a third party to petition the Trademark Office to cancel a registration for non-use. The author briefly examines the position laid down in the Paris Convention and TRIPS Agreement with regard to the issue of non-use. However, it has to be noted that whereas the legal position regarding the issue is pretty much settled in USA, India is still at the nascent stages of development of relevant law.

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Markets keep on growing and trade and business go on expanding, consequently an increasing number of trademarks are registered all over the world. Trademarks are, generally, words, names, symbols, devices, designs, or other distinctive signs or marks which serve to identify the source of goods or services and distinguish them from those sold by others. A trademark will not always reveal the name of the source, but if consumers understand that all of the goods or services sold under a particular mark emanate from a single entity, or from others approved by that single entity, then such mark functions as a trademark. Trademarks also symbolize the goodwill, which a company has established for a product or service, and provide protection for the company’s investment in that goodwill. Moreover, trademarks perform an important role as advertising tools for their owners. They aid consumers because trademarks represent consistent quality. Trademarks are exclusive rights conferred on the owner. Consequently, the use of trademarks by others without permission in connection with similar goods or services is an actionable wrong, because such use is an infringement of the owner’s rights.1 However, a substantial number of the trademarks which are registered in the trademark registry in India as well as in USA fall into disuse after a few years. In USA these unused trademarks are referred to as ‘deadwood’ and this deadwood makes it increasingly difficult to adopt and register new marks.2

Trademark rights are territorial in nature. Each country has its own laws and registration regime. In general, while there are many similarities in the laws, obtaining trademark rights in one country will not automatically afford protection of the mark in other countries. In many countries such as the USA, trademark rights are almost solely dependent on registration, but registration can be obtained without using the mark. However, non-use can result in cancellation of a registration in a majority of states.3 In countries, which require a registered mark to be used within a fixed period of time, it may be possible to cancel the registration if non-use can be proved.3

Although proof of use is not required in many countries for either registration or renewal, it is critical for maintaining trademark rights. Virtually all countries in the world permit a third party to petition the Trademark Office to cancel a registration for non-use. The statutory use period varies between three to five years from country to country; therefore, it is important that the trademark is used in countries where it is registered. It is also essential to maintain

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good records of trademark use so that use can be proven if necessary.\(^4\)

The statute embodying the law of trademarks in USA is the Lanham Act while in India trademarks law is laid down in the Trademarks Act, 1999. In USA, prior use is required to register trademarks and proof of use is required to maintain these registrations during their sixth anniversary.\(^5\) An increasing number of countries have adopted user requirements in order to provide a mechanism that deals with ‘deadwood.’ User requirements are given stricter interpretation by the courts and there is a tendency to require use upon renewal. Trademark user requirements are periods of time provided by law during which a registered mark must be used or the registration will become invalid, or at least are subject to cancellation.\(^6\)

**What is ‘Use’**

Chapter VI of the Trademarks Act, 1999 deals with use of trademarks and registered users and Section 47 allows removal of a trademark from the register for non-use. According to Section 1127 of the Lanham Act, ‘use’ of a mark means the *bona fide* use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.’ It also provides that non-use of a trademark for 3 consecutive years is *prima facie* evidence of abandonment and a mark shall be deemed to be ‘abandoned’ if either its use has been discontinued with intent not to resume such use or when any course of conduct of the owner causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark.

In general, the right to exclusive use of a mark grows out of its use in the course of business or trade. The user who first adopts the mark obtains proprietary rights in the mark by first using it and as long as the initial adoption and use are accompanied by an intention to continue using the mark. Accordingly, failure to use the mark can result in a loss of that right and trademarks may be attacked on the ground of abandonment or non-use.

In USA, Section 45 of the Lanham Act provides that a mark shall be deemed to be abandoned when its use has been discontinued with intent not to resume such use. ‘Intent not to resume’ may be inferred from circumstances, and non-use for three consecutive years shall be *prima facie* abandonment. ‘Use’ of a mark means the *bona fide* use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.\(^6\) ‘Use’ has been redefined by the US Trademark Law Revision Act of 1988 to mean ‘made in the ordinary course of trade, and not made merely to reserve a right in a mark.’ This practice of making ‘token’ or ‘protective’ sales will not qualify as ‘use’ under the revised legislation.\(^7\) The definition applies under Section 45 of the revised Act in relation to both the terms ‘use in commerce’ and ‘abandonment.’\(^8\)

