Comparative Study on the Permissible Scope & Standard of a Trademark Parody [*]

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In recent years, parody is widespread not only among copyrighted works but also among trademarks. This is probably attributable to the changes in the cultural environment and people's mindset and also to the realization of the usefulness of parody as a form of creation and expression. The purpose of this study is to establish standards to distinguish permissible trademark parody from impermissible trademark parody. I analyzed the laws, regulations, and relevant judicial precedents in major countries. Before such analysis, I identified important issues related to trademark parody from the viewpoints of trademark holders and parodists respectively. I paid careful attention to the characteristics of trademark parody and the difference between trademark parody and copyright parody. In the case of commercial trademark parody, it would raise the issue of trademark registrability in the phase of trademark examination and also raise the issue of infringement under the Trademark Act and the Unfair Competition Prevention Act in the phase of infringement lawsuit. I analyzed the relevant legal systems designed to control trademark parody in the U.S., Europe, Japan, and South Korea and specific cases of trademark parody that occurred in those countries. Based on the results of a comparative analysis, I was able to identify the issues that tend to arise in the phase of trademark examination and in the phase of infringement lawsuit. The analysis results show that there were no cases where parody trademarks were found registrable. I listed the possible reasons. On the other hand, I found that major countries take different stances when it comes to infringement, more specifically, trademark infringement and dilution-related infringement. Japan and South Korea have a negative view on trademark parody because these two countries consider trademark parody as an act of free-riding on the trust and good reputation of another party. Naturally, in these countries, there have been no cases where trademark parody was found lawful. Meanwhile, Europe has a tradition of accepting a wide range of political and artistic trademark parody, while still having a negative view on commercial

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trademark parody in many cases. However, Europe might change its stance due to the influence from the European Court of Human Rights and "Recital 21 of Council Regulation No. 2017/1001" The U.S. accepts the use of a parody trademark not only as a type of nominative fair use, but also as a non-actionable activity under the dilution theory. Furthermore, in some cases, the U.S. and Europe find trademark parody to be a means of free expression by limiting the scope of rights protected under the trademark law and the unfair competition prevention law in order to achieve a balance between trademark parody and the freedom of expression guaranteed under the Constitution. As a conclusion of my paper, I addressed these issues in a comprehensive manner and described various categories and characteristics of permissible trademark parody and identified the requirements for successful trademark parody.

The purpose of this study is to establish the standards to distinguish permissible trademark parody from impermissible trademark parody. To achieve this goal, I analyzed the laws, regulations, and relevant judicial precedents in major countries. Before such analysis, I examined the functions of trademark parody and categorized trademark parody into different types based on various standards in order to determine what types of trademark parody should be subject to the trademark law. I paid careful attention to the characteristics of trademark parody and the difference between trademark parody and copyright parody.

In Chapter II, I examined and analyzed the legal status of trademark parody. There is a clear difference between trademark holders and parodists in terms of the stance on trademark parody. I identified the legal issues that could be raised by each side of a trademark parody-related dispute. In order to understand what legal defense could be raised, I first examined the possibility for trademark holders to allege trademark infringement or dilution-related infringement under the trademark law or the unfair competition prevention law and then try to understand the usefulness and value of parody that parodists want to enjoy. Although parody does not make an independent defense, it could be additionally taken into consideration by a court when determining the risk of confusion. Under a certain law or regulation, it might be possible for parodists to raise a defense of nominative fair use or to allege that trademark parody is non-actionable under the dilution theory. I came to the conclusion that parodists have good chances to make an effective claim from the perspective of the freedom of expression guaranteed under the Constitution.

In Chapter III, I made a comparative study on the registrability of a parody trademark. I examined the relevant laws and regulations in the U.S., Europe, Japan, and South Korea and also analyzed specific disputes that occurred in these countries in order to make a comparison and grasp the current situation. The research results show that, unlike trademark infringement cases, most parody trademarks were rejected or invalidated in the phase of trademark examination in those countries on the grounds that it is very difficult to make an exception for and register such trademark and that such trademark could cause confusion with already registered trademarks or could unlawfully free-ride on or dilute a reputable trademark. The grounds for such rejection an invalidation can be summarized as follows: (1) Since a parodist's act of filing an application for registration of a parody trademark constitutes an intentional act of using a parody mark as an indication of the source of goods, such act cannot be considered to be non-actionable under the dilution theory in the U.S. based on the conventional interpretation of the relevant statutory provisions; (2) If a trademark is registered, the holder of the trademark would be given an exclusive right to the registered form of expression. It would be against the spirit of the First Amendment to the U.S. Constitution that guarantees the freedom of expression; (3) In the phase of infringement lawsuit, a parody trademark in use would be at issue. Thus, it would be easy to take specific transactional circumstances into consideration. On the other hand, in the phase of application filing, it would often be difficult to take specific transactional circumstances into consideration; and (4) the patent office tends to hesitate to shoulder any risk because there might be various changes in the conditions and circumstances after registration.

