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Securing Global Trademark Exceptions: Why the United States Should Negotiate Mandatory Exceptions into Future International Bilateral Agreements

Brian S. Kaunelis

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SECURING GLOBAL TRADEMARK EXCEPTIONS:
WHY THE UNITED STATES SHOULD NEGOTIATE MANDATORY
EXCEPTIONS INTO FUTURE INTERNATIONAL
BILATERAL AGREEMENTS

BRIAN S. KAUNELIS*

INTRODUCTION

Are trademark owners' intellectual property rights starting to retreat from their high watermark in the international context? In December 2007, the European Union and the CARIFORUM States¹ concluded a bilateral economic partnership agreement (the EC-CARIFORUM Agreement) that included a mandatory exception to trademark owners' rights. The EC-CARIFORUM Agreement is the first agreement that mandates the inclusion of Article 17² of the World Trade Organization's (WTO) Agreement on Trade-Related Intellectual Property Rights³ (TRIPS) and requires an exception to trademark rights. This Note will detail why the United States should follow the European Union's lead and also negotiate mandatory trademark exceptions into future bilateral agreements.

Part I outlines the background and development of the WTO and TRIPS, the advent of TRIPS-plus provisions, and the EC-CARIFORUM agreement and its implications. Part II presents the current state of United States trademark law and its exceptions. Specifically, this section will detail United States exceptions, their application to case law, and evaluate

* Executive Notes and Comments Editor, *Chicago-Kent Law Review*, 2009–2010; J.D. Candidate, May 2010, Chicago-Kent College of Law, Illinois Institute of Technology; B.S. Mechanical Engineering, University of Michigan, 2001. I would like to thank my wife, Lauren Kaunelis, for her patience and support throughout law school. I would also like to thank Professor Graeme Dinwoodie for his guidance and advice on this Note.

1. Antigua and Barbuda, the Commonwealth of the Bahamas, Barbados, Belize, the Commonwealth of Dominica, the Dominican Republic, Grenada, the Republic of Guyana, the Republic of Haiti, Jamaica, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Republic of Suriname, and the Republic of Trinidad and Tobago. 2008 O.J. (L 289) 3, available at http://trade.ec.europa.eu/doclib/docs/2008/february/tradoc_137971.pdf [hereinafter EC-CARIFORUM Agreement].

2. See Agreement Establishing the World Trade Organization, Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights art. 17, Apr. 15, 1994, available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf [hereinafter TRIPS Agreement].

3. *Id.*

which exceptions are sufficiently developed to be included in future international bilateral agreements. Part III discusses the EC-CARIFORUM Agreement explaining the protections that it offers, why it was an abnormal provision in a bilateral agreement, and the likely policy reasons and other external factors behind its inclusion. Finally, Part IV will consider why the United States should follow the European Union's lead and also negotiate mandatory trademark exceptions into future bilateral agreements. In particular, this section will detail why the United States must negotiate on a bilateral, rather than a multilateral, basis, the reasons for pursuing exceptions to trademark rights, as well as the scope of the exceptions and whether the United States should negotiate more expansive exceptions than the EC-CARIFORUM Agreement.

I. BACKGROUND

The TRIPS Agreement⁴ is the most comprehensive multilateral agreement on Intellectual Property (IP) law. It establishes mandatory minimum standards of protection for each of the main areas of IP, institutes procedures and remedies for the enforcement of IP rights, and offers dispute resolution between WTO members.⁵ TRIPS was negotiated at the end of the Uruguay Round of Multilateral Trade Negotiations of the General Agreement of Tariffs and Trade in 1994 after a push by the United States, European Union, and Japan to link IP and trade rules in the WTO.⁶

Much like prior trade agreements that linked trade and IP,⁷ TRIPS was the natural byproduct of the increasingly global market economy.⁸ Developed countries⁹ needed to find new ways to exploit their comparative advantage as they were no longer the leaders in manufacturing due to developing countries¹⁰ displacing them.¹¹ Thus, developed countries

4. *Id.*

5. *Id.*; Ruth L. Okediji, *Back to Bilateralism? Pendulum Swings in International Intellectual Property Protection*, 1 U. OTTAWA L. & TECH. J. 125, 128 (2003–04) (noting that the “TRIPS Agreement remains the premier international intellectual property treaty”).

6. Daniel J. Gervais, *Introduction to INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS PLUS ERA* xv, xv (Daniel J. Gervais ed., 2007).

7. See Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, available at http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html [hereinafter Berne Convention]; Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, available at http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html [hereinafter Paris Convention].

8. Okediji, *supra* note 5, at 127.

9. Such as the United States, European Union, and Japan.

10. Presently, the Developing Countries under TRIPS are: Antigua and Barbuda, Argentina, Bahrain, Barbados, Belize, Bolivia, Botswana, Brazil, Brunei Darussalam, Cameroon, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Cuba, Cyprus, Dominica, Dominican Republic, Egypt, El

changed their strategic focus to “innovation and information products,” which could be sustained in the new global economy.¹² However, prior to developed countries, foreign investors, and innovators placing their first-world assets in third-world countries, minimum standards of protection were needed to prevent rampant misappropriation of the information and innovation goods.¹³ TRIPS provided the protection that developed countries needed to enter the markets of developing and least-developed countries¹⁴ by establishing a global baseline of minimum IP standards.¹⁵ Moreover, developed countries contended that minimum standards of IP protection would equally benefit developing and least-developed countries as the holders of IP rights would be protected in both rich and poor countries. Additionally, the IP protection was necessary to stimulate economic growth in those countries as IP was believed to be an essential element of development.¹⁶

In addition to its protections, TRIPS was also responsive to the needs of developing and least-developed countries by offering flexibility.¹⁷ One of the main methods by which developing and least-developed countries were given flexibility was in the transition period allotted prior to fully implementing the TRIPS provisions.¹⁸ Furthermore, each country was given the freedom to determine the appropriate means of enacting the provisions into their legal system.¹⁹ And finally, each WTO member may enact more stringent standards of IP protection provided the additional

Salvador, Estonia, Fiji, Gabon, Ghana, Grenada, Guatemala, Guyana, Honduras, Hong Kong, India, Indonesia, Israel, Jamaica, Kenya, Korea, Kuwait, Maçau, Malaysia, Malta, Mauritius, Mexico, Morocco, Namibia, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland (areas which were not reviewed in 1996–1998), Qatar, Saint Lucia, Singapore, Sri Lanka, St. Kitts and Nevis, St. Vincent and Grenadines, Suriname, Swaziland, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, Uruguay, Venezuela, and Zimbabwe. World Trade Organization, Frequently Asked Questions About TRIPS in the WTO, http://www.wto.org/english/tratop_e/TRIPS_e/tripfq_e.htm#Transition (last visited March 20, 2010).