In India, Chapter VI of the Trademarks Act, 1999 deals with the ‘use’ of trademarks and Section 47 of the Act provides that a registered trademark can be taken off the register on an application made by any person aggrieved if there was no *bona fide* intention of using the mark by the registrant or by the company to be formed\(^9\) and the mark had not been used up to three months prior to the application or if the mark was not used on the goods for more than five years starting the three months prior to the application.\(^10\) In cases such as, *J N Nicholas Ltd v Rose and Thistle* Indian courts have interpreted that ‘use’ does not necessarily mean and imply actual physical sale; even mere advertisement without having even the existence of the goods can be said to be a ‘use’ of the mark.\(^11\)

The determination of whether or not a mark has been abandoned is a question of fact. The loss of trademark rights through abandonment requires not only showing of non-use of the mark but also proof of intent not to resume use of the mark. Since abandonment is in the nature of a forfeiture of rights, most American courts have held that proof thereof must be ‘clear and convincing.’ Courts also have generally held that once a case of *prima facie* abandonment is shown, the trademark owner must come forward with evidence to rebut the presumption thereafter: the ultimate burden of proof, however, remains with the party asserting abandonment. The use relied upon to defeat an abandonment claim must be use of the word or symbol as ‘mark,’ i.e., as a source identifier. Similarly, ‘use’ includes only ‘*bona fide* use made in the ordinary course of trade, and not made merely to reserve a right in a mark.’ In general, use of a trademark is not *bona fide* if the underlying transactions are not genuinely commercial.\(^12\)

The Lanham Act provides definition of ‘use in commerce’ applicable to goods and services. According to Section 1127 of the Lanham Act, the term ‘use in commerce’ means the *bona fide* use of a mark in the ordinary course of trade, and not made
merely to reserve a right in a mark. A mark shall be deemed to be in use in commerce on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and the goods are sold or transported in commerce, and on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services. Similarly, Section 2 (2) (c) of the Trademarks Act, 1999 draws a distinction between the use of a mark in relation to goods and in relation to services. As per this provision, in relation to goods it shall be construed as a reference to the use of the mark upon, or in any physical or in any other relation whatsoever to such goods. In relation to services, it shall be construed as a reference to the use of the mark as or as part of any statement about the availability, provision or performance of such services.

In *Hermes Societe Anonyme v B H Ries Limited*, the Court stated that the assistant registrar was right in holding that the phrase ‘in the course of trade’ must be wide enough to embrace the steps necessary for production of the goods as well as the actual placing of them on the market. In the case of *Express Bottlers Services Pvt Ltd v Pepsi Inc* rejecting the petitioner’s contention that restricted sales, if any of goods under the mark to the missions, diplomats and UN agencies are not commercial sales; it was held that the Act does not contemplate that the word ‘use’ should mean actual sales of goods in the open market to the general public. In view of the changes brought about in the concepts of the words ‘use’, ‘public’, ‘goodwill’, ‘market’, ‘trade’ and the meaning of the phrase ‘in the course of trade’ should also be construed in the light of the prevailing international trade and import policy of the country as well as the planned economy of the government concerned and accordingly, it was held that the respondent throughout the statutory period has made *bona fide* use of its mark in the course of trade in the limited and or restricted market available to it in India by selling its products to the privileged persons and has acquired both goodwill and reputation. Therefore, it can be stated that a broad interpretation is given to the term ‘use’ in India unlike in USA where token ‘use’ is not given recognition as use of a trademark.

**When is Use Required**

The tendency to require proof of use on renewal is probably the most significant single development in world trademark management. In USA, the requirement to prove use on renewal has been in existence since the Trademark Act of 1946. In USA, an affidavit or excuse must be lodged within six years from the date of the initial registration and trademark rights emanate from actual use of a mark in connection with the sale of goods or services. Further, use must be shown, or an excuse given, upon renewal. Proof of trademark must be shown on renewal, and a mere declaration that the mark is in use is not acceptable and direct evidence such as invoices, labels or the like must be submitted. An owner of a trademark may be found to have abandoned its exclusive rights in the mark if use is discontinued with intent not to resume such use.

In India, according to Section 47 of the Trademarks Act, 1999 use of a trademark has to be shown by the registrant if an application is filed by an aggrieved person stating that the said trademark was registered without *bona fide* intention on the part of the applicant for registration that it should be used in relation to those goods or services by him. Moreover, there has to be use of the trademark up to a date three months before the date of the application.

In India, it has been held that the burden of proof of non-use lies on the applicants for rectification of register, and they have to show that there was no *bona fide* intention to use the mark or any *bona fide* use of the trademark. In the *Dristan* case, the court held that keeping in view the facts that the appellant made its application for the registration of the trademark, ‘Dristan’ only when it was decided to introduce it in the Indian market through the Indian Company, there was a close connection in the course of trade between the appellant and the Indian company with which it had entered into a technical collaboration agreement and as such the intention of the appellant to use the trademark Dristan through the Indian company which was to subsequently get itself registered as the registered user of the said trademark be characterized as *bona fide* use by the appellant itself and accordingly the permitted user of a trademark by the registered user.
is to be deemed to user by the proprietor of the trademark.

