

Whither European Trade Mark Law? Arsenal and Davidoff: The Creative Disorder Stage

S. M. Maniatis

Centre for Commercial Law Studies, Queen Mary and Westfield College, University of London

Follow this and additional works at: <http://scholarship.law.marquette.edu/iplr>



Part of the [Intellectual Property Commons](#)

Repository Citation

S. M. Maniatis, *Whither European Trade Mark Law? Arsenal and Davidoff: The Creative Disorder Stage*, 7 *Intellectual Property L. Rev.* 99 (2003).

Available at: <http://scholarship.law.marquette.edu/iplr/vol7/iss1/4>

This Article is brought to you for free and open access by the Journals at Marquette Law Scholarly Commons. It has been accepted for inclusion in Marquette Intellectual Property Law Review by an authorized administrator of Marquette Law Scholarly Commons. For more information, please contact megan.obrien@marquette.edu.

WHITHER EUROPEAN TRADE MARK LAW? *ARSENAL* AND *DAVIDOFF*: THE CREATIVE DISORDER STAGE

S.M. MANIATIS*

I. INTRODUCTION

European trade mark law is changing. First, through the introduction of the Community Trade Mark (CTM), it has become possible to obtain a single, unitary right that is effective throughout the territory of the European Union (EU). Second, following the harmonisation process, national registered trade mark laws have become much closer in theory and, increasingly, in substance. Third, the European Court of Justice (ECJ or Court) has been producing a body of jurisprudence that not only delineates the current scope of trade mark protection but will also influence future legislative developments in the field of trade marks and the wider area of unfair competition. In this period of transformation there have been judicial breakthroughs and contradictions, attempts to balance the subject matter with the scope of protection, and battles between sceptics and protectionists.

This Article reviews the relevant case law of the ECJ, focusing on two recent cases that illustrate the crossroads where European trade mark law is currently standing in a state of ambivalence. It is suggested that the time has come to look at registered trade mark law starting from basic principles rather than compromises between historically and doctrinally antithetical national systems of protection. Inevitably, this will lead to the consideration of further harmonisation in the area of unfair competition, an area that has so far been taboo for legal practitioners and academics, but actually complements, demarcates, and rationalizes registered trade mark law.

* Dr. Spyros M. Maniatis, Professor, Intellectual Property Unit, Centre for Commercial Law Studies, Queen Mary and Westfield College, University of London.

II. THE LEGISLATIVE FRAMEWORK

A. *Trade Marks and the Internal Market*

The history of registered trade mark law harmonisation in Europe is long; it goes back to the 1960's and the discussions of a European Trade Mark Treaty. However, the First Council Trademark Directive to Approximate the Laws of the Member States Relating to Trade Marks (Trademark Directive)¹ was adopted only in 1988 and the Community Trade Mark Trademark Regulation (Trademark Regulation)² in 1993. To understand trade mark developments in the EU it is necessary to state the obvious: trade mark rights are exclusive and territorial. This means that trade mark registrations can be used as obstacles to cross border trade between national markets.

The conflict between national trade mark rights and the establishment of a common market without national frontiers is apparent. The same entity holding trade mark registrations in different EU member states could use each national registration to stop the cross-contamination of national markets from imports of genuine products from other cheaper national markets. Parallel importers and the early brazen anti-intellectual property – and in particular trade mark – jurisprudence of the ECJ, founded on competition and free movement of goods rules, acted as a catalyst against this scenario. According to Article 295 of the EC Treaty, trade marks are property rights: “the Treaty shall in no way prejudice the rules of member states governing the system of property ownership.”³ However, Article 295 coexists with Articles 28 through 30 (free movement of goods) and Articles 81 through 82 (competition).⁴ This required the Court to reconcile conflicting rules, push for further integration, and break down artificial national barriers through the adoption of judicial doctrines. Inevitably, the borders between policymaking and interpretation of the law became blurred.⁵

1. Council Directive 89/104/EEC, 1988 O.J. (L 40) 1, *available at* http://europa.eu.int/eur-lex/en/seatch/search_lif.html [hereinafter Trademark Directive].

2. Council Regulation 40/94/EEC, 1994 O.J. (L 11) 1, *available at* http://europa.eu.int/eur-lex/en/seatch/search_lif.html [hereinafter Trademark Regulation].

3. TREATY ESTABLISHING THE EUROPEAN COMMUNITY, art. 295, Nov. 10, 1997, O.J. (C 340) (1997), *available at* http://europa.eu.int/eur-lex/en/search/search_treaties.html [hereinafter EC TREATY].

4. EC TREATY, arts. 28-30, 81-82.

5. This article focuses on the jurisprudence of the ECJ. National courts or tribunals can request a ruling from the ECJ if they consider that a decision on the question is necessary to enable them to give judgment. EC TREATY, art. 234. Note that the ECJ is not bound by

This obfuscation started with the “existence/exercise” distinction, embraced in *Deutsche Grammophon v. Metro*,⁶ where the Court held that it was in conflict with the provisions regarding the free movement of goods for a manufacturer of recordings to exercise the exclusive right granted to him by the legislation of a member state to market the protected articles in order to prohibit the marketing in that member state of products that had been sold by him or with his consent in another member state, solely because this marketing had not occurred in the territory of the first state.⁷ Gradually, in parallel with the growth and strengthening of the common market, the approach of the Court shifted towards the core of each intellectual property right. In *SACNL-SUCAL NV v. HAG GF HAG*⁸ (*Hag II*), the Court reconfirmed the “essential function/specific subject matter” doctrine, expressed much earlier in *Centrafarm v. Sterling Drug Inc.*⁹ The essential function of a trade mark is “to guarantee the identity of the origin of the marked product[s.]”¹⁰ The scope of the right should be in symmetry with the essential function of the subject matter of the right.¹¹ Accordingly, the owner of the trade mark has the exclusive right to use it when “putting [the marked] product into circulation for the first time”—in principle—within the territory of the EU.¹² Protection should be against competitors selling products illegally bearing the mark.¹³ Thus, before the adoption of the Trademark Directive and the Trademark Regulation, the trade mark jurisprudence of the ECJ was characterized by the “origin” function.

its decisions. See Peter Dyrberg, *What Should the Court of Justice Be Doing*, 26 E.L.Rev. 291 (2001) (discussing the “interpretation of essential issues” jurisdiction of the ECJ, the “preliminary rulings,” and “appeal from judicial panels” jurisdiction of the Court of First Instance). Compare Takis Tridimas, *The Court of Justice and Judicial Activism*, 22 E.L. REV. 199 (1997) with HJATTE RASMUSSEN, *ON LAW AND POLICY IN THE ECJ* (Martinus Nijhoff ed., 1986).

6. Case 78/70, *Deutsche Grammophon v. Metro*, 1971 E.C.R. 487 (published in French). For an English translation, see http://europa.eu.int/eur-lex/en/search/search_case.html.

7. *Id.* ¶ 13.

8. Case C-10/89, *SA CNL-SUCAL v. HAG AG*, 1990 E.C.R. I-03711, reversing Case 192-73, *Van Zuylen Frères v. HAG AG*, 1974 E.C.R. 731, available at http://europa.eu.int/eur-lex/en/search/search_case.html [hereinafter *Hag II*].

9. Case 15/74, *Centrafarm BV v. Sterling Drug Inc.*, 1974 E.C.R. 1147 (published in French) (concerning patent rights). For an English translation, see http://europa.eu.int/eur-lex/en/search/search_case.html.

10. *Hag II*, 1990 E.C.R. I-03711, ¶ 14.