11. Okediji, *supra* note 5, at 128.

12. *Id.*

13. *Id.* at 127-28.

14. Presently, the Least Developed Countries under TRIPS are: Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Solomon Islands, Tanzania, Togo, Uganda, and Zambia. World Trade Organization, Understanding the WTO: Least Developed Countries, http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm (last visited March 20, 2010).

15. Okediji, *supra* note 5, at 128.

16. Gervais, *supra* note 6, at xv.

17. See TRIPS Agreement, *supra* note 2.

18. See *id.* art. 65.

19. See *id.* art. 1.

standards do not contravene provisions in TRIPS.²⁰

After the initial implementation of TRIPS, developed countries attempted to raise the minimum levels of IP protection on a multilateral basis and reduce the flexibilities in TRIPS.²¹ This push to enact TRIPS-plus levels of protection became progressively more difficult and eventually stalled.²² Reasons for the breakdown were varied and included many highly critical analyses of the TRIPS negotiation process and a belief that it was based on coercion, ignorance, and was a bad bargain for the developing world. Also, a dispute arose between a collective group of African and Latin American countries against pharmaceutical companies, who were trying to enforce patent rights notwithstanding the fact that patients in those countries could not afford the drugs.²³

In spite of their inability to secure TRIPS-plus standards in a multilateral format, developed countries did not end their attempts there. Rather, they shifted their focus to alternate means of achieving the goal of TRIPS-plus standards of IP protection.²⁴ The new focal point for developed countries—especially the United States and the European Union—became securing bilateral agreements²⁵ with developing and least-developed countries.²⁶ Not surprisingly, these bilateral agreements almost always contained TRIPS-plus IP standards and other provisions that precluded the developing and least-developed nations from using the flexibilities inherent in the TRIPS Agreement.²⁷

Another consequence of the bilateral agreements has been the outrage of critics that ensued. Critics decried the actions of the United States and European Union.²⁸ Scholars noted that the efforts of the United States and European Union explicitly undermined the WTO and the TRIPS Agreement by eliminating the policy options and sovereign discretion that it granted.²⁹ Moreover, developing and least-developed countries lack bargaining power in bilateral agreements, which puts them in a “take-it or

20. *See id.*

21. *See Gervais, supra* note 6, at xvi.

22. *Id.*

23. *Id.*

24. *Id.*; Okediji, *supra* note 5, at 128.

25. Okediji, *supra* note 5, at 143 (commenting that the bilateral agreements could be in the form of an aid agreement, economic agreement, trade agreement, investment treaty, economic arrangement, or an intellectual property agreement).

26. Okediji, *supra* note 5, at 128.

27. Gervais, *supra* note 6, at xvi.

28. *See, e.g.,* Peter Drahos, *BITs and BIPs: Bilateralism in Intellectual Property*, 4 J. WORLD INTELL. PROP. 791 (2001); J.H. Reichman, *From Free Riders to Fair Followers: Global Competition Under the TRIPS Agreement*, 29 N.Y.U. INT'L L. & POL. 11 (1997).

29. Okediji, *supra* note 5, at 128.

leave-it” situation where their immediate economic, trade, and political needs foreclose the possibility of rejecting the bilateral agreement because of the TRIPS-plus provisions.³⁰ Ultimately, critics saw the bilateral agreements as negating the gains made for developing and least-developed nations in the TRIPS negotiations.

Today, it is taken for granted that international IP law is an integral component of trade and development policy.³¹ Behind this backdrop, in December 2007, the European Union concluded the EC-CARIFORUM Agreement, an economic partnership agreement, with Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Christopher and Nevis, Suriname, and Trinidad and Tobago that included a mandatory exception to the rights conferred to an owner of a trademark.³² The exception provided that “[t]he EC Party and the Signatory CARIFORUM States shall provide for the fair use of descriptive terms . . . as a limited exception to the rights conferred by a trademark.”³³ Although the trademark “fair use” exception in the EC-CARIFORUM Agreement is allowable under Article 17³⁴ of the TRIPS Agreement, it is an atypical provision of a bilateral agreement between a developed and a developing country, as the norm has been to negotiate TRIPS-plus provisions.³⁵ Even more interesting is that the provision retreats from the standard TRIPS protections and allows for fair use of descriptive trademarks.

After the creation of the WTO and TRIPS, IP protections for trademarks have not been nearly as contentious as those for copyrights and patents. Despite the lack of controversy regarding trademarks, the EC-CARIFORUM Agreement is the first agreement that mandates the trademark exception allowable in Article 17 of the TRIPS Agreement. The European Union, which includes developed countries rich in IP, included an exception that will likely limit the trademark rights of its constituents. This exception may be counterintuitive, but the roles that trademarks play in society have been evolving and now the values implicated by allowing trademark owners to monopolize and control the use of certain terms are

30. *Id.* at 129.

31. Graeme B. Dinwoodie, *The International Intellectual Property System: Treaties, Norms, National Courts, and Private Ordering*, in *INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS PLUS ERA* 61, 62 (Daniel J. Gervais ed., 2007).

32. See *EC-CARIFORUM Agreement*, *supra* note 2.

33. *Id.*

34. See *TRIPS Agreement*, *supra* note 2, at art. 17.

35. Okediji, *supra* note 5, at 129.

more fundamental. Therefore, the high watermark has likely been met in terms of trademark owners' rights in the international perspective, provided there is an internal push within developed countries to balance trademark rights in the same manner that copyright and patent rights have been balanced.

II. UNITED STATES TRADEMARK LAW

Prior to evaluating how the United States should proceed to internationally secure mandatory exceptions, a baseline must be set detailing United States trademark law, its history, policy objectives, criticisms, and exceptions including those that are sufficiently developed to be incorporated into future international bilateral agreements.