In USA, periodic use requirements put a substantial burden on trademark owners because use is required on renewal. However, as a practical matter the strict requirement may clear trademark registers of a large number of unused marks, therefore this burden is perhaps justified. One can say that the requirement to prove use on renewal and during the sixth anniversary of a registration is justified in USA where a single federal registration covers a market of two hundred fifty million consumers. The existence of a requirement to prove use on renewal may also discourage filing some new applications in the first place.

Whether the requirement to prove use on renewal is desirable depends in the first instance on several value judgments. It depends in part on the extent to which the law should consider the interests of those who wish to retain, at least to some degree, a reserve of registrations for future use. Moreover, the very availability of non-use actions to third parties has a deterrent effect and thus enables newcomers to register many marks without actually bringing cancellation actions. The owner of a prior, possibly conflicting similar unused mark, usually will not oppose out of concern that the newcomer will counterattack for non-use and cancel the registration. The requirement of proof of use on renewal is drastic since it takes away something, which is established, makes planning on a global basis difficult and involves greater costs. To comply with the requirement, time is spent in checking records, procuring evidence, often in legalized form, and keeping track of sales.

However, according to the law in India there is no requirement to prove use at the re-registration stage. The importance of use arises only if someone files an application to remove the trademark from the register on the basis of non-use. Thus, compared to USA the position in India with regard to deadwood is comparatively lenient. So, there is possibility of a large number of trademarks in the register, which are not actually in use. This is due to comparative lack of development in trademark law in India though the immensity of trade carried out in India is as large as any other country in the world.

**Length of the Term**

How much time should be allowed before a new registration becomes subject to cancellation for non-use is open to debate. Article 5(C)(1) of the Paris Convention provides that if use of a registered mark is compulsory, the registration may be cancelled only after a reasonable period and only if the person concerned does not justify his inaction. An attempt was made at the Lisbon Revision Conference in 1958 to define 'reasonable period' as 'five years' however, the proposal was not adopted because of the opposition of Japan, which found the period to be too long. But it has to be noted that any term shorter than five years puts an undue burden on international trade since it may very well take five years from the time a mark is adopted in the country of origin to the time its owner is in a position to sell products bearing the mark abroad. A great deal of time-consuming commercial and legal steps often intervene and they may include consumer and sales tests, market research, a reasonable delay in order to see if the mark is first a commercial success in the country of origin, locating importers or licensees, and obtaining legal permits.

There is considerable support for the position that user terms should be five years. USA took this position in GATT negotiations on Trade-Related Aspects of Intellectual Property Rights (TRIPS). According to the Article 19 of the TRIPS Agreement, which is to date the most comprehensive multilateral agreement on intellectual property and has been in effect since 1 January 1995, cancellation of a mark on the grounds of non-use cannot take place before three years of uninterrupted non-use has elapsed unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark, such as import restrictions or other government restrictions, shall be recognized as valid reasons for non-use. Use of a trademark by another person, when subject to the control of its owner, must be recognized as use of the trademark for the purpose of maintaining the registration. Article 10 of the EC’s Directive (No. 89/104 EEC) to approximate national trademark laws requires member states to enact a five-year user requirement. Similarly, The International Association for Protection of Intellectual Property (AIPPI) has endorsed the position that user terms should be five years.

The question of an appropriate length of time during which registrations are to be immune from attack raises a special question in USA where the
statutory provision allowing registrations to be cancelled at any time for abandonment involves a Paris Convention compliance issue. In USA, registration may be cancelled at any time if the registered mark becomes abandoned. A mark is deemed to be abandoned when its use has been discontinued with intent not to resume, which may be inferred from the facts and circumstances. A presumption of trademark abandonment may be invoked under Section 45 of the Trademark Act after two years’ non-use. Non-use for two consecutive years shall be *prima facie* evidence of abandonment. But that *prima facie* case must be a preponderance of the evidence.\(^{26}\) If a registration in USA is cancelled for abandonment immediately after issuance, this would violate Article 5(C)(1) of the Paris Convention requiring a reasonable period during which a registration should be immune from attack for non-use. Under this view, registrations obtained by non-Americans should be immune from attack for abandonment for a two-year period.\(^{27}\)