11. *Id.*

12. *Id.*

13. See *id.*

B. *The Scope of the Trademark Directive*

The Recitals to the Trademark Directive state that its scope is to achieve partial harmonisation in substantive trade mark law where the divergence of national laws is a burden on the effective operation of the single market.¹⁴ They also stress the importance of ensuring that a registered trade mark “enjoy[s] the same protection under the legal systems of all [m]ember [s]tates[,]”¹⁵ and that the function of trade marks, which ought to be protected by the law, “is in particular[, but not entirely,] to guarantee the trade mark as an indication of origin.”¹⁶

To achieve harmonisation, the Trademark Directive sets out detailed provisions on registrability and scope of protection, which must be adopted into national trade mark laws.¹⁷ The Recitals also state that member states are not deprived “of the right to continue to protect trade[]marks acquired through use[; however, they are taken] into account . . . in regard to the relationship between them” and registered trade marks.¹⁸ The Recitals also stress that it “does not exclude the application [of other national laws] to trade marks . . . , such as . . . provisions relating to unfair competition, civil liability[,] or consumer protection.”¹⁹ Somewhere in the middle lie provisions that are optional for member states to adopt. For example, Article 4 of the Trademark Directive provides, in sections 1, 2, and 3, the relative grounds on the basis of which an application for registration must be refused.²⁰ These provisions, amongst others, cover identical marks used on identical goods or services where protection of the earlier mark is absolute, and identical or similar marks used on identical or similar goods or services, but in this case, for the law to intervene there must be a likelihood of confusion, including association.²¹ Sections 4, 5, and 6 provide for further relative grounds, including use of identical or similar signs on dissimilar goods or services in respect of marks with a reputation where such use takes unfair advantage of, “or [is] detrimental to, the distinctive character or the repute of the . . . trade mark,”²² or rights based on

14. Trademark Directive, *supra* note 1, at Recitals.

15. *Id.*

16. *Id.*

17. *See id.* at arts. 3-16.

18. *Id.* at Recitals.

19. *Id.*

20. *See id.* at art. 4(1)-(3).

21. *Id.* at art. 4(1). *See also id.* at art. 5(1)(b) (covering infringement).

22. *Id.* at art. 4(4)(a), (4)-(6). *See also id.* at art. 5(2) (covering infringement). For authority discussing the nature of the provision, *see* Sabine Casparie-Kerdel, *Dilution*

applications rather than registrations.²³

C. The Scope of the Trademark Regulation

The scope of the Trademark Regulation is the establishment of a unitary right, the Community Trade Mark, effective throughout the territory of the EU. The Recitals cite the “harmonious development of economic activities and [the] continuous and balanced expansion [through the completion of an] internal market [that] functions properly and offers conditions [that] are similar to those obtain[ed] in a national market[.]”²⁴ as the main reasons that necessitated the creation of the Community Trade Mark regime. To bring down the barriers within the internal market, the EU must provide marketers with the possibility of using one trade mark to identify their products throughout the internal market, which, in order to function effectively, should be protected by a “uniform . . . law directly applicable in all [m]ember [s]tates.”²⁵ Also, the right must be unitary and based on registration. Once again, the Recitals underline that “the protection afforded by [the law should aim] in particular to guarantee the trade mark as an indication of origin.”²⁶ The Recitals further note that “it follows from the principle of free flow of goods that the proprietor of a Community [T]rade [M]ark must not be entitled to prohibit its use by a third party in relation to goods which have been put into circulation in the [EU,] under the trade mark, by him or with his consent, [unless] there exist legitimate reasons for the proprietor to oppose further commerciali[s]ation of the goods.”²⁷

Disguised: Has the Concept of Dilution Made its Way into the Laws of Europe, 4 E.I.P.R. 185 (2001); Jeniffer Davis, *European Trade Mark Law and the Enclosure of the Commons*, 2002 INTELL. PROP. Q. 342; Spyros M. Maniatis, *Dilution in Europe?*, in 7 INTERNATIONAL INTELLECTUAL PROPERTY LAW & POLICY (Hugh. C. Hansen, ed. 2002).

23. In general terms the Trademark Directive deals mainly with: the definition of marks; registrability criteria; grounds for refusal; grounds for revocation; invalidity; and infringement. See Trademark Directive, *supra* note 1, at arts. 2-4, 12-15. It also refers briefly to licensing. *Id.* at art. 8.

24. Trademark Regulation, *supra* note 2, at Recitals.

25. See *id.* The Community Trade Mark is one indivisible entity; in principle, it is designed to have the same effect throughout the Community. It can be registered, transferred, surrendered or revoked only for the whole Community. The Community Trade Mark right is based on central registration in the Union’s Trade Mark Office at Alicante, The Office for Harmonisation in the Internal Market (Trade Marks and Designs). See <http://oami.eu.int/en/> (last visited Apr. 1, 2003).

26. Trademark Regulation, *supra* note 2, at Recitals.

27. *Id.*; See Irene Calboli, *Trademark Exhaustion in the European Union: Community-Wide or International? The Saga Continues*, 6 MARQ. INTELL. PROP. L. REV. 47 (2002); Naomi Gross, *Trade Mark Exhaustion: The U.K. Perspective*, 5 E.I.P.R. 224 (2001); Naomi Gross, *Trade Marks Exhaustion: The Final Chapter?*, 2 E.I.P.R. 93 (2002); Helen Norman,

The Recitals also provide that the Community Trade Mark system must coexist with national trade mark systems, as “it would not . . . appear to be justified to require [all marketers] to apply for registration of their trade marks as Community [T]rade [M]arks.”²⁸ Accordingly, trade marks at the national level continue to be indispensable. Another explanation behind this could be the issue of sovereignty. Europeans still live in a union of disparate and self interested states, not in a federal state—a union that is ceaselessly moving towards becoming a federation but is not always willing to refer to itself as a federal state. This compromise has produced interesting means, coexistence of rights being one of them, of dealing with intellectual property based on political consensus.²⁹

The Trademark Regulation in most substantive instances mirrors the provisions of the Trademark Directive. Note that absolute grounds will block registration even if they apply only in part, not necessarily all, of the EU. Similarly, earlier national rights constitute earlier rights that can be employed against later Community Trade Mark applications or registrations.

The Community Trade Mark is enforced through national courts which are either specially nominated Community Trade Mark Courts of first and second instance, or the national courts that normally deal with trade mark infringement matters in respect of national marks. Jurisdiction is based on the member state of the defendant’s domicile or establishment or, if there is no such state, the member state of the plaintiff’s domicile or establishment, and, as a last resort, the Spanish Community Trade Mark Courts. The Community Trade Mark Courts have exclusive jurisdiction in respect to infringement and counterclaims for revocation of Community registrations or for declarations of their invalidity. On matters not covered by the Trademark Regulation they

Parallel Imports from non EEA Member States: The Vision Remains Unclear, 4 E.I.P.R. 159 (2000); Michael Aaley, *Parallel Importation of Repackaged Goods: Is ‘Necessity’ Really Necessary?*, J. BUS. L., Jan. 2003, at 82.

28. Trademark Regulation, *supra* note 2, at Recitals.

29. See Eric Raciti, *The Harmonization of Trademarks in the European Community – The Harmonization Directive and the Community Trademark*, 78 J. PAT. & TRADEMARK OFF. SOC’Y 51 (1996) (rendering a U.S. perspective). A practical effect of coexistence is that there may be cases where a Community Trade Mark will have to exist together with an unconnected but identical national trade mark with an identical specification. Other peculiarities include: conversion, the possibility to convert a Community Trade Mark application or registration to national applications, and seniority—the opportunity to maintain the effects of a national registration through a Community Trade Mark registration without having to retain the national registration itself.

apply their own national law.

Clearly, the provisions of the Trademark Directive and the Trademark Regulation have to be interpreted in the same way; otherwise, the Community Trade Mark system will collapse. This importance, combined with the potential shift in the basis of protection from a rationale based on origin to one based on property, gave the ECJ the opportunity to revisit trade mark law's basic principles.

III. THE JURISPRUDENCE OF THE ECJ

A. Registrability

1. The Concept of "Distinctiveness"

*Windsurfing Chiemsee Produktions – und Vertriebs GmbH v. Boots – und Segelzubehör Walter Huber and Franz Attenberger*³⁰ was the first case where the ECJ discussed the scope of Article 3(1)(c) of the Trademark Directive,³¹ in particular in relation to a geographical name. The Court stressed the public policy nature of the provision; it confines the scope of protection by ensuring that descriptive signs may be freely used by all.³² The Trademark Directive has taken into account such public policy considerations by adopting specific provisions; thus, there is no need to employ abstract principles, like the doctrine developed by German trade mark jurisprudence that some signs should be kept free

30. Joined Cases C-108/97 & C-109/97, *Windsurfing Chiemsee Produktions – und Vertriebs GmbH v. Boots – und Segelzubehör Walter Huber and Franz Attenberger*, 1999 E.C.R. I-2799.