Since at least the Middle Ages, trademarks have been used to identify the source of goods or services and punish craftsmen selling defective goods or services.³⁶ Protection under law for trademark owners began in the seventeenth century with the focus of the protection being misappropriation, where vendors would place the trademark of their rival on their own goods.³⁷ The foundation of United States trademark law is the English Common Law, with its main purpose being the prevention of misappropriation.³⁸ In 1946, Congress codified the common law with the passage of the Lanham Act³⁹ using its power to regulate under the commerce clause.⁴⁰

Historically, and still today, the primary functions served by trademarks in the United States are to protect consumers' expectations as to the source of the goods or services, and to protect the goodwill, reputation, and investment of the trademark owner.⁴¹ A trademark confers onto its owner a limited property right with attendant concerns and costs of assigning that right. For example, a competitive concern exists as an owner of a mark may preclude competitors from entering or competing in a market by monopolizing the terms used in the trademark.⁴² Additionally, a consumer-based concern is present in assigning a right to certain terms as there is a desire for consumers to have as much information as possible to allow them to

36. See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 305 (9th Cir. 1992).

37. *Id.*

38. *Id.*

39. See 15 U.S.C. § 1051 et seq. (2006).

40. Unlike the ability of Congress to regulate patents and copyrights, which was explicitly written into the Constitution.

41. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164–66 (1995); *New Kids on the Block*, 971 F.2d at 305.

42. See *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350 (9th Cir. 1969).

make an informed decision regarding the purchase of goods or services.⁴³ Consequently, the owner of a mark is not given a right in gross, but rather a limited right with exceptions and burdens in establishing a prima facie cause of action.⁴⁴ These limitations are becoming increasingly important in the United States as society is becoming more brand conscious, using trademarks in much different ways, and more interests are at stake in trademark disputes.⁴⁵

Trademark exceptions have taken a different role than those in the copyright context.⁴⁶ Rather than the exceptions being the only limitation on the right given to the mark owner, an internal check on the owners' rights exists when establishing a prima facie cause of action.⁴⁷ The limitation in an infringement cause of action is that the plaintiff must demonstrate a likelihood of consumer confusion.⁴⁸ Although differences exist from jurisdiction to jurisdiction, courts will generally evaluate the following factors when determining whether there is a likelihood of consumer confusion between non-identical goods or services:

- (1) the strength of the plaintiff's mark;
- (2) the degree of similarity between the plaintiff's and the defendant's marks;
- (3) the proximity of the goods or services;
- (4) the likelihood that plaintiff will bridge the gap;
- (5) evidence of actual confusion;
- (6) defendant's good faith in adopting the mark;
- (7) the quality of defendant's product or service; and
- (8) the sophistication of the buyers.⁴⁹

When ruling on infringement cases, courts will frequently manipulate the likelihood of confusion analysis and decide on that basis rather than the actual underlying social policy or concern.⁵⁰ Scholars believe that the courts have impeded the growth of trademark law defenses by deciding on a likelihood of confusion basis rather than the true motivating social con-

43. See *New Kids on the Block*, 971 F.2d at 305.

44. See Graeme B. Dinwoodie, *Lewis & Clark College of Law Ninth Distinguished IP Lecture: Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 100-08 (2009).

45. See Graeme B. Dinwoodie, *Trademark Law and Social Norms*, 1, 26-27 (2007), <http://www.oiprc.ox.ac.uk/documents/EJWP0207.pdf>.

46. See Dinwoodie, *supra* note 44, at 101-02.

47. See *id.*

48. See 15 U.S.C. § 1114(a) (registered marks); 15 U.S.C. § 1125 (unregistered marks).

49. See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

50. See Dinwoodie, *supra* note 44, at 108-09.

cern.⁵¹ Examples of the social concerns that trademark cases may be decided upon are promoting free competition, free speech, and the expression of personal identity; facilitating public health concerns; enabling artistic creativity; allowing comparative advertising; creating commercial certainty for innovators; respecting commercial ethics; and avoiding the abuse of rights in litigation.⁵²

Compounding the need for defenses are the ever-growing rights of trademark owners, particularly the growth of the scope of the traditional infringement cause of action, and the scope of the dilution cause of action.⁵³ An actionable cause of action for trademark infringement now includes initial interest confusion,⁵⁴ post-sale confusion,⁵⁵ and reverse confusion.⁵⁶ The scope of protected subject matter has also increased exponentially.⁵⁷ Furthermore, an actionable dilution case can be the result of non-confusing uses.⁵⁸ Thus, there is concern due to the one-sided nature of the property rights which clearly favors the owner of the trademark. These issues emphasize the need to continually balance the rights of mark holders against the rights of the public.

Despite the limitations in the development of trademark defenses, there appears to be a push to more fully develop trademark law and its defenses. First, Congress, in 2006, amended the Lanham Act's dilution laws⁵⁹ to include a fuller set of defenses. Furthermore, in 2004, the Supreme Court addressed a circuit split regarding the proper interpretation of the fair use defense to trademark infringement.⁶⁰ Each of these examples illustrate the increased importance of trademarks due to the social and competitive values implicated, and highlight the resulting impetus to balance the law in response to the new role of trademarks.

51. *Id.* at 108–12.

52. *Id.* at 121.

53. *Id.* at 120.

54. *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987).

55. *See Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955).

56. *See, e.g., Dreamwerks Prod., Inc. v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998); *Attrezzi v. Maytag*, 436 F.3d 32 (1st Cir. 2006).

57. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 159 (1995) (color); *In re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990) (scent); *In re Gen. Elec. Broad. Co.*, 199 U.S.P.Q. 560 (T.T.A.B. 1978) (sound).

58. *See* 15 U.S.C. § 1125.

59. *See id.*

60. *See KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004).

A. *United States Trademark Defenses*

This section will describe current United States trademark infringement defenses, apply the exceptions to case law, and detail the policy reasons for the defense.

1. Fair Use

The fair use defense to trademark infringement is found in Section 33(b)(4)⁶¹ of the Lanham Act and states:

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark . . . 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. . . .⁶²

In other words, the fair use exception allows individuals to use another's mark to describe their product.