In India, according to Section 25 of the Trademarks Act, registration of a trademark is for a period of ten years and can be periodically renewed. Even where renewal of registration has not been done within the prescribed time period it is possible to renew registration within six months of the date of expiration of the trademark. Removal of trademark from the register for non-use is allowed in case the trademark has not been in use for a continuous period of five years from the date on which the trademark is actually entered in the register. However, where the non-use is for a period of less than five years, the person seeking to remove the trademark from the register has not only to prove non-user from the requisite period but also has to prove that the applicant for the registered trademark has no *bona fide* intention to use the trademark when the application was made.\(^{28}\)

**Calculation of the Term**

The period during which a registered mark is subject to cancellation for non-use starts to run from different points in different jurisdictions.\(^{27}\) The Inter-American Convention of 1929 is in force in USA, and Article 9 of the Convention provides that when a trademark application is rejected because of a prior registration, such prior registration may be cancelled if the mark has been ‘abandoned.’ While the period within which a mark may be declared abandoned can be determined by internal law, Article 9 stipulates that if the internal law contains no provision in this regard, the period shall be two years and one day beginning from the date of registration or deposit if the mark has never been used, or one year and one day if the abandonment or lack of use took place after the mark has been used. While the Article refers to abandonment, it should be interpreted so as to require no intent to abandon but merely a showing of non-use for the stated period. It appears that the user requirement of the Convention cannot be invoked against, or by, nationals of countries not members of the Convention.\(^{29}\)

In US, the three-year period of non-use which constitutes *prima facie* evidence of abandonment does not begin until the USPTO registration has actually been issued.\(^{30}\) In *Cerveceria Centroamericana, S A v Cerveria India Inc*\(^{31}\), the Court observed that *Cerveria India* has established non-use of Centroamericana’s Medalla De Oro for beer because there was no imports since 1977 and ‘an interface could properly be drawn that the trademark was not used domestically for at least two consecutive years.’ The Court held that ‘…we are unable to discern from the legislative history of the Lanham Act any intention by Congress to raise the burden of proof for cancellation for abandonment above the normal civil burden of preponderance of evidence. Nor do we see any basis for a higher burden of proof in cancellation proceedings for abandonment than for likelihood of confusion. In many contexts, including trademark registration cancellation proceedings, preponderance is the standard of proof to be presumed…Accordingly, we conclude that, as cancellation petitioner, India bears a burden of proof by a preponderance of the evidence…’

In India, the time period for non-use is calculated from the date on which the trademark is actually entered in the register. If the trademark has not been in *bona fide* use up to a period of five years from the date on which the trademark was actually entered in the register, in such a case it is possible for any person aggrieved to file an application for removal of the trademark from the register. Section 2 (1) (w) of the Trademarks Act, 1999 clearly states that a ‘registered trademark’ means a trademark which is actually on the register and remaining in force.

Who can file for Removal of Trademark on the Basis of Non-Use?

In India, the position is that any person who is aggrieved can file an application for removal of the
trademark from the register on the grounds that the trademark has not been put to use. In Aktiebolaget Jonkopings Vulcan v V S V Palanichamy Nadar,32 the Court examined the principle laid down In re Powell’s Trade Marks,33 and In re Talbot’s Trade Mark,34 that any person whose legal rights are limited by the existence of the entry on the register so that he could not lawfully do that which but for the existence of the mark upon the register, he could lawfully do. The court also observed that it has been held in In re Batt’s Trade Mark Case,33 that an applicant for registration whose trademark has been refused by reason of prior registration by the respondent of the same or similar or identical mark for the same goods or description of the goods or whose application for registration is opposed on the basis of prior registration of the same or similar mark by the respondent, has been regarded as a ‘person aggrieved’. However, USA took an extreme position regarding standing prior to the enactment of the Trademark Law Revision Act of 1988 and required that the challenger in an action for abandonment allege actual use of an arguably confusingly similar mark or that it had been refused registration because of the earlier registration. In view of the intent to use provisions of the Trademark Law Revision Act of 1988, these strict standards should be relaxed.34

**Reasons for Non-Use**

The American practice is very lenient in accepting excuses for non-use in connection with proof of use requirements in the fifth year of registration under Section 8 of the Trademark Act and upon renewal. Acceptable excuses in USA have included a strike, temporary non-use due to governmental regulations, the absence of a critical component for a temporary period, cessation of use because the product was being redesigned and difficulty in obtaining packaging for the product. Also, use has been excused where the product is of a type, which cannot be produced quickly such as a commercial aircraft where orders were on hand. Use is also excused for illness, fire, and natural catastrophe; at least where there is a plan to eventually resume use. Many of these grounds would not constitute force majeure in civil law jurisdictions. However, to be accepted in USA, the excuse asserted must be beyond the control of the registrant; use is not excused by decreased demand for the product.35