31. Note that the basic requirements that a sign must satisfy, according to Article 2, are to be capable of being represented graphically and of "distinguishing the goods or services of one undertaking from those of other undertakings." Trademark Directive, *supra* note 1, at art. 2. Article 3(1)(a) states that signs that do not constitute a trade mark shall not be registered, whereas Art. 3(1)(b) provides the same for trade marks which are devoid of any distinctive character. Trademark Directive, *supra* note 1, at art. 3. Article 3(1)(c) provides that "trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production or of rendering of the service, or other characteristics of the goods" or services shall not be registered. *Id.* Article 3(3) provides that "[a] trade mark shall not be refused registration or be declared invalid in accordance with [Article 3(1)(c), as well as Article 3(1)(b) and (d)] if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character." *Id.* Member states may "provide that [Article 3(3)] shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration." *Id.* Article 3(3) is not applicable in the case of Article 3(1)(a). *Id.*

32. *Windsurfing Chiemsee*, 1999 E.C.R. I-2799, ¶¶ 25-27.

for other traders to use.³³ Indeed, the Court made such theories irrelevant in theory, but in practice it acknowledged their legitimacy and embraced their inherent reservations; for example, the Court required the views of Chambers of Commerce to be taken into account when determining whether the sign has acquired the essential distinctiveness.³⁴ Note that subsequently, in *Lloyd Schuhfabrik Meyer & Co GmbH v. Klijsen Handel BV*, the ECJ held that “it is not possible to state in general terms [or by using] percentages[,] relating to the degree of recognition . . . within the relevant section of the public, [whether a trade] mark has a strong distinctive character.”³⁵ Instead, courts must consider the criteria mentioned in *Windsurfing Chiemsee*³⁶ and the impression that the mark makes on the average consumer.

In *Merz & Krell GmbH & Co. (BRAVO)*³⁷ the Court considered the scope of Article 3(1)(d).³⁸ It held that distinctiveness cannot be assessed on its own and independently from the specified goods or services.³⁹ Accordingly, the provision precludes registration only where the sign has “become customary[,] in the current language or in the bona fide and established practices of the [relevant] trade[,] to designate the goods

33. *Id.* ¶ 28-35. To determine whether geographical significance of a sign constitutes a barrier to registration we need to assess whether it designates “a place which is associated in the mind of the relevant class of persons with the category of goods concerned, or whether it is reasonable to assume that such an association may be established in the future.” *Id.* ¶ 31. The degree of familiarity with the geographical name, the characteristics of the designated place, and the category of the goods concerned are factors to be taken into account. *Id.* ¶ 32. Objections can be raised if the geographical indication functions as an indication of the place of manufacture, but also where it indicates other ties, for example that the goods were conceived and designed in that location. According to Article 3(3) objections can be overcome on the condition that the name has gained a new – trade mark – significance that is not purely descriptive. Trademark Directive, *supra* note 1, at art. 3. In order to ascertain this the relevant authority must make an overall assessment, taking into account the specific nature of the name. *Windsurfing Chiemsee*, 1999 E.C.R. I-2799, ¶¶ 49-50. *Inter alia*, it must consider the market share enjoyed by the mark, the intensity, geographical diffusion, and longevity of use, the proportion of the relevant public identifying through the mark the marked products as originating from a particular undertaking, and statements from chambers of commerce and other associations. *Id.* ¶ 51.

34. *Windsurfing Chiemsee*, 1999 E.C.R. I-2799, ¶ 51.

35. Case C-342/97, *Lloyd Schuhfabrik Meyer & Co. GmbH v. Klijsen Handel BV*, 1999 E.C.R. I-3819, ¶ 24.

36. *Windsurfing Chiemsee*, 1999 E.C.R. I-2799, ¶¶ 49-51, 54.

37. Case C-517/99, *Merz & Krell GmbH & Co. (BRAVO)*, 2001 E.C.R. I-6959, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

38. Providing that “trade marks which consist exclusively of signs or indications which have become customary in the current language or in the *bona fide* and established practices of the trade” shall not be registered. Trademark Directive, *supra* note 1, at art. 3(1)(d).

39. *Merz & Krell*, 2001 E.C.R. I-6959, ¶ 29.

or services in respect of which registration . . . is sought.”⁴⁰ Within this narrow context it is immaterial whether the sign describes properties or characteristics of those goods or services. The Court accepted that there is an overlap between Arts 3(1)(c) and 3(1)(d);⁴¹ however, the basis of Article 3(1)(d) was usage in the relevant trade sectors rather than descriptiveness.⁴²

In *Procter & Gamble Co. v. OHIM (Baby Dry)*⁴³ the Court had to examine the registrability of “Baby-Dry” for diapers in light of Article 7(1) of the Trademark Regulation, which mirrors Article 3(1) of the Trademark Directive.⁴⁴ According to the Court, the scope of the provision is narrow covering signs that a consumer might view as designating, directly or by reference to their essential characteristics, the specified goods or services.⁴⁵ A sign comprising additional, purely descriptive elements would be outside the scope of protection.⁴⁶ For word marks, the Court added, any difference between the sign applied for and the descriptive would render distinctiveness to the sign.⁴⁷

Essentially, what the Court had to do is put itself in the shoes of an English speaking consumer and decide whether the sign was purely descriptive in English, because if a combination of words is purely descriptive in one of the languages used in trade within the EU, that suffices to render the sign ineligible for registration as a Community trade mark.⁴⁸ Despite the fact that each one of the words was clearly descriptive, their “syntactically unusual juxtaposition” transformed the sign to an expression that was “not . . . familiar . . . in . . . English . . .

40. *Id.* ¶ 31.

41. *Id.* ¶ 35.

42. *Id.*

43. Case C-383/99, *Procter & Gamble Co. v. OHIM (Baby Dry)*, 2001 E.C.R. I-6251, available at http://europa.eu.int/eur-lex/en/search/search_case.html [hereinafter *Baby Dry*]. See Andrew Griffiths, *Modernising Trade Mark Law and Promoting Economic Efficiency: An Evaluation of the Baby Dry Judgment and its Aftermath*, 2003 INTEL. PROP. Q. 1 (commenting on the effect of *Baby Dry*).

44. See Trademark Regulation, *supra* note 2, at art. 7(1); Trademark Directive, *supra* note 1, at art. 3(1).

45. *Baby Dry*, 2001 E.C.R. I-6251, ¶ 39.

46. *Id.*

47. *Id.* ¶ 40.

48. In Case C-363/99, *Postkantoor, Koninklijke KPN Nederland v. Benelux Trade Mark Office*, 2002 E.C.R. ___, Celex No. 699C0363, available at http://europa.eu.int/eur-lex/en/search/search_case.html, another case on distinctiveness pending before the ECJ, Advocate General Colomer in his Opinion of January 31, 2002 supported that distinctive character must be judged according to the perception of the average consumer in all member states, rather than native speakers of the language in question, and in relation to the relevant goods, rather than in abstract.

either for designating . . . nappies or for describing their essential characteristics[.] . . . they [were] lexical inventions [that bestowed] distinctive power on the mark.”⁴⁹ The Court accepted the argument of Advocate General Jacobs that ‘Baby-Dry’ would not lead a reasonably aware person⁵⁰ who had not yet encountered the brand name to think unhesitatingly of diapers when first confronted with the sign.⁵¹

The Advocate General had referred to the extremely elliptical nature of the term, its unusual structure, and its resistance to any intuitive grammatical analysis that would make its meaning immediately clear. He had also stressed that in interpreting the provision, the Court should also take into account Article 6(1)(b) on the limitations of the effects of a trade mark.⁵² The point made by the Advocate General is valid; however, it is also worth noting that registrability and enforcement are distinct aspects of the same right in terms of time, legal requirements, and parties involved. If one accepts the Advocate General’s syllogism in its extreme, the potential for conflicts may become considerably wider and the system of protection uncertain and unstable. Increasingly more signs will become protectable, albeit the scope of protection will be uncertain until tested before the courts. Also, in many cases registrations function as signposts warning other traders of their status. Non litigious or smaller traders would stay away from the signpost, not wishing to risk going to court.