In *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, the Supreme Court resolved a circuit split and provided clarification on the framework and application of the fair use exception.⁶³ Prior to the Court's opinion, courts were interpreting the fair use exception in two predominant ways. One side of the split required the defendant charged with infringement to prove that there was no likelihood of confusion about the origin of the goods or services prior to being able to use the fair use exception. Whereas, the other side contended that the plaintiff must prove a likelihood of consumer confusion in establishing a prima facie case that could later be rebutted by the defendant using the fair use defense.⁶⁴ The Supreme Court sided with the latter argument based on its statutory interpretation of the Lanham Act,⁶⁵ the illogical result in the course of litigation if the burden of disproving likelihood of confusion were placed on the defendant,⁶⁶ and the common law tolerating some degree of confusion from the descriptive use of words found within another's trademark.⁶⁷ The Court's analysis highlighted the policy concern of trademark owners commercially monopolizing a term where competitors are unable to compete in a market because

61. See 15 U.S.C. § 1115(b)(4).

62. *Id.*

63. *KP Permanent Make-up, Inc.*, 543 U.S. at 116–17.

64. See *id.* at 116–17.

65. See *id.* at 118.

66. See *id.* at 120.

67. See *id.* at 119–120 (quoting *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 528 (1924)) (“[T]he 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.”).

they are prohibited from using the term to describe their goods.⁶⁸

An example of a case involving the fair use exception is *Car-Freshener Corp. v. S.C. Johnson & Son, Inc.*, which was a trademark infringement action brought by the manufacturer of pine-tree shaped air fresheners.⁶⁹ The plaintiff alleged that the defendant's pine-tree shaped "Glade Plug-In" air freshener violated its trademark rights.⁷⁰ In evaluating the claim, the court noted the "fundamental principle" that assigning a property right in a term or mark does not proscribe others from using the term or mark provided that it is a descriptive use and in good faith.⁷¹ This principle prevents the trademark owner from gaining exclusive control over the mark. When applying the fair use exception to the facts of the case, the court found that the defendant's use was indeed a fair use because it had used the pine-tree shape descriptively to refer to the scent of the air freshener, and the shape referred to the Christmas season when the air freshener was sold.⁷²

2. Comparative Advertising

Another exception to trademark infringement is comparative advertising. Comparative advertising allows a company that duplicated an unpatented product to use the trademark of the copied product to identify its own goods in an advertisement.⁷³ This exception stemmed from the common law where the concern was that a trademark owner would monopolize the market since new competitors were unable to enter the market because they could not efficiently inform the public what they were copying and offering for sale.⁷⁴ To bar a competitor from using a trademark to advise potential customers of the equivalence of the products would impede the market and deprive a competitor of the primary means of effective advertising.⁷⁵ Thus, the policy concerns that the comparative advertising exception seeks to reinforce are the need for a free competitive market, and the desire for consumers to have access to equivalent, cheaper goods.⁷⁶

An illustration of the comparative advertising exception is shown in

68. *See id.* at 121–22.

69. *Car-Freshener Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267 (2d Cir. 1995).

70. *Id.* at 268.

71. *Id.* at 269.

72. *Id.* at 270.

73. *See Smith v. Chanel, Inc.*, 402 F.2d 562, 563 (9th Cir. 1968).

74. *See id.* at 564.

75. *See id.* at 567–68.

76. *See id.*

*August Storck K.G. v. Nabisco, Inc.*⁷⁷ Storck filed suit claiming trademark infringement when Nabisco placed the following statement on its “Life Savers” packaging, “25 [percent] LOWER IN CALORIES THAN WERTHER’S,” with a disclaimer asserting that Storck and Werther’s were not affiliated with Nabisco, and also noting Werther’s is a trademark of Storck.⁷⁸ Finding no infringement, the court noted the benefit to consumers of being able to quickly compare and note differences in products, having access to diverse goods, and the benefit of having competition in the market.⁷⁹

3. Nominative Fair Use

The nominative fair use exception is the product of the Ninth Circuit Court of Appeals, at least under that label, and is applicable in cases where a defendant uses a plaintiff’s trademark to describe the plaintiff’s product.⁸⁰ In other words, use in the nominative fair use context implicates the traditional trademark function of source identification. In contrast to classic fair use where a plaintiff’s mark is being used descriptively to refer to the defendant’s product, nominative fair use is the defendant using the plaintiff’s mark to refer to the plaintiff.⁸¹ The policy concerns that the nominative fair use exception seeks to reinforce are a competitive marketplace and consumer protection.⁸² From a competition standpoint, the Lanham Act does not require a producer of goods to use “second-best” communications when advertising its product.⁸³ Indeed, useful social and commercial communication would be diminished if people were fearful of a lawsuit every time reference was made to company using its trademark.⁸⁴

In the wake of the Supreme Court’s decision in *KP Permanent Makeup, Inc.*, there is a split regarding the proper analytical test for nominative

77. *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 617–18 (7th Cir. 1995).

78. *Id.* at 618.

79. *Id.* at 619–20.

80. See *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992); *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 350 (9th Cir. 1969).

81. *Century 21 Real Estate v. Lendingtree*, 425 F.3d 211, 214 (3d Cir. 2005).

82. See *New Kids on the Block*, 971 F.2d at 305; Dinwoodie, *supra* note 44, at 131–32 (expressing that the competition may more frequently be brought up in the derivative market context when dealing with the nominative fair use exception).

83. See *New Kids on the Block*, 971 F.2d at 306–07 (noting that “it is virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using the mark. For example, reference to a large automobile manufacturer based in Michigan would not differentiate among the Big Three. . . .”); *G.D. Searle & Co. v. Hudson Pharm. Corp.*, 715 F.2d 837, 842 n.12 (3d Cir. 1983) (stating that “the Lanham Act does not compel a competitor to resort to second-best communication”).