In India also similar to USA there are numerous grounds on which non-use is excused. In M J Exports Pvt Ltd Bombay v Sunkist Growers, Los Angeles, USA36, it was held that where the non-use of trademark was due to the special circumstances such as import policy, import control and tariff duty of government of India and not due to the voluntary act of the registered proprietors, the registered proprietors were protected under Section 46 (1) and 46 (3). In Whirlpool Co and Anr v N R Dongre & Ors,37, it was contended that the non-renewal of registration was due to import restrictions and foreign trade policy of the Government of India and in Toshiba Appliances New Delhi v Kabushiki Kaisha Toshiba, Kangawa-Ken, Japan38, it was held that protection of the registered trademark under special circumstances is available only for a period of five years and one month and not for the entire period since when the mark was registered. In Aktiebolaget Jonkopings Vulcan v V S V Palanichamy Nadar,32 the Court observed that the expression ‘special circumstances in the trade’ means not any special circumstances merely attendant on or attached to any particular individual business, but it must be a kind of special circumstance for all the trade in those particular goods.

**Effect of Non-Use on Trademark**

Both in India as well as in USA the main effect of non-use is removal of the trademark from the trademark registry. However, sometimes new goods or services are introduced to the market using trademarks which have not been reregistered or which have not been used for a very long period of time. In such cases, most of the trademark owners keep quiet about the new trademark which infringes their existing mark because of the fear of the new user attacking the trademark on the ground of non-use and in such a case it would result in the trademark being completely removed from the registry. In India, rectification on the ground of non-use arises usually in the course of opposition proceedings or infringement action as a counterblast. Where the proprietor has not used the mark for more than five years and has not taken any steps to use it may tend not to object to the registration of similar marks by others or launch infringement proceedings.39

**Conclusion**

India as well as USA require both the grounds that the trademark had been registered without any bona fide intention to use and there has not been use of the trademark for a continuous period of time. It is then that the trademark can be removed from the
One major problem with regard to non-use is where the proprietor has not used the mark for more than the prescribed period for non-use and has not taken any steps to use it, the owner may tend not to object to the registration of similar marks by others or launch infringement proceedings because of the fear of counter attack by the new trademark owner and that would eventually result in the trademark being completely removed from the registry. The ultimate victim of this is the consumer because it is possible for competitors to use trademarks which have not been in use for a long time and the consumer will be cheated.

Both USA and India seems to be lenient in accepting excuses for non-use. On a comparative basis USA seems to be far ahead as the courts have held even cases of strikes as justifiable reason for non-use. India also allows non-use ‘due to special circumstances in the trade.’ However, it is not very clear as to what extent the courts would accept what is meant by ‘special circumstances in the trade’ as the cases which have come before the courts mostly deal with clear cut cases such as import restrictions, government policy etc. Indian courts seem to have tried to accommodate the needs of the Indian scenario when dealing with trademark cases.

References
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3 Section 47 of the Trademarks Act, 1999 allows removal of a trademark from the register and imposition of limitations on the ground of non-use. Section 47 (1) (b) provides that a registered trademark may be taken off the register on application made by an aggrieved person on the ground that up to a date three months before the date of application, a continuous period of five years from the date on which the trademark is actually entered in the registry or longer had elapsed during which the trademark was registered and during which there was no bona fide use of the trademark in relation to the goods or services. Similarly, Section 1058 of the Lanham Act provides for the duration of a trademark. Reidl Paul W & Gallo Winery J, Understanding basic trademark law: A primer on global trademark protection, 800 PLI/Pat 243, 271.
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18 *Lachhmandas Girdari Lal v Sant Ram Banarsi Dass Gidarbaha*, 1982 PTC 353 (Reg) (Del), Kalburgi Distillaries Hubli, Karnataka State v S S Miranda Pvt Ltd Bombay, 1982 PTC 424 (Reg) (Bom).
20 In USA, where use must be proved or an excuse for non-use invoked at the Trademark Office during the sixth anniversary of all registrations under Section 8 of the Trademark Act, the American Bar Association has estimated that thirty-three percent of granted registrations are canceled for failure to file a Section 8 affidavit. Taylor Richard J, Loss of trademark rights through non-use: A comparative worldwide analysis, *Trademark Reporter*, 80 (1) (1990) 197, 204.
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37 *Whirlpool Co and Anr v N R Dongre & Ors*, 1996 PTC 415 (Del).
38 *Toshiba Appliances New Delhi v Kabushiki Kaisha Toshiba*, Kangawa-Ken, Japan, 1992 PTC 231 (Reg) (Cal).