*Philips Electronics NV v. Remington Consumer Products Ltd.*⁵³ gave the ECJ the opportunity to deal with distinctiveness more comprehensively. The case revolved around whether the shape of a three headed rotary shaver could be protected as a trade mark.⁵⁴ Advocate General Colomer had suggested that the Court should focus

49. *Baby Dry*, 2001 E.C.R. I-6251, ¶¶ 43-44.

50. In Case C-342/97, *Lloyd Schuhfabrik Meyer & Co. GmbH v. Klijsen Handel BV*, 1999 E.C.R. I-3819, the ECJ defined the average consumer as “[a person who] is deemed to be reasonably well-informed and reasonably observant and circumspect[, with a] . . . level of attention [that varies] according to the[type] of [the relevant] goods or services.” *Id.* ¶ 26.

51. *Baby Dry*, 2001 E.C.R. I-6251, ¶ 43.

52. See Trademark Directive, *supra* note 1, at art. 6(1)(b) (providing that a trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, indications concerning the “kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services.”).

53. Case C-299/99, *Koninklijke Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 2002 E.C.R. I-05475, [2002] 2 C.M.L.R. 52 (ECJ), available at http://europa.eu.int/eur-lex/en/search/search_case.html.

54. *Id.* ¶¶ 11-13.

on the “technical result” limitation of Article 3(1)(e)(ii).⁵⁵ However, the ECJ chose to respond to all the questions referred to it.⁵⁶ The Court reiterated that

[T]he essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin, and for the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish, it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality.⁵⁷

Accordingly, Article 2 of the Trademark Directive demands that the sign must be “capable . . . of distinguishing the goods or services of one undertaking from those of other undertakings”⁵⁸ and Article 3(1)(b), (c), and (d) likewise demands “that trade marks which are devoid of any distinctive character, descriptive marks, and marks which consist exclusively of indications which have become customary in the current language or in the bona fide and established practices of the trade [should] be refused registration or declared invalid. . . .”⁵⁹ Therefore,

[I]t is clear from the wording of Article 3(1)(a) and the structure of the [Trademark] Directive that that provision is intended essentially to exclude from registration signs which are not generally capable of being a trade mark and thus cannot be represented graphically and/or are not capable of distinguishing the goods or services of one undertaking from those of other undertakings.⁶⁰

Similarly, “the rule laid down by Article 3(1)(b), (c) and (d), precludes the registration of signs or indications which do not meet one

55. Article 3(1)(e) provides that “signs which consist exclusively of (i) the shape which results from the nature of the goods themselves, or (ii) the shape of goods which is necessary to obtain a technical result, or (iii) the shape which gives substantial value to the goods” shall not be registered. Trademark Directive, *supra* note 1, at art. 3(1)(e). See Aillison Firth et al., *Shapes as Trade Marks: Public Policy, Functional Considerations and Consumer Perception* 2 E.I.P.R. 86 (2001) (discussing functionality in Europe). See Uma Suthersanen, *The European Court of Justice in Philips v. Remington—Trade Marks and Market Freedom* (on file with author) (discussing the implications of *Philips*).

56. See generally *Philips*, 2002 E.C.R. I-05475.

57. *Id.* ¶ 30 (citations omitted).

58. *Id.* ¶ 32.

59. *Id.* ¶ 33.

60. *Id.* ¶ 37. Note that Article 3 excludes from registration “signs which cannot constitute a trade mark.” Trademark Directive, *supra* note 1, at art. 3(1)(a).

of the two conditions imposed by Article 2 of the [Trademark] Directive.”⁶¹ “It follows that there is no class of marks having a distinctive character by their nature or by the use made of them which is not capable of distinguishing goods or services within the meaning of Article 2 of the [Trademark Directive].”⁶² The court also held that there should not be any additional distinctiveness requirements in respect to shapes.⁶³ All signs must distinguish, according to their origin, the relevant goods or services; the Trademark Directive, however, does not make a distinction between marks according to their type.⁶⁴

The third question the Court had to answer linked the state of the relevant product market with the origin information conveyed by the trade mark.

[W]here a trader has been the only supplier of [a] particular [product, his] extensive use of a sign[, in particular] the shape of [the product,] is sufficient to give the sign [the necessary] distinctive character [under Article 3(3), when] a substantial proportion of the relevant [consumers] associates the shape with that trader, and no other undertaking, or believes that goods of that shape come from that trader in the absence of a statement to the contrary.⁶⁵

Here, the ECJ emphasised that distinctiveness is irrelevant for a shape that has been refused registration under Article 3(1)(e) and, accordingly, evidence of distinctiveness acquired through use is meaningless.⁶⁶ It seems that the first obstacle for shapes is Article 3(1)(e).⁶⁷ Also, the ECJ noted, distinctiveness must be judged in relation to the specified goods or services.⁶⁸ Interestingly, the ECJ chose *Windsurfing Chiemsee*⁶⁹ over *Baby-Dry*⁷⁰ as a precedent on distinctiveness referring, *inter alia*, to the factors that must be taken into

61. *Philips*, 2002 E.C.R. I-05475, ¶ 38.

62. *Id.* ¶ 39.

63. *Id.* ¶ 50.

64. *Id.* ¶¶ 47-48.

65. *Id.* ¶ 51. *See also id.* ¶ 65.

66. *Philips*, 2002 E.C.R. I-05475, ¶¶ 75-76.

67. *Id.* ¶ 76.

68. *Id.* ¶ 59.

69. Joined Cases C-108/97 & C-109/97, *Windsurfing Chiemsee Produktions – und Vertriebs GmbH v. Boots – und Segelzubehör Walter Huber and Franz Attenberger*, 1999 E.C.R. I-2799.

70. Case C-383/99, *Procter & Gamble Co v. OHIM (Baby Dry)*, 2001 E.C.R. I-6251, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

account and the nature of Article 3(3).⁷¹ The Court concluded that the type of use described in the question may be sufficient.⁷² However, it added:

[I]t is for the national court to verify that the circumstances in which the requirement under that provision is satisfied are shown to exist on the basis of specific and reliable data, that the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect, are taken into account and that the identification, by the relevant class of persons, of the product as originating from a given undertaking is as a result of the use of the mark as a trade mark.⁷³

The approach of the Court was a very successful balancing exercise, giving national courts the necessary leeway to evaluate the submitted evidence of use and hinting that what the sign must achieve to obtain protection is to identify the product as originating from an undertaking rather than simply distinguishing the product.

The fourth question targeted the core of the “functionality” provisions.⁷⁴ According to the ECJ, Article 3(1)(e) concerns “signs which are not such as to constitute trade marks and is a preliminary obstacle liable to prevent a sign consisting exclusively of the shape of a product from being registrable.”⁷⁵ The provision had to be interpreted in the light of the underlying public interest:

[It] intended to prevent the protection conferred by the trade mark right from being extended, beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark.⁷⁶

Article 3(1)(e)(ii), in particular, covered shapes whose essential characteristics perform a technical function,

with the result that the exclusivity inherent in the trade mark right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution they wish to

71. *Philips*, 2002 E.C.R. I-05475, ¶¶ 60-62.

72. *Id.* ¶ 65.

73. *Id.*

74. *Id.* ¶ 66.

75. *Id.* ¶ 76.

76. *Philips*, 2002 E.C.R. I-05475, ¶ 78.

adopt in order to incorporate such a function in their product.⁷⁷ Strengthening the scope of the provision further, the Court noted that its wording does not allow consideration of the existence of alternative shapes.⁷⁸ Instead, its aim is simply not to allow “individuals to use registration of a mark in order to acquire or perpetuate exclusive rights relating to technical solutions.”⁷⁹ This judgment effectively laid down the foundations of a functionality theory in European trade mark law. First, the Court stated clearly that such factors have to be considered on their own, before and independently from distinctiveness. Second, the Court acknowledged that the focus should be on the function of the shape in question rather the availability of alternatives.