84. See *New Kids on the Block*, 971 F.2d at 309–10.

fair use cases.⁸⁵ The difference between the approaches is that the Ninth Circuit replaces the traditional likelihood of confusion analysis with its nominative fair use test in cases where nominative fair use is asserted.⁸⁶ In contrast, the Third Circuit uses a two-step approach where the plaintiff must first prove likelihood of confusion under a modified test, and then the burden shifts to the defendant to prove that its nominative use was fair.⁸⁷ The approach taken by the Third Circuit treats the nominative fair use exception as an affirmative defense to trademark infringement instead of rolling the analysis into the likelihood of confusion test.

An example in the Third Circuit of the nominative fair use defense is *Century 21 Real Estate v. Lendingtree*, where the defendant, an internet real estate referral company, used the mark of the plaintiff real estate companies when referring to real estate agents who were franchisees of the plaintiff.⁸⁸ The plaintiff filed suit for trademark infringement and the defendant asserted the nominative fair use defense.⁸⁹ In remanding the case to the district court, the circuit court announced the nominative fair use test where a defendant must show:

- (1) use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service;
- (2) defendant uses only so much of the plaintiff's mark as is necessary to describe the plaintiff's product; and
- (3) defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services.⁹⁰

Furthermore, the circuit court modified the test for likelihood of confusion to help the district court determine whether consumers are confused by the manner in which the mark is being nominally used.⁹¹

85. Compare *Century 21 Real Estate*, 425 F.3d at 220–221, with *New Kids on the Block*, 971 F.2d at 302.

86. See *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002).

87. See *Century 21 Real Estate v. Lendingtree*, 425 F.3d 211, 222 (3d Cir. 2005).

88. *Id.* at 214–15.

89. *Id.*

90. *Id.* at 222.

91. *Id.* at 225–26 (factors to be evaluated in the test for likelihood of confusion when the defendant asserts the nominative fair use defense are:

- (1) the price of the goods and other factors indicative of the care and attention expected of consumer when making a purchase;
- (2) the length of time the defendant has used the mark without evidence of actual confusion;
- (3) the intent of the defendant in adopting the mark; and
- (4) the evidence of actual confusion.)

4. Parody and Freedom of Expression

One other defense to trademark infringement is parody. Trademarks, on occasion, exceed their source identifying function and become part of the public's lexicon.⁹² In these instances, trademarks are infused with an expressive role completely apart from trademark function.⁹³ At this point, there is a circuit split regarding the proper analysis of whether there is trademark infringement due to the rights of the trademark owner invading the region protected by the First Amendment.⁹⁴

One method of analysis is shown in *Mutual of Omaha Ins. Co. v. Novak*, where the court used the traditional likelihood of confusion analysis to find trademark infringement notwithstanding the defendant's parody defense.⁹⁵ The defendant had placed a design logo that satirized nuclear war and resembled the trademarks of Mutual of Omaha on t-shirts, sweatshirts, buttons, caps and coffee mugs.⁹⁶ The district court found that the defendant had infringed on Mutual of Omaha's trademarks because the parody design created a likelihood of confusion as to Mutual of Omaha's sponsorship of or affiliation with the defendant's merchandise.⁹⁷ In affirming the district court's judgment, the circuit court reviewed the case using the *Polaroid* factors⁹⁸ and determined that there was indeed a likelihood of confusion.⁹⁹ The court reasoned that the First Amendment protections do not allow the defendant to infringe on the "property" rights of Mutual of Omaha where "adequate alternate avenues of communication exist."¹⁰⁰ In other words, a parody or freedom of expression defense does not exist as an affirmative defense, but rather is included in the traditional likelihood of confusion analysis.

The alternate analysis of parody is the balancing approach that weighs the public interest in free expression against the public interest in avoiding

92. *Mattel, Inc. v. Universal Music Int'l Ltd.*, 296 F.3d 894, 900 (9th Cir. 2002).

93. *Id.*

94. *Id.*

95. *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 401 (8th Cir. 1987).

96. *Id.* at 398.

97. *Id.*

98. *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (asserting the factors to determine whether a likelihood of confusion exists are: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the plaintiff's and the defendant's marks; (3) the proximity of the goods or services; (4) the likelihood that plaintiff will bridge the gap; (5) evidence of actual confusion; (6) defendant's good faith in adopting the mark; (7) the quality of defendant's product or service; and (8) the sophistication of the buyers).

99. *Mut. of Omaha Ins. Co.*, 836 F.2d at 398-401.

100. *Id.* at 402 (noting that the defendant could still present the parody in a book, magazine, or film).

consumer confusion.¹⁰¹ An example of the balancing approach is seen in *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*,¹⁰² where the defendant produced a parody that satirized the cover of the well-known study guide. Another example is *Mattel, Inc. v. Universal Music Int'l Ltd.*,¹⁰³ where a rock band produced a song that parodied Mattel's Barbie doll. In each of the cases, the courts applied the balancing approach articulated in *Rogers v. Grimaldi*.¹⁰⁴ The courts' justification for using the heightened standard for proving trademark infringement was that parody was a form of artistic expression protected by the First Amendment, entitling it to substantial freedom.¹⁰⁵ However, this expressive freedom is not unbridled and, at times, must yield to a trademark owner's rights.¹⁰⁶ Thus, the balancing approach seeks to evaluate and weigh the competing concerns of the Lanham Act and the First Amendment. Consequently, a showing of likelihood of confusion is not dispositive of trademark infringement when the use involves free expression.¹⁰⁷

B. Which United States Trademark Defenses Have Been Sufficiently Developed to be Included in Future International Agreements

Prior to including United States trademark defenses in an international bilateral agreement, the defenses must be evaluated to determine if they have been sufficiently doctrinally developed to be applied in an international context. This is an important consideration because, without the proper domestic foundation, the inclusion of these trademark defenses could create confusion as to their proper application. Consequently, the defenses may splinter due to varying interpretations and, thus, lack the cohesive force necessary to achieve their purpose. The international setting should not be a proving ground for the exceptions, but rather the exceptions must be adequately developed to be applied internationally.

Evaluating each of the United States trademark defenses illustrates that all are ripe to be applied internationally provided the Legislature or the Supreme Court resolves the circuit split regarding the proper analytical

101. *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989).

102. *Id.*

103. 296 F.3d 894, 899 (9th Cir. 2002).

104. 875 F.2d 994, 999 (2d Cir. 1989) (holding that literary titles do not violate the Lanham Act "unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.").