In Chapter IV, I examined the laws and regulations related to trademark infringement and dilution-related infringement in the U.S., Europe, Japan, and South Korea and analyzed relevant cases in order to make a comparison and understand the current situation. Europe widely accepts political and artistic trademark parody, but still has a negative view on commercial trademark parody. However, Europe might change its stance due to the influence from the European Court of Human Rights and "Recital 21," which is the preamble of Council Regulation. When determining the risk of causing confusion, the U.S. does not accept parody as an independent defense, but additionally takes it into consideration when making such determination. Since the enforcement of the Lanham Act amended in 2006, parody exemption has been explicitly specified in said Act. Thus, it would be effective to raise a parody defense. In the case of a successful parody trademark, it would not be necessary to examine the trademark

by using six tests to determine whether the trademark would cause dilution because parody exception would apply to dilution-related infringement on the condition that the trademark has never been used as an indication of the source of goods. If the trademark has been used as an indication of the source of goods, all the factors related to dilution will be taken into consideration before making a determination as to whether the trademark is infringing or not. On the other hand, the U.S. and Europe are likely to find trademark parody as a means of free expression by limiting the scope of rights protected under the trademark law and the unfair competition prevention law in order to achieve a balance between trademark parody and the freedom of expression guaranteed under the Constitution.

Secondly, since the use of a parody trademark is similar to nominative fair use, it would be more preferable to raise a defense of nominative fair use, which has been permitted under case law in the U.S., than a defense of descriptive fair use. A defense of nominative fair use would be accepted if it can be proven that the essential requirements are satisfied. In Europe, there is no explicit provision concerning trademark parody. However, there is an explicit legal provision concerning the limitation of the effect of a trademark right in the case of nominative fair use. Under this provision, it would be possible to raise a defense. On the other hand, although Japan and South Korea do not have a legal provision or case law concerning nominative fair use, it would be possible to claim exemption based on the "genuine trademark use" theory. If a trademark is not used as a trademark, but used as a means to transmit or express a political or social message, such trademark use as a parody may be considered to be an exception to trademark infringement. Thirdly, the difference in the basic understanding of the trademark parody among countries greatly affects the judicial judgments made in each country. Some people believe that parody should be widely accepted because parody is a form of expression that should be respected in a cultural environment where everyone respects freedom and creativity and has the freedom of expression, that trademarks should be considered to be not only property but also a language that should be freely available for communication among the members of society, that, even if a trademark embodies reputation, since the trademark still functions as a symbol, trademark parody can be used as an effective means to carve out a niche market by criticizing the policy of the trademark holder and its symbolic image and sending a new message to consumers. In contrast, under a controlled social environment where order and discipline are highly valued, people would have a negative view of parody, which is critical and humorous in nature. Also, under the legal

environment where people believe that it would be against the objective of the trademark law to take advantage of the trust, reputation, and customer appeal embodied in another person's famous trademark by using or registering a trademark similar to such famous trademark, people would have a negative view of trademark parody. Major cases that reflected such cultural difference were the "Louis Vuitton v. My Other Bag" case in the U.S. and the "Louis Vuitton v. The Face Shop" case in South Korea, which can be regarded as a Korean version of the "My Other Bag" case. A U.S. court explained why the bag of "My Other Bag" is different from the plaintiff's handbag and held that it is different from the case where the plaintiff's mark was used simply for the purpose of advertising and selling goods. The U.S. court concluded that the bag of "My Other Bag" should be regarded as a successful parody of the indication of the plaintiff and did not constitute dilution-related infringement. Although this U.S. judgment could have been used as an effective judicial precedent in the trial of the South Korean case, a parody defense was not accepted in South Korea. The South Korean court seems to have found that the critical message that the defendant tried to convey was not properly understood by general consumers, in other words, "the parody was unsuccessful." This difference between the two judgments was caused by the culture difference between the two countries. Also, the difference may be partially attributable to the fact that in the U.S., people are busy discussing the negative sides of the dilution-related infringement theory and encouraging courts to reflect judicial precedents in their judgments, whereas such discussions are insufficient in South Korea.