77. *Id.* ¶ 79.

78. *Id.* ¶ 81.

79. *Id.* ¶ 82. *Société de Produits Nestlé SA v. Unilever Plc (Viennetta)*, 2002 E.W.H.C. 2709, 2002 WL 31676391 (Ch. D. 2002), gave the opportunity to Jacob J., the same English judge who had referred *Philips* to the ECJ, to seek further clarifications on the nature of required distinctiveness. The case involved the shape of Viennetta, an ice cream dessert. The judge remarked that Trade Mark Registries “would in effect be acting as design registries if they accept novel or attractive shapes merely on grounds of novelty or attractiveness,” ignoring their duty to examine whether the relevant sign indeed denoted the origin of the product. *Id.* ¶ 18. Having reviewed the evidence he concluded that

there can be no doubt that the product appearance has achieved considerable recognition on its own as denoting Walls’ Viennetta - the product of a particular manufacturer. Is that enough to give it a ‘distinctive character’. . . ? For what has not been proved is that any member of the public would rely upon the appearance alone to identify the goods. They recognise it but do not treat it as a trade mark.

Id. ¶ 31. Obtaining registration in such cases would be the result of a trick, outside the scope of a system of registration based on origin.

The manufacturer sells and advertises his product widely and under a well-known trade mark. After some while the product appearance becomes well-known. He then says the appearance alone will serve as a trade mark, even though he himself never relied on the appearance alone to designate origin and would not dare to do so. He then gets registration of the shape alone. Now he is in a position to stop other parties, using their own word trade marks, from selling the product, even though no-one is deceived or misled.

Id. ¶ 32. For shapes

it is not enough to prove the public recognises them as the product of a particular manufacturer. It must be proved that consumers regard the shape alone as a badge of trade origin in the sense that they would rely upon that shape alone as an indication of trade origin, particularly to buy the goods.

Id. ¶ 34. Jacob J. accepted that the ECJ in *Philips* had held that the criteria for all signs should be the same; however, he added, the factual position concerning shape of goods marks is different because of the perception of the public. According to Jacob J. there “is a real difference between mere product recognition and ‘distinctive character’ in the case of three-dimensional signs. For the latter to qualify for registration they must be more than recognised, they must be taken and relied on as trade marks,” that will require proof of distinctiveness acquired through use. *Id.* ¶ 38. Clarifications on the nature of distinctiveness had to be sought from the ECJ.

2. Capable of Graphic Representation

The ECJ considered the “capable of graphic representation” requirement in *Sieckmann v. Deutsches Patent- und Markenamt*,⁸⁰ where the registrability of a scent had been questioned. The Court held that the list of signs in Article 2⁸¹ of the Trademark Directive is not exhaustive and that the provision does not expressly exclude signs “which are not in themselves capable of being perceived visually, such as odours”⁸² Instead, Article 2 “must be interpreted as meaning that a trade mark may consist of a sign which is not in itself capable of being perceived visually, provided that it can be represented graphically.”⁸³ Turning to the graphic representation requirement the Court held that “graphic representation must enable the sign to be represented visually, particularly by means of images, lines or characters, so that it can be precisely identified”.⁸⁴ The Court suggested five reasons why such an interpretation is essential for a sensible trade mark registration system: 1) defining the mark “in order to determine the precise subject [matter] of . . . protection”; 2) creating a register that is accessible to authorities, consumers, and competitors alike; 3) the need to perceive the sign “unambiguously and in the same way[,]” thus enabling it to function as a genuine indication of origin; 4) durability, given that a registration “can be renewed for varying periods”; and 5) eliminating “subjectivity in the process of identifying and perceiving the sign.”⁸⁵ In sum, the representation must be “clear, precise, self-contained, easily accessible, intelligible, durable and objective.”⁸⁶ Here, the applicant had attempted to describe the sign, a scent, by using a chemical formula. The Court held that this did not constitute sufficient representation; few people

80. Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. ___, Celex No. 600J0273, available at http://europa.eu.int/eur-lex/en/search/search_case.html. On the registrability of scents see Spyros M. Maniatis, *Scents as Trademarks: Propertisation of Scents and Olfactory Poverty*, in *LAW AND THE SENSES – SENSATIONAL JURISPRUDENCE* (Lionel Bently & Leo Flynn eds. 1996) (discussing the registrability of scents).

81. The provision states that “a trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.” Trademark Directive, *supra* note 1, at art.2.

82. *Sieckmann*, 2002 E.C.R. ___, Celex No. 600J0273, ¶ 44.

83. *Id.* ¶ 45.

84. *Id.* ¶ 46.

85. *Id.* ¶¶ 48-54.

86. *Id.* ¶ 55.

would recognise the scent in the formula.⁸⁷ Further, the formula did not represent “the odour of a substance, but the substance as such.”⁸⁸ Finally, it was not adequately clear and precise.⁸⁹ The Court added that describing an odour through words may be graphic, however it is not sufficiently clear, precise and objective.⁹⁰ Moreover, depositing a sample of the scent would not constitute a representation and, in addition, it would not be sufficiently stable or durable.⁹¹ The Court concluded that a combination of the three methods would equally fail to satisfy the requirements set by the Court, in particular those relating to clarity and precision.⁹²

Thus, *Sieckmann* and *Libertel* underline the need to develop a wider theory of functionality that will cover not only shapes, but other functional characteristics of a product as well. The approach of the law as it stands is narrow, targeting exclusively the functional characteristics of shapes. To a certain extent this obliges the Court to stretch the scope of distinctiveness and graphic representation in order to deal with non-shape, potential functionality cases.

87. *Sieckmann*, 2002 E.C.R. ___, Celex No. 600J0273, ¶¶ 69, 73.

88. *Id.* ¶ 69.

89. *Id.*

90. *Id.* ¶ 70.

91. *Id.* ¶ 71.

92. *Sieckmann*, 2002 E.C.R. ___, Celex No. 600J0273, ¶ 72. Note that in *Libertel Groep BV v. Benelux-Merkenbureau*, 2002 E.C.R. ___, Celex No. 601C0104, a case still pending before the ECJ, Advocate General Léger doubted whether single colours in abstract satisfy both the distinctiveness and the graphical representation requirements. He agreed that a reference to an ‘international code’ regarding the definition of a colour is equivalent to the representation of the colour on the application form. But, the reproduction or designation of a colour as such does not determine which is the sign used as a trade mark, because a colour on its own does not possess an autonomous existence. He added that registration of a colour on its own would not allow the determination of which is the sign that appears on the specified product or is used in relation to the specified service. Regarding distinctiveness he remarked that a colour on its own cannot fulfil the function of an indicator of origin. A colour is always a characteristic, an attribute, of something else. The meaning of a colour in abstract is attributed by social and historic conventions; colours function as symbols of a language. A colour can function as a trade mark only together with another element; the minimum would be the combination of the colour with the shape of a product or an organised combination of colours. Registration of a colour as such would allow the registered proprietor to cover too many things. See Charlotte Schulze, *Registering Colour Trade Marks in the European Union*, 2 E.I.P.R. 55 (2003) (discussing the registrability of colours in Europe).

B. The Scope of Protection

1. Likelihood of Confusion – Global Appreciation

In *Sabel BV v. Puma AG, Rudolf Dassler Sport*,⁹³ the ECJ looked at the meaning of “likelihood of confusion . . . , which includes the likelihood of association[.]” within the scope of Article 4(1)(b) of the Trademark Directive.⁹⁴ The ECJ held that the provision required identity or similarity between the marks on the one hand and the products on the other.⁹⁵ It then went on to decide that ‘likelihood of association’ is not an alternative to ‘likelihood of confusion’; it simply serves to define the scope of confusion, adding that likelihood of confusion must be interpreted “globally, taking into account all the factors that are relevant to the circumstances of the case.”⁹⁶ The Court later, in *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*,⁹⁷ held that in determining likelihood of confusion there is some interdependence between all the factors under consideration.⁹⁸ “Accordingly, a lesser degree of similarity between [the marks could] be offset by a greater degree of similarity between [the products] and vice versa.”⁹⁹ *Canon* also clarified the type of confusion against which protection may be obtained. “[T]here may be a likelihood of confusion . . . even where the public perception is that the goods or services” originate from distinct places of production.¹⁰⁰ “By contrast, there can

93. Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-6191. See also Helen Norman, *Perfume, Whisky and Leaping Cats of Prey: A UK Perspective*, 8 E.I.P.R. 306 (1998) (discussing the early “scope of protection” cases).