105. *Cliff Notes*, 886 F.2d at 493-94.

106. *Id.*

107. *See Mattel*, 296 F.3d at 900-01.

approach for both nominative fair use and parody. After *KP Permanent Make-up, Inc.*, the proper framework for the fair use exception was laid out with the exception acting as an affirmative defense after the plaintiff satisfies the prima facie likelihood of confusion requirement.¹⁰⁸ Additionally, the comparative advertising exception has been sufficiently developed, but is now likely to be included in the nominative fair use exception. Both comparative advertising and nominative fair use protect a defendant's use of the plaintiff's mark in a source identifying manner. However, comparative advertising only involves a use in the advertising context, while nominative fair use encompasses all contexts. Therefore, comparative advertising exists as a subset of nominative fair use.

An ancillary benefit of resolving the proper analytical framework for the exceptions, prior to pursuing them internationally, would be to set the course for the proper domestic treatment of trademark exceptions. As Professor Dinwoodie emphasized, "real defenses" must be established in United States trademark law that are not wrapped up in the likelihood of confusion analysis.¹⁰⁹ But rather, they should exist as affirmative defenses that can be asserted after a prima facie claim of infringement has been established, and recognize the underlying social policy objectives and values.¹¹⁰ The possibility of entering into an international bilateral agreement would provide the Legislature with an ideal opportunity to evaluate the trademark defenses, balance the rights of mark holders and the public, and establish "real defenses."

III. THE EC-CARIFORUM AGREEMENT

The EC-CARIFORUM Agreement is the first international agreement that mandates the trademark rights exception permitted in Article 17 of the TRIPS Agreement. Article 17 provides that WTO "[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."¹¹¹ Thus, Article 17 permits the creation of exceptions in a country's national trademark law. The EC-CARIFORUM Agreement states that

[t]he EC Party and the Signatory CARI-FORUM States shall provide for the fair use of descriptive terms, including geographical indications, as a limited exception to the rights conferred by a trademark. Such limited

108. See *KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

109. See Dinwoodie, *supra* note 44, at 132-37.

110. *Id.*

111. See TRIPS Agreement, *supra* note 2, at art. 17.

exceptions shall take account of the legitimate interests of the owner of the trademark and of third parties.¹¹²

Analysis of the EC-CARIFORUM Agreement reveals that it mandates a typical fair use exception to trademark infringement for descriptive terms. Of additional note is how the scope of the EC-CARIFORUM exception is limited to the example listed in Article 17 of fair use as an acceptable limitation to trademark rights. Various potential reasons exist for the fair use exception being the only trademark defense enumerated in the EC-CARIFORUM Agreement, such as the European Union's desire to develop international trademark defenses incrementally or, alternatively, uncertainty as to the allowable maximum scope of trademark exceptions under the TRIPS Agreement.

Today, the trademark exceptions clause is an extremely abnormal provision in a bilateral agreement. The standard IP provision included in a bilateral agreement contains TRIPS-plus provisions. In these provisions, the developed IP-rich country secures more expansive IP rights, and the developing country accepts the agreement notwithstanding the TRIPS-plus provisions due to more immediate economic, trade, or political needs. In the EC-CARIFORUM Agreement, the European Union, despite its superior bargaining power, decided to "buck the trend" and limit trademark rights. The EC-CARIFORUM Agreement is the first international attempt to balance trademark rights.

A number of policy reasons and other external factors likely influenced the European Union's decision to include the fair use trademark exception. There was likely a push by constituents who lobbied that trademark exceptions were needed after realizing that the pendulum has swung too far in the favor of trademark owners' rights. Moreover, commercial monopolization of descriptive terms likely affected competition in the market as trademark owners—whether from the developed or developing country—prevented new market entrants as they could not properly describe their product. Another possibility is the campaigning by well-funded non-government organizations (NGOs) for more rights for developing countries. The NGOs' social consciousness could have sparked discussion that strong trademark rights have inhibited the advancement of developing countries. Whatever the reasons for the inclusion of the fair use exception, the European Union has commenced the process of balancing trademark rights.

112. See EC-CARIFORUM Agreement, *supra* note 2.

IV. WHY THE UNITED STATES SHOULD INCLUDE EXCEPTIONS TO TRADEMARK RIGHTS IN FUTURE INTERNATIONAL BILATERAL AGREEMENTS

Now that the European Union has taken the first step and included trademark exceptions in an international bilateral agreement, the United States should follow the European Union's lead and continue the movement to balance international trademark rights. This section will discuss how the United States would negotiate the trademark exceptions, the motivating factors for pursuing the exceptions, and the proposed scope of the exceptions.

A. Any International IP Agreement the United States Negotiates Must be on Bilateral Basis

TRIPS is the most comprehensive multilateral IP agreement and establishes mandatory minimum standards of protection.¹¹³ After the initial implementation of TRIPS, the United States attempted to raise the minimum levels of IP protection on a multilateral basis.¹¹⁴ Eventually, the ability to enact increasing levels of multilateral IP protection became progressively more difficult until it was no longer possible.¹¹⁵ However, the United States did not stop advancing its international IP agenda; instead, the focus shifted back its former well-established means of negotiating on a bilateral basis. This change brought with it a number of attendant advantages, but also prompted many criticisms.

Advantages of negotiating on a bilateral basis include the fact that the United States no longer needed to avoid contentious issues; agree on the least common denominator, allowing national discretion over the remainder of an issue; or deal with the "dead weight"¹¹⁶ in international negotiations.¹¹⁷ Furthermore, when TRIPS was ratified, the United States and other developed countries saw the greatest losses, and consequently bilat-

113. See TRIPS Agreement, *supra* note 2; Okediji, *supra* note 5, at 128 (asserting that the "TRIPS Agreement remains the premier international intellectual property treaty").

114. See Gervais, *supra* note 6, at xvi.

115. *Id.*

116. Countries that have little to offer the United States in terms of a market to exploit the goods but nonetheless receive the benefit of the concessions given by the United States. Okediji, *supra* note 5, at 144.

