



# Nominative Use of a Trademark – Constitutive Elements and Practical Issues

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There are two primary forms of trademark fair use: nominative and descriptive uses. In China, neither the nominative nor the descriptive uses of a trademark are clearly defined or interpreted. The content of Article 59 (1)/(2)<sup>1</sup> of the Trademark Law specifies the specific descriptive uses of a trademark. However, there remain several discrepancies between theory and practice concerning the definition and constitutive elements of the nominative use of trademarks. This paper will discuss the definition and constituent elements of nominative use, analyze its core through pertinent legal precedents, and explain its current state of practical application.

## I. The Origin and Definition of Nominative Use

The earliest concept of nominative use of a trademark originated from the *New Kids on the Block vs. News America Pub., Inc.* case<sup>2</sup> of the United States. This case did not define nominative use, but it did establish relevant elements that the court considered. Which are, in brief, 1) necessity, 2) the use of the trademark must be within the required limits, and 3) the prohibition of implying certain connections with the trademark owner. The courts in the United States have since modified the third element, namely that there is no possibility of confusion, as judicial practices have evolved<sup>3</sup>. In 2004, the Supreme Court of the United States confirmed in the *Micro Colors* case that even if confusion may exist, the fair use defense remains viable, and the defendant is not required to deny the possibility of confusion<sup>4</sup>.

Article 14 (1) (C) and Article 2 of the European Union Trade Mark Regulation define the nominative use of the trademark. It specifies that the trademark owner has no right to prohibit the third party from using its trademarks in commercial trade, in a manner consistent with the practices of good faith in industry and commerce, to determine and refer to the use of goods or services, especially in the manufacturing of accessories or parts<sup>5</sup>. It is evident that the possibility of confusion is not an element of nominative use in the European Union.

Regarding China, academics interpret nominative use differently. Some scholars contend that the nominative use of a trademark is to identify the source of goods or services using the brands of others, and such judgments do occur in legal practice<sup>6</sup>. There stand arguments surrounding this perspective. The author believes that it should be determined first whether the nominative use constitutes trademark use. Otherwise, it should not serve the function of

1 Trademark Law of People's Republic of China, Article 59: Where any party uses, without authorization from the trademark registrant, a trademark identical to a registered trademark, and the case is so severe as to constitute a crime, he shall be prosecuted, according to law, for his criminal liabilities in addition to his compensation for the damages suffered by the infringed.

2 *New Kids on the Block vs. News America Pub., Inc.*, 971 F. 2d 302 (9th Cir. 1992).

3 Qian Cheng. "On the Nominative use of Trademarks": Clarification of Use and Confusion Requirements.

<https://sghexport.shobserver.com/html/bajiahao/2022/05/24/750553.html>

4 Wu Xuan. Business information. 2014(04):53-54.

5 European Union Trade Mark Law, Article 14 (1) (c), Article 2.

6 (2021) SU03MINCHU No. 92.

identifying the origin of goods or services. While some academics believe that the nominative use constitutes trademark use, infringement depends on the tenability of the defense<sup>7</sup>. In fact, Article 26 of the Interpretations of the Supreme People's Court on Several Issues Concerning the Application of Laws to Trial of Trademark-involved Civil Dispute Cases points out the Constituent Elements of fair trademark use. It comprises: 1) the use of a trademark in good faith; 2) the use of a trademark for goods not manufactured by the trademark holder; 3) the use of a trademark for illustrating or describing the goods manufactured by the trademark holder.

This demonstrates that in the Interpretation issued by the Beijing High People's Court, the potential for confusion is not a criterion for evaluating nominative use. Additionally, it clarified that nominative use should not constitute trademark use. While the interpretation is applicable within a limited geographical area, it is largely consistent with the design of the trademark system, which seeks to protect the legitimate rights of the right holders with the greatest possible effort while balancing the public interest. The right holders should not have a monopoly on the words or devices comprising the trademark, as this would lead to abuse and deformation of the right, but should instead permit the public to use them within a reasonable range. The purpose of the Trademark Law is to protect trademark rights and safeguard producer and operator interests. The fair use of trademark and nominative use should therefore limit and balance the subjects protected by the Trademark Law and should not fall within the scope of trademark use.