94. Trademark Directive, *supra* note 1, at art. 4(1)(b). See generally *Sabel*, 1997 E.C.R. I-6191. Article 4 provides:

a trade mark shall not be registered, or if registered, shall be liable to be declared invalid: (a) if it is identical with an earlier trade mark, and the goods or services for which the trade mark is applied for or is registered are identical with the goods or services for which the earlier trade mark is protected; (b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

Trademark Directive, *supra* note 1, at art. 4(1). Note that Article 5(1) on infringement mirrors Article 4(1).

95. *Sabel*, 1997 E.C.R. I-6191, ¶ 18.

96. *Id.* ¶¶ 18, 22.

97. Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*, 1998 E.C.R. I-5507.

98. *Id.* ¶ 17.

99. *Id.*

100. *Id.* ¶ 30.

be no . . . likelihood [of confusion] where it does not appear that the public could believe that the goods or services come from the same undertaking or . . . from economically-linked undertakings.”¹⁰¹ A trade mark should “offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking.”¹⁰²

In *Marca Mode CV v. Adidas AG & Adidas Benelux BV*,¹⁰³ the ECJ held that likelihood of confusion cannot be presumed in respect to marks with a reputation, and restated that “likelihood of association” is not an alternative to “likelihood of confusion.”¹⁰⁴ Likelihood of confusion may arise from the conjunction of distinctiveness (part of the global appreciation) and confusion (the result of similarity); this holding however did not imply a presumption of “likelihood of confusion” resulting from “likelihood of association.”¹⁰⁵ A positive finding of likelihood of confusion will always be required.¹⁰⁶

These three cases confirmed that the basis for trade mark protection within the scope of Article 4(1) remains confusion as to origin;¹⁰⁷ the Court rejected the approach that any type of association between the two signs would suffice to trigger protection, even when the earlier mark has a reputation.¹⁰⁸ In that case protection may be afforded under Article 4(4)(a), which provides for a new type of protection, where confusion is irrelevant but additional requirements focusing on the behaviour of the defendant and/or the damage to the trade must be fulfilled.¹⁰⁹

101. *Id.*

102. *Canon*, 1998 E.C.R. I-5507, ¶ 28.

103. Case C-425/98, *Marca Mode CV v. Adidas AG & Adidas Benelux BV*, 2000 E.C.R. I-4861.

104. *Id.* ¶¶ 41, 34.

105. *Id.* ¶¶ 39, 41.

106. *Id.* ¶ 39.

107. Trademark Directive, *supra* note 1, at art. 4(1).

108. *Marca Mode*, 2000 E.C.R. I-4861, ¶¶ 34, 39, 41.

109. Article 4(4)(a) – mirrored by Article 5(2) covering infringement – provides:

any member state may furthermore provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that the trade mark is identical with, or similar to, an earlier national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the member state concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

Trademark Directive, *supra* note 1, art. 4(4)(a). Such protection is obligatory for Community Trade Marks with a reputation according to Article 4(3).

2. Comparing the Marks

In *Sabel*,¹¹⁰ the ECJ held that the comparison between the marks must concentrate on their visual, aural, and conceptual similarity, and that the comparison “must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components[,]” because the “average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.”¹¹¹ Further, in *Lloyd*,¹¹² the ECJ decided that consumers do not always have the opportunity to see the two marks side by side but have to rely on an imperfect recollection of one of the two marks when confronted by the other.¹¹³ Accordingly, the more distinctive the earlier mark is, the greater the likelihood of confusion will be.¹¹⁴ The ECJ had already decided in *Sabel*,¹¹⁵ that it is not inconceivable that mere conceptual similarity “may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either *per se* or because of the reputation it enjoys with the public.”¹¹⁶ Finally, according to the judgement in *Canon*,¹¹⁷ marks with a highly distinctive character may enjoy broader protection than marks with a less distinctive character.¹¹⁸ A conflicting sign may be found to infringe, “despite a lesser degree of similarity between the goods or services covered [by the marks,] where the marks are very similar and the earlier mark, in particular its reputation, is highly distinctive.”¹¹⁹ However, it remains essential in all cases to adduce evidence of similarity between the goods or services.

In *S.A. Société LTJ Diffusion v. SA Sadas*,¹²⁰ a case still pending before the ECJ, Advocate General Jacobs suggested that “[t]he concept of identity between mark and sign in Article 5(1)(a) . . . covers identical reproduction without any addition, omission or modification other than

110. Case 251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-6191.

111. *Id.* ¶ 23.

112. Case C-342/97, *Lloyd Schuhfabrik Meyer & Co GmbH v. Klijsen Handel BV*, 1999 E.C.R. I-3819.

113. *Id.* ¶ 26.

114. *Id.* ¶ 28.

115. 1997 E.C.R. I-6191.

116. *Id.* ¶ 21.

117. Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*, 1998 E.C.R. I-5507.

118. *Id.* ¶ 18.

119. *Id.* ¶ 19.

120. Case C-291/00, *S.A. Société LTJ Diffusion v. SA Sadas*, 2003 E.C.R. ____, Celex No. 600C0291, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

[one that is] either minute or wholly insignificant.”¹²¹ Again, the Court must assess identity globally.

3. Comparing the Products

*Canon*¹²² also provided the test for comparing the products. In assessing similarity “all the relevant factors relating to [the] goods or services [must be] taken into account[, including] *inter alia*, their nature, their end users[, their method of use[, and whether they are in competition with[, or complement,] each other.”¹²³

4. Extending the Scope of Protection – Marks with a Reputation

In *General Motors Corp. v. Yplon SA*¹²⁴ the ECJ offered a tentative definition of reputation and a test for determining whether a mark has a reputation for the purposes of Article 5(2).¹²⁵ The Court described the relevant public amongst which the earlier mark must have acquired a reputation as the public concerned by the products or services covered by the trade mark.¹²⁶ The Court rejected the adoption of set percentages; the mark must be known by a “significant part” of the public concerned.¹²⁷ In making this assessment courts “must take into consideration all the relevant facts of the case, and in particular the market share held by the trade mark, the intensity, geographical extent[, and duration of . . . use, and the size of investment made . . . in promoting [the mark].”¹²⁸ With regard to geographical coverage, it is sufficient to have a reputation in a substantial part of one member state.¹²⁹ Without having to deal with the remaining conditions of Article 5(2), the Court “observed that the stronger the earlier mark’s distinctive character and reputation[, the easier it will be to accept that detriment has been caused to [the mark].”¹³⁰

121. *Id.* ¶ 53 (AGO).

122. 1998 E.C.R. I-5507.

123. *Id.* ¶ 23.

124. Case C-375/97, *General Motors Corp. v. Yplon SA*, 1999 E.C.R. I-5421.

125. *Id.* ¶¶ 20-21, 23-27, 31.

126. *Id.* ¶ 24.

127. *Id.* ¶¶ 25-26.

128. *Id.* ¶ 27.

129. *General Motors*, 1999 E.C.R. I-5421, ¶ 28.

130. *Id.* ¶ 30.