117. *Id.* at 144-46.

eral agreements were a means to lessen the multilateral losses.¹¹⁸ Additionally, since international IP solutions are sought more quickly, bilateral agreements are a more efficient means of achieving that goal. Another advantage of bilateral deal making is that the United States can consolidate multiple bilateral agreements into a multilateral device.¹¹⁹ This allows the United States to break down coalitions of developing countries and impose its foreign policy.

Rightfully, the United States' foreign bilateral IP policy has been criticized. One criticism is that United States' bilateral agreements are the primary means by which most TRIPS-plus provisions are agreed to.¹²⁰ These TRIPS-plus provisions take the flexibility out of the TRIPS Agreement, which has affected both sovereign discretion and the advancement of developing countries.¹²¹ In conclusion, critics believe that the bilateral efforts of the United States explicitly undermine the WTO and the TRIPS Agreement, which in turn negates the gains TRIPS made for developing countries.¹²²

In spite of the criticisms, bilateral agreements are still the dominant way the United States conducts its foreign IP policy. This policy is likely to continue for the foreseeable future as it is doubtful that the opposition to multilateral TRIPS-plus provisions will subside.¹²³ Accordingly, any attempt to efficiently negotiate and implement exceptions to trademark rights must be done in a bilateral manner.

B. Why the United States Should Negotiate Trademark Exceptions

Prior to the United States attempting to secure trademark exceptions, the domestic and international circumstances must demonstrate a need for the trademark rights to be balanced. It is unlikely that the United States, an IP-rich country, would negotiate exceptions to the trademark rights of its constituents without external motivating factors. The requisite motivating factors may now be present in the international IP debate as the stakes have been raised regarding IP rights due to their global implications.¹²⁴

Linking trade and IP rights in the TRIPS Agreement has led to more

118. *Id.* at 144.

119. Graeme B. Dinwoodie, *The International Intellectual Property Law System: New Actors, New Institutions, New Sources*, 10 MARQ. INTELL. PROP. L. REV. 205, 209–10 (2006).

120. Okediji, *supra* note 5, at 129.

121. *Id.* at 130.

122. *Id.* at 129.

123. *Id.* at 140.

124. See DINWOODIE, *supra* note 31, at 80.

critical attention of international IP rights.¹²⁵ Critics are now voicing their opinions regarding the balance struck in bilateral agreements, which include TRIPS-plus provisions because they believe that the agreements are too one-sided, with developing countries conceding too many rights.¹²⁶ Further increasing the visibility of international IP rights are NGOs, which enhance the range of views and advocate substantive social policies.¹²⁷ Moreover, a growing realization exists that expansive IP rights have a negative impact on the advancement of developing countries.¹²⁸ In sum, critics and NGOs are demanding accountability in the IP system due to the high social costs of increasing IP protection.¹²⁹

Due to this heightened scrutiny, IP rights have already been criticized and balanced in the other IP regimes. In copyright, the rights have been, and continue to be, balanced because of the one-sidedness of rights in the TRIPS Agreement that favored the copyright owner.¹³⁰ The rights imbalance had the potential to create long term problems with the creative and innovative process.¹³¹ Without access to existing works, new “authors” cannot build on existing knowledge or technology, which is the primary means by which most innovation occurs.¹³² As a result, the access to knowledge campaign began and sought to include a means of access in international IP law.¹³³ The movement underscores the fundamental rights that are implicit in providing access and dissemination of knowledge goods including personal, social, and economic advancement and the exercise of political power.¹³⁴ Furthermore, access to the knowledge goods may provide educational materials for those who lack them, and potentially lead to rapid advances of innovative technologies.¹³⁵ Compounding the need for exceptions, which in turn provides access, is the availability of communication technology that magnifies the public benefit.¹³⁶ Presently, technology allows for far-reaching worldwide distribution of knowledge goods assuring that access in one market can be easily disseminated to other mar-

125. *Id.*

126. *Id.* at 88.

127. *Id.* at 92.

128. Okediji, *supra* note 5, at 146.

129. P. Bernt Hugenholtz & Ruth L. Okediji, *Conceiving an International Instrument on Limitations and Exceptions to Copyright* 10, <http://www.ivir.nl/publicaties/hugenholtz/finalreport2008.pdf> (last updated March 6, 2008).

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.*

134. *Id.* at 11.

135. *Id.*

136. *Id.* at 37–38.

kets.¹³⁷ In conclusion, exceptions to copyright infringement have been—and continue to be—created because the owners' IP rights were too strong, and the resulting inequity required the rights to be balanced.

As the role that trademarks play in society has increased, so too have the implications and social concerns of awarding strong trademark rights.¹³⁸ Today, trademarks are no longer solely confined to their traditional functions of source identification and protection of the mark owners' goodwill. In addition, trademark rights now involve free competition, free speech, expression of personal identity, public health concerns, artistic creativity, comparative advertising, commercial certainty for innovators, and commercial ethics.¹³⁹ Thus, trademark rights have far-reaching effects aside from consumer confusion. Without exceptions to trademark rights, there is a resulting imbalance favoring the trademark owner.

An imbalance is seen in United States trademark law due to factors such as the expansion of protectable subject matter and liability for confusion that does not occur at the point of sale, such as post-sale and initial interest confusion. Accordingly, there has been criticism that current United States trademark exceptions are inadequate in the face of ever-growing owners' rights.¹⁴⁰ As a result of the imbalance in rights, the Supreme Court,¹⁴¹ Circuit Courts,¹⁴² and the Legislature¹⁴³ have interpreted or drafted trademark exceptions that seek to balance the rights of mark holders against the rights of the public. Conversely, in the international context trademark owners have an unbridled right as the TRIPS Agreement does not require trademark exceptions even though they are allowable under Article 17.

International trademark law is following in the footsteps of copyright law and now requires a balancing of the owners' and the public's rights. Much like copyright law, the timing is right for the United States to begin to negotiate bilateral agreements that include trademark exceptions. This is evident from factors that indicate that trademark rights are already on the radar of critics and NGOs, who are demanding accountability and fairness in the trademark system. First, the inclusion of the fair use exception in the EC-CARIFORUM Agreement indicates that the campaign to balance

137. *Id.*

138. *See* Dinwoodie, *supra* note 45, at 1.

139. *See* Dinwoodie, *supra* note 44, at 121.

140. *See id.* at 120.

141. *See* KP Permanent Make-up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 111 (2004).