In Chapter V, I examined the essential requirements for successful trademark parody and the acceptability of parody depending on the type of trademark parody. As mentioned above, (i) trademark parody is more likely to be accepted in the phase of infringement lawsuit than in the phase of trademark examination. (ii) Trademark parody would be accepted if the trademark was not used as a trademark and the trademark use can be considered as nominative fair use. Example cases would be the case where a parody trademark is used not as an indication to distinguish the source of goods, but (1) used as a means to convey a political message or to provide information about a certain fact, (2) used in a book, film, or any other medium or in an advertisement, (3) used to criticize the problems of the target goods or to make a comparison between the target goods and one's own goods, or (4) used not as an indication of the source of goods or as a trademark to distinguish one's goods from others such as the use of a parody trademark in order to complete the design or decorative function of the goods or used in such manner that the use can be considered to be nominative fair use. These

types of trademark parody should be considered to be permitted under law. (iii) Regarding the types and characteristics of parody, the two-category system consisting of commercial parody and non-commercial parody is still in use to determine the acceptability of parody, while the system was applied more flexibly than before. Needless to say, non-commercial parody trademarks would not be subject to any law concerning signs and marks in any country in the world. According to the judicial precedents in Germany, the acceptability of trademark parody would not be affected by whether the trademark is commercial or not. In view of the fact that most parody trademarks are used for commercial purposes to some extent, such trademarks should not be prohibited just because they are used for commercial purposes. It is important to examine whether the parody in question truly contributes to achieving the fundamental purpose of parody and satisfies the requirements for fair use and to check whether the parody trademark was created with the intention of causing confusion by taking advantage of the reputation of the original trademark. In the field of trademarks, a narrow sense of critical parody is distinguished from exaggeration parody (satire) and only the former type of parody is permitted to be used. Lastly, (iv) I identified the fundamental requirements for trademark parody. First, parody must fulfill the fundamental requirements in order to fall under the definition of parody. Good parody must have a function of creating association between the parody and the target original work or trademark. At the same time, a parody must be distinguishable from the original trademark. In sum, parody must allow the viewers to conjure up the original work (the original trademark) so that they can receive the message of the original work (the original trademark) and the message of the parody at the same time because true parody is expected to convey the intention of the parodist as well. Even if the parodist has no relationships with the owner of the original trademark, the parody trademark must have an effect of showing general consumers of the product that it is trying to express the message of the trademark holder in a humorous way by altering the original trademark. The judicial precedents in the U.S. and Europe also indicate the necessity for trademark parody to convey two contradictory messages simultaneously. Secondly, parody must convey a critical message of the parodist and indicate association between the parody trademark and the target trademark. Parody must have a comment-making function that allows the parodist to express a certain level of criticism through parody. Such criticism must be conveyed to consumers. In this connection, it is necessary to examine the issue of whether the comment-making function of a parody trademark can be used only to make a comment about the original trademark and whether indirect parody should be

prohibited. In the U.S., judicial opinions are divided. The Supreme Court handed down a judgment that prohibited such parody by referring to such practice in the field of copyrights. Other courts handed down judgments to the effect that parody should be permitted even if the purpose of the parody is to criticize a social situation or simply to generate laughter. Under the trademark law, unlike the copyright law, indirect parody is likely to be permitted because it would only allow indirect social criticism while direct parody, which is more likely to be composed for the purpose of wide distribution, tends to tarnish the reputation of the original. On the other hand, no consensus has been achieved as to the categories of different elements of the original trademark (critical, exaggeration, and cynical functions). The comment-making function of trademark parody usually takes advantage of the difference between the two marks in terms of the manner of use and achieved its goal by distinguishing the two through communications containing such elements as cynicism, laughter, joke, entertainment, and joy. When making a determination as to whether a parody trademark could cause confusion, the intention of the parodist is an important determination factor. However, when making a determination as to whether a parody trademark satisfies essential requirements for parody, the manner of recognition among consumers is more important than the intention of the parodist. The judicial precedents in major countries show that a parody trademark was held responsible for trademark infringement or dilution when the parody trademark failed to correctly convey meaningful information or criticism about the trademark holder or the trademarked goods. (v) A trademark parody would never be permitted in either of the following two cases: (1) the case where the sole purpose of trademark parody is to advertise products or increase the sales by taking advantage of the reputation of the famous trademark holder and (2) the case where trademark parody cannot perform its parody function because the intention and purpose of the parody is unclear.