## II. The Elements Constituting Trademark Nominative Use

The constituent elements of nominative use are a matter of debate. According to some scholars, three elements must be considered: necessity, reasonable use scope, and the potential for confusion. In contrast, some argue that only the first two are relevant when evaluating nominative

use. In judicial practice, the majority of courts mentioned the possibility of confusion in the judge's ruling. The author will analyze the aforementioned elements by analyzing similar cases.

1. The necessity of utilizing the trademarks of third parties can be understood as follows:

It is impossible to communicate accurate information to clients if trademarks of third parties are not utilized in certain business activities, and there is no alternative method of communicating such information. This is most evident in the industries of product accessories, spare parts, and maintenance services. For instance, operators of spare parts for electronic and industrial products must frequently inform consumers that their spare parts are compatible with a particular brand and type of product. To convey such information, it is necessary to mention or utilize the trademarks of others. Another example is the maintenance industry, which encompasses everything from automobiles to appliances; operators must also inform customers of the brands they can service. Such information cannot be conveyed accurately by any other words. Moreover, when using the trademarks of others, operators should communicate to consumers only the contents of their services or the functions and characteristics of their products. They should not deliberately rely on the generosity of others or free rides.

In *Guiyang Nanming Lao Gan Ma Flavor Food Co. LTD. v. Beijing Carrefour Commercial Co. LTD. and Guizhou Yonghong Sank Food Co. Ltd.*, a trademark infringement case<sup>8</sup>, the court ruled, "Lao Gan Ma brand lobster sauce was added to the disputed products' ingredients, however, it is not a necessity to label 'Lao Gan Ma'. The defendant, Guizhou Yonghong Sank Food Co., Ltd., could indicate the flavor of the contested beef stick by explicitly displaying words such as spicy taste and lobster sauce taste as opposed to using the involved trademark". In this instance, the defendant's use of a third-party trademark is not irreplaceable. Therefore, it cannot satisfy the requirement of necessity.

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<sup>7</sup> Same as Note 3.

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<sup>8</sup> (2016) JING73MINCHU No. 108.

2. The use of third-party trademarks adheres to the fair use limitations. This typically necessitates that operators do not use the mark of others in a large number or on a broad scale. Due to the requirements of necessity, the sole purpose of using a third-party trademark is to accurately convey information to consumers. Following are the aspects where the user does not exceed a fair use limit: first, the operator does not use third-party trademarks to distinguish the source of its goods or services; second, there should be no prominent use of third-party trademarks; and third, consumers should be informed of the disassociation between their products and third parties trademark with relevant explanations<sup>9</sup>.

Regarding the trademark infringement case involving Chery Automobile et al. and Guinness World Records<sup>10</sup>. Chery Automobile et al. used "GUINNESS" marks prominently by a significant margin on screens, stage backgrounds, and the bodies of stunt vehicles in the disputed activity, as well as on other items. The effects were also prominently applied to activity facilities and staff attire. The court determined that Chery Automobile et al. had used the trademarks of third parties in excess of what constitutes a fair use of a "kindly indication." In the meantime, Chery Automobile et al. did not make any statements in the contested activities that would allow the relevant public to differentiate it from Guinness. In this instance, the use of third-party trademarks by Chery Automobile et al. was excessive and hardly fair. Moreover, it can be inferred from the complex diversity of the use forms that there is a specific intent to cling.

3. With regard to the potential for confusion, the author concurs that it is not taken into consideration when determining whether the trademark use is a type of nominative use. The likelihood of confusion, which is the criterion for determining trademark infringement, indicates that the use of a brand could easily lead the relevant public to misunderstand the origin of the goods or to believe there are certain connections

between the source and the goods of the registered trademark. Primarily, the likelihood of confusion is determined by the similarity between trademarks and products. When operators use identical marks by indicatively using other's trademarks, and their products and services are closely related to those of the trademark proprietors, it would be easy to classify these as similar goods or services. Consequently, the majority of nominative uses of the brand will satisfy the constituent factors of similarity of trademarks and goods/services when the likelihood of confusion is factored in. As a corollary, the defendant who asserts the nominative use of the trademark cannot satisfy the condition that it does not cause confusion, and thus loses the ability to defend the trademark. In this light, an increasing number of countries avoid adopting the possibility of confusion as the criterion.