142. *See* Century 21 Real Estate v. Lendingtree, 425 F.3d 211, 214 (3d Cir. 2005); *Mattel, Inc. v. Universal Music Int'l Ltd.*, 296 F.3d 894 (9th Cir. 2002).

143. *See* 15 U.S.C. § 1125.

trademark rights is gaining traction and is much more than a grassroots movement. Furthermore, the new roles that trademarks have taken on assure that the exposure and visibility of trademarks will only increase in the future. In sum, the timing is suitable for the United States to internationally negotiate trademark exceptions as the requisite motivating factors are currently present.

Although the timing may be appropriate, the United States will not pursue trademark exceptions without substantive reasons that justify their inclusion. Presently, these reasons exist and the United States should negotiate trademark exceptions. First, competitive concerns are present for both the United States and developing countries in awarding unchecked trademark rights. The trademark owner can monopolize the use of the term, which can prevent competitors from entering the market because they are unable to describe their products. This is especially significant because most foreign countries utilize a "first to register" system in awarding trademark rights, as opposed to the United States' use-based system. Thus, trademark rights are awarded by merely filing the appropriate paperwork, rather than adhering to the United States' more stringent use requirement. Without international trademark exceptions, the outcome of this procedural differentiation could bar companies in the United States from entering a foreign market due to the mere registration of a term in the that country. This scenario is similar to the access to knowledge campaign in the copyright context, where copyright holders were prohibited from hoarding technology and not allowing access to others, which impeded innovation.

Another competitive concern exists regarding the use of a trademark to describe the mark owner's product, which involves the traditional source-identification function of trademark. New market entrants of alternate goods may be precluded from competing in the market if they are unable to refer to the goods that they substitute. Furthermore, competition in derivative markets will suffer if manufacturers are unable to identify the complementary products that are compatible with each manufacturer.¹⁴⁴ Also from an efficiency standpoint, competitors would be required to resort to "second-best" communications when advertising a product. As a result, United States' corporations could once again be precluded from competing in a foreign market unless trademark exceptions are secured.

An additional factor favoring the United States securing international trademark exceptions is consumer concerns. To make an informed purchase, consumers need as much information as possible. Without a fair use

144. See Dinwoodie, *supra* note 44, at 131–32.

exception, terms can be monopolized which will deprive consumers of useful descriptive information about the product. Furthermore, without nominative fair use, a second-comer who enters the market to offer a comparable good is unable to refer to the first-comer and, therefore, the consumer will be denied information regarding the equivalence of the products. Due to globalization, each of these situations will become more prevalent as an increasing number of products, for which consumers require descriptive information, enter the market. Consumers in both the United States and foreign countries will greatly benefit from exceptions to trademark infringement that allow for the accurate description and a declaration of the equivalence of the goods in advertising.

A final reason why the United States should negotiate bilateral international exceptions to trademark rights relates to freedom of expression. Without exceptions, a trademark owner is given a monopoly over a mark and is able to restrict the public's use. This creates a potential for private censorship, where corporations are taking words out of circulation and control usage as individuals fear that their use will subject them to liability. This is especially important as trademarks frequently exceed their traditional function of source identification and take on an independent expressive role. The possibility of encroaching upon an individual's expressive right is significant because of its fundamental nature. The First Amendment and foreign national constitutional principles substantiate the fundamental nature of the freedom of expression. Thus, due to the new expressive function served by trademarks and the fundamental nature of the freedom of expression, the United States would be justified in seeking an international freedom of expression defense to trademark infringement.

C. Proposed Scope of the International Trademark Exceptions

It has already been established that the timing and substantive reasons exist for the United States to secure international trademark exceptions in a bilateral manner, yet the scope of the exceptions still must be determined. The United States could follow the example set by the European Union and merely secure a fair use exception, or the United States could negotiate more extensive exceptions.

Fair use is the natural starting point for determining the scope of an international agreement. It has already been included in the EC-CARIFORUM Agreement and taken on a role in the United States as an affirmative defense to infringement, rather than merely being subsumed into the likelihood of confusion analysis. Nominative fair use, although only present in United States trademark law, also has the potential to be

successfully applied internationally as an affirmative defense. Moreover, comparative advertising still serves an important function in the marketplace and may become progressively more important as additional equivalent goods enter the marketplace. Finally, the freedom of expression exception is becoming increasingly necessary as trademarks take on different roles apart from their classic function of source identification.

Other factors exist that must be considered when determining the scope of the defenses. The overall benefit of including the trademark exception must be considered where a more extensive set of defenses will protect a larger set of the public's rights. Including an extensive set of defenses must be weighed against inconsistencies in the application of trademark exceptions, and whether the defenses will be applied in the likelihood of confusion analysis or exist as an affirmative defense. Furthermore, the complexity of dealing and lawmaking in an international environment must also be considered.

Taking all these factors into account, the proposed scope of the trademark defenses in future bilateral agreements is to include fair use and nominative fair use. Fair use and nominative fair use should be included due to the consumer and competitive concerns that they reinforce and their ease in application in the international setting. Fair use will prevent trademark owners from monopolizing terms, which could preclude new entrants to markets because of the inability to accurately describe their product. Furthermore, nominative fair use will allow competitors to advertise the equivalence of their goods and not require the use of "second-best" communications to describe their products. This will increase competition in the market. Finally, consumers will benefit from both trademark exceptions as accurate descriptions of goods and their equivalents will allow consumers to make informed purchasing decisions.

The comparative advertising exception should not be included independently in a future bilateral agreement because it is a subset of nominative fair use—which will be included—so there is no need to include it separately. Also, an exception for freedom of expression will not be included because of the difficulty in applying it internationally. The exception is currently included in many foreign countries' constitutions and the United States may be overreaching in telling foreign countries how to interpret their constitutions.

CONCLUSION

The campaign to balance trademark rights has already begun as the EC-CARIFORUM Agreement includes a mandatory exception to trade-

mark rights. Following the European Union's lead, the United States should also negotiate mandatory trademark exceptions into future bilateral agreements and build upon this momentum to balance trademark rights. However, the United States should expand upon the exception in the EC-CARIFORUM Agreement by including both fair use and nominative fair use exceptions.