While many courts in China have referred to the possibility of confusion in cases involving defendants claiming nominative use, the author asserts that in many cases, the court merely mentioned the likelihood of confusion in response to the claim of infringement by the plaintiff, rather than accepting the possibility of confusion as a clear determining factor of the nominative use. In the dispute regarding trademark infringement between JOMOO and Jishou Jihong Building Materials Business Department<sup>11</sup>. The court stated that "...is a method of trademark nominative use, and is beneficial for properly describing the classes of goods sold to consumers, which corresponds to trademark's fair nominative use, and would neither lead consumers to be confused about the origins of the goods nor cause harm to the plaintiff's disputed trademark<sup>12</sup>." Another case in point is the one involving Hainan Chunlv Agricultural R&D Co., Ltd. and Guangzhou Inspiration Tea Catering Management Co., Ltd. In this case, the Guangzhou Tianhe People's Court ruled that the defendant's use of the word "MEILONG" in the names of two varieties of its fruit tea (namely, "Fleshy MEILONG

9 Feng Xiaoyu. On the recognition and Construction of the Indicative Fair Use of trademark in China. Law. 2021, 9(1): 67-73.

10 (2017) YUEMINZHONG No. 2347.

11 (2022) XIANG31ZHIMINCHU No. 8

12 (2021) YUE0106MINCHU No. 2546

Melon" and "MEILONG Mango Sweet Dew"), as well as in its promotion line "Extraordinary MEILONG melon, praised door to door", only serves to indicate the feature of the two fruit tea and the origin of the melon in the essential ingredient. Which belongs to trademark nominative use, and it has been established that the source of the raw material is legitimate. This usage neither demonstrates bad faith nor exceeds the acceptable limits of fair use. Given that the defendant used "HEYTEA" and figurative trademarks on its stores, billboards, bags, and in the WeChat applet to specify the origin of its goods or services. It would neither confuse nor misrepresent the source of the competitor's fruit tea product to the target audience.

Thereby, after drawing conclusions regarding the nominative use, courts would respond to plaintiffs' claims of infringement by referencing the possibility of confusion. While there are instances in which a court has ruled that the likelihood of confusion is a component of trademark nominative use, this does not imply that the likelihood of confusion has evolved into a determining factor of meaningful use in legal practice.

## **Conclusion: The Necessity of Establishing a System of Trademark Fair Use**

The notion of absolute right is neither applicable nor practicable; and legal protections for trademarks are not an exception to this rule. The law grants the owner of a trademark the exclusive right to use it. In the interim, a sophisticated and independent trademark fair use system should be established to limit these rights and prevent their abuse. The number of cases involving legal challenges to trademarks has increased in recent years alongside the expansion of commercial activities. The absence of legislation on the fair use of the trademark may result in an unbalanced trademark law system or a disunified application standard of the judicial organs, leaving the parties to a case bewildered by the unpredicted trial procedure. On this account, the author urges the legislature to improve legislation and enact corresponding statutes, regulations, and judicial interpretations. In addition, different acts of fair use of trademarks should be treated individually according to their unique circumstances, the constitutive elements or criteria should be clarified and determined, and representative judicial cases designated for practitioners to study.

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*For more information, please contact the author of this article:*

*YIN, Boya: Partner, Attorney at Law, Trademark Attorney: [ltbj@lungtin.com](mailto:ltbj@lungtin.com)*



**YIN, Boya**  
Partner, Attorney at Law,  
Trademark Attorney

Ms. YIN is very experienced both in trademark prosecution and enforcement aspects, particularly in handling sophisticated trademark administrative/civil litigation cases. Ms. YIN has represented many renowned international enterprises and successfully made their marks to be recognized as well-known marks. The clients she served cover different industries, which includes pharmaceutical, chemistry, food, clothing, cosmetic, international hotels and media. One of trademark administrative litigation case represented by her was selected as "Excellent Trademark Litigation Case" by CTA in 2015. In 2016, Ms. YIN represented a Japanese client to successfully safeguard its prior copyright before the Supreme People's Court. Other meaningful cases she won covered different trademark issues, such as prior trade name, trademark dilution, distinctiveness and trademark squatting.