5. Limiting the Scope of Protection

In *Frits Loendersloot v. George Ballantine & Son Ltd.*,¹³¹ the ECJ accepted

that the owner of trade mark rights may . . . prevent a third party from removing and then reaffixing or replacing [the protected mark that] the owner has . . . affixed to products [marketed] on the Community market . . . unless . . . it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabeled products under that trade mark would contribute to artificial partitioning of the markets between [m]ember [s]tates

of the European Union, in which case the free movement of goods rules would have to be applied.¹³² In *Parfums Christian Dior SA & Parfums Christian Dior BV v. Evora BV*,¹³³ the ECJ held that, in principle, a trade mark proprietor could not prevent a trader of lawfully marketed products from using the trade mark in order to make the sale known to the public, provided that the manner of use does not fall within the scope of Article 7(2)¹³⁴ of the Trademark Directive and does not imply that there is a commercial connection between the seller and the trade mark proprietor; the allure, the prestigious image, and the aura of luxury surrounding some trade marks must be taken into account, together with actual physical condition, when assessing whether the condition of the goods has been impaired by a parallel importer.¹³⁵

In *BMW AG & BMW Nederland BV v. Deenik*¹³⁶ the ECJ deliberated further on the scope of protection under the new trade mark regime. Trade mark rights may be limited under Article 6(1)(c)¹³⁷ if the

131. Case C-349/95, *Frits Loendersloot v. George Ballantine & Son Ltd.*, 1997 E.C.R. I-6227.

132. *Id.* ¶ 50.

133. Case C-337/95, *Parfums Christian Dior SA & Parfums Christian Dior BV v. Evora BV*, 1997 E.C.R. I-6013.

134. Article 7 provides:

1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent. 2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

Trademark Directive, *supra* note 1, at art. 7.

135. *Dior*, 1997 E.C.R. I-6013, ¶¶ 45-48.

136. Case C-63/97, *Bayerische Motorenwerke AG (BMW) & BMW Nederland BV v. Deenik*, 1999 E.C.R. I-905.

137. According to Article 6(1)(c), "the trade mark shall not entitle the proprietor to

marks are used by a third party to indicate the intended purpose of a product or service.¹³⁸ Regarding the sale of second hand products the ECJ cited the position adopted in *Dior*.¹³⁹ It accepted that the unauthorised use, albeit legitimate under Articles 6 and 7, of a trade mark would carry part of the aura surrounding the trade mark from its registered proprietor to the unauthorised user.¹⁴⁰ This was the price for reconciling the exclusivity of trade mark rights with competition, free movement of goods, and freedom to provide services.

The Court revisited the issue of the descriptive use of a trade mark in *Hölterhoff v. Freiesleben*.¹⁴¹ Freiesleben, the proprietor of the registered marks “Spirit Sun” for “diamonds for further processing as jewellery” and “Context Cut” for “precious stones for further processing as jewellery” (the same names described specific types of cuts for precious stones), started infringement proceedings against M. Hölterhoff, a dealer in precious stones, who had offered stones for sale to a jeweller using the names.¹⁴² There was no reference to the names on the sale documents and, according to the findings of the national court, the names were used only in order to describe the type of cut of the stones and not as an indication of origin.¹⁴³ The question was whether this type of use constituted trade mark infringement.

The ECJ focused on the factual situation described in detail by the German court and avoided addressing in detail the wider issue of what constitutes trade mark use.¹⁴⁴ Using the exact wording of the question posed by the German court it held that a

proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a

prohibit a third party from using, in the course of trade, . . . (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.” Trademark Directive, *supra* note 1, at art. 6(1)(c).

138. *BMW*, 1999 E.C.R. I-905, ¶ 64.

139. *Id.* ¶¶ 47-49.

140. *Id.* ¶ 53.

141. Case C-2/00, *Hölterhoff v. Freiesleben*, 2002 E.C.R. I-04187, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

142. *Id.* ¶¶ 9-11 (AGO).

143. *Id.* ¶¶ 13-14 (AGO).

144. *See generally id.*

sign indicative of the undertaking of origin.¹⁴⁵

Perhaps a more honest answer would be that the signs should not have been registered because of their descriptive nature; however, examining the validity of the registration was not within the remit of the ECJ, according to the questions referred to the Court. This case is evidence of the interaction between aspects of unfair competition and registered trade mark law. The Court noted that its interpretation was, and had to be, in compliance with Directive 97/55/EC,¹⁴⁶ amending Directive 84/450/EEC,¹⁴⁷ concerning misleading advertising. In *Toshiba Europe GmbH v. Katun Germany GmbH*,¹⁴⁸ a comparative advertising case, the Court chose a liberal, rather than literal, interpretation of the comparative advertising Directive, its purpose being to facilitate rather than encumber comparative advertising.¹⁴⁹ Here, the Court stressed that its interpretation was in compliance with Article 6(1)(c) of the Trademark Directive.

C. Arsenal – State of Ambivalence

1. The Reference to the ECJ

In *Arsenal Football Club PLC v. Reed*,¹⁵⁰ Arsenal FC, the North London football club, started trade mark infringement and passing off proceedings against Mr. Reed, a marketer of unofficial football merchandise products both inside and outside Arsenal's ground. According to Mr. Reed's own evidence, not challenged by Arsenal FC, Reed had tried to purchase licensed products, albeit it appeared that he had been blacklisted by the club that had become increasingly aggressive against traders of "unauthorised" memorabilia.¹⁵¹ Mr. Reed

145. *Id.* ¶ 17.

146. Council Directive 97/55/EC, 1997 O.J. (L 290) 18.

147. Council Directive 84/450/EEC, 1994 O.J. (L 250) 17.

148. Case C-112/99, *Toshiba Europe GmbH v. Katun Germany GmbH*, 2001 E.C.R. I-7945, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

149. *Id.* ¶¶ 30, 35-37.

150. *Arsenal Football Club Plc v. Reed*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77 (Ch. D. 2001). See Peter Jaffey, *Merchandising and the Law of Trade Marks*, 1998 INTELL. PROP. Q. 240 (discussing the merchandising of marks from a U.K. perspective); R. Jacob, *Trade Marks and the Olympic Games Throughout the Years*, 1 E.I.P.R. 1 (2001); Simon Miles, *The RFU and Arsenal Cases: The Use of Sporting Trade Marks in Merchandising*, 11 E.I.P.R. 543 (2002). For a "personal" comment, see Hon. Justice Laddie, *Personality Rights in the UK: No Harm, No Foul, No Protection*, in 7 INTERNATIONAL INTELLECTUAL PROPERTY LAW & POLICY 32-1 (Hugh C. Hansen ed. 2002).

151. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶ 11.

had been displaying on his stall a large sign with the following message: “[T]he word or logo(s) on the goods offered for sale, are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are official Arsenal merchandise[.]”¹⁵² Also, whenever he had been able to offer official merchandise for sale it was made clear to customers what was and what was not official.¹⁵³

The action in passing off was based on unofficial souvenirs bearing two devices (the Arsenal signs) associated with the club: a shield and an artillery piece. The terms ARSENAL and THE GUNNERS were also used on some products. Arsenal argued that the sale of these unlicensed products would mislead members of the public into believing that they were Arsenal FC products or were associated or connected with the club, by virtue of the use of one or more of the Arsenal signs.¹⁵⁴ Further, it was alleged that one of Mr. Reed’s employees deliberately attempted to deceive customers by false representations that the products were “official,” that is, made by or licensed by the club. Mr. Justice Laddie, following *Warnink BV v. J Townend & Sons*,¹⁵⁵ held that the action in passing off had to fail because there was insufficient evidence of deception and the club had also failed to show that it had suffered damage as a result of Mr. Reed’s activities.¹⁵⁶ “Mr. Reed has been trading in memorabilia for thirty-one years” and the club “has been in dispute with [him] for at least [ten] years”; “[i]t is likely that throughout that time it would have been astute to find and record any instance of confusion but, apparently, none was detected.”¹⁵⁷ The explanation for the absolute lack of evidence of confusion was

that the use of the Arsenal Signs on Mr. Reed’s products carries no message of trade origin . . . some fans will want to purchase official Arsenal memorabilia so as to support their club, [but] it is a non-sequitur to say that this means all Arsenal memorabilia . . . will be taken by them to have come from or be licensed by AFC. Choosing to give your custom to one company by buying goods from it does not mean that that type of goods only comes from

152. *Id.* ¶ 40.

153. *Id.* ¶ 41.

154. *Id.* ¶ 19.

155. *Warnink BV v. J Townend & Sons*, 1980 R.P.C. 31 (H.L. 1979).

156. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶¶ 23-43.

157. *Id.* ¶ 26. The judge noted that “[i]n the absence of direct evidence of confusion, the onus was on AFC to prove its case by alternative means.” *Id.* ¶ 33.

that company. What is necessary is some additional sign or circumstance of trading which says to the customer that the goods come from or are commercially connected with the source he likes and not some other source.¹⁵⁸

Regarding the second, narrower, claim, Laddie J. also found that there was no supporting evidence.

Arsenal FC had also registered the words ARSENAL and GUNNERS and the Arsenal signs as trade marks for a large range of goods including sports clothing and footwear.¹⁵⁹ The club argued that these trade marks had been infringed by Mr. Reed's sale of unofficial Arsenal scarves under subsections 10(1) and (2)(b) of the 1994 Trade Marks Act.¹⁶⁰ Mr. Reed accepted that his products bore words and designs identical or sufficiently similar to the registered marks.¹⁶¹ However, it was argued, there was no trade mark infringement because (1) in order for there to be infringement, use of the offending sign must be a trade mark use – a use which indicates trade origin – whereas in Mr. Reed's case the words and devices were used as badges of allegiance, and (2) “the trade marks [were] all invalid and should be revoked[,] either under section 46 because they [had] not been used within the relevant five year period, or under section 47 because they [were] incapable of distinguishing [Arsenal] FC's goods in a trade mark sense and therefore offended . . . sections 1(1) and 3(1)(a)[.]”¹⁶²

The defences based on non-use and non-distinctiveness failed. Arsenal FC had been diligent enough to use the signs not only as badges of allegiance but also as badges of trade. It had “used the signs on swing tickets, packaging and neck labels in just the way that one would expect a trade mark to be used . . . The relevant customer would perceive that to be trade mark use.”¹⁶³ Similarly, there was no reason why use of the signs “in a trade mark sense should not be capable of being distinctive. . . . The fact that the signs can be used in other, non-trade mark, ways does not automatically render them non-distinctive.”¹⁶⁴

Mr. Reed's first defence, though, the argument for a narrow construction of trade mark infringement, was described as the most

158. *Id.* ¶ 42.

159. *Id.* ¶ 50.

160. *Id.* ¶ 51.

161. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶ 53.

162. *Id.*

163. *Id.* ¶ 67.

164. *Id.* ¶ 68.

important and difficult point in this case.¹⁶⁵ Laddie J. noted that since “the Arsenal signs on Mr. Reed’s products would be perceived as a badge of support, loyalty[,] or affiliation” rather than as an indication of trade origin, Arsenal FC had “to rely on the non-trade mark use of those signs, that is to say[,] the wide construction of section 10.”¹⁶⁶ Such a wide construction would create a new and very wide monopoly of open-ended duration that “unlike copyright . . . will not be dependent on copying to establish infringement. . . .”¹⁶⁷ First, his reservations against such an interpretation were based on its repercussions beyond private rights into criminal law since the same terminology was used to define criminal offences in section 92.¹⁶⁸ Indeed, the evidence in the case showed how effectively section 92 could be used. Second, it would create or reveal a number of inconsistencies and contradictions in the Act,¹⁶⁹ the most important of which would be a conceptual one: “the requirement of trade mark distinctiveness which is essential to acquiring rights by way of registration would give rise to a monopoly over use of the same sign in ways which were themselves not distinctive[.]”¹⁷⁰ He conceded though that the language of the law in section 10 required use of a “sign” by the defendant, not use of a “trade mark.” Also, according to earlier authorities, non-trade mark use of a sign has been considered to have the potential to infringe a registration.¹⁷¹ Laddie J. felt unable to ignore the Court of Appeal’s approach in *Philips* and stated that it was for the House of Lords or the ECJ to clarify this matter.¹⁷² On the assumption that the Court of Appeal in *Philips* was correct, Mr. Reed’s use would infringe; but if a sign must be used as a trade mark before it can infringe, then Mr. Reed’s use would not infringe.¹⁷³

165. *Id.* ¶ 54.

166. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶ 58.

167. *Id.* ¶ 54.

168. *Id.*

169. *Id.* ¶ 59.

170. *Id.*

171. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶ 60. Mr. Justice Jacob had suggested this in *British Sugar Plc v. James Robertson & Sons Ltd*, 1996 R.P.C. 281, 1997 E.T.M.R. 118 (Ch. D. 1996), but was more circumspect in *Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 1998 R.P.C. 283, 1998 E.T.M.R. 124 (Pat. Ct. 1997). However, the Court of Appeal in *Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 1999 R.P.C. 809 (C.A. 1999), seemed to imply that non-trade mark use could infringe.

172. *Arsenal*, 2001 R.P.C. 46, [2001] 2 C.M.L.R. 23, [2001] E.T.M.R. 77, ¶ 62.

173. *Id.* ¶ 64.

2. The Two Questions

Accordingly, Laddie J. referred two questions to the ECJ:

1. Where a trade mark is validly registered and (a) a third party uses in the course of trade a sign identical with that trade mark in relation to goods which are identical with those for whom the trademark is registered; and (b) the third party has no defence to infringement by virtue of Article 6(1) of the Council Trademark Directive of 21st December 1988 to approximate the laws of the Member States relating to trade marks ((89/104/EEC); does the third party have a defence to infringement on the ground that the use complained of does not indicate trade origin (i.e. a connection in the course of trade between the goods and the trade mark proprietor)?
2. If so, is the fact that the use in question would be perceived as a badge of support, loyalty or affiliation to the trade mark proprietor a sufficient connection?¹⁷⁴

3. The Opinion of the Advocate General

In June 2002, AG Ruiz-Jarabo Colomer delivered an admittedly bold and potentially far-reaching opinion.¹⁷⁵ A large part of the Opinion was dedicated to the social and financial significance of football.¹⁷⁶ The positioning of this discussion within the Opinion – following the legal analysis and prior to the conclusion – is, perhaps, an indication of the rationalisation behind the position of AG Colomer. The key to football's success lies in the passions that it arises, the origin of which can be found “in the deep sense of identity between the teams which are linked to a particular city or country, and their supporters.”¹⁷⁷ Indeed, a sceptic could argue that signs like the Arsenal indicia signify the origin of passions rather than products, and information on the links between teams and supporters rather than commercial origin. According to the Advocate General, however, the nature of the game had been transformed during the 1990s, most major European football clubs had become commercial companies, and football's financial value had increased dramatically.¹⁷⁸ Predictably, the euphoria of rapid expansion led to a financial hangover for many of the ambitious clubs that became

174. Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 10 (AGO), available at http://europa.eu.int/eur-lex/en/search/search_case.html.

175. *See generally id.* (AGO).

176. *Id.* ¶¶ 73-87 (AGO).

177. *Id.* ¶ 73 (AGO).

178. *See id.* ¶¶ 75-83 (AGO).

companies. The Judge Advocate noted that merchandising has become a lifeline for many clubs that have become “genuine ‘emporia.’”¹⁷⁹

Drawing the legislative framework, the Advocate General noted that the harmonisation pursued by the Trademark Directive is partial, focusing on certain aspects of registered trade mark rights.¹⁸⁰ He also noted that the Trademark Directive should not be seen in isolation but, rather, perceived as an attempt to reconcile trade mark rights with free movement of goods and the freedom to provide services within the greater scheme of creating a competitive common market.¹⁸¹ The balance it attempts to achieve is exemplified by the additional requirements the proprietor has to satisfy in order to obtain protection under Article 5(2), a discretionary provision. Regarding Article 5(1), a mandatory provision, he bypassed its linguistic ambiguity, that allowed the parties to contest whether it covered prohibiting use of the trade mark or of the sign constituting the trade mark, by stressing that

The decisive factor is that the proprietor is entitled to prevent a third party from using the trade mark in relation to the same or different goods and services, or from using signs and indications which, looked at as a whole, might lead to confusion on the part of consumers on account of their similarity to those registered by him.¹⁸²

The Trademark Directive provided the limitations of the rights on the basis of specific rationales¹⁸³ and the aim to create a common market without artificial barriers.¹⁸⁴

In the current case, where identical signs were used on identical goods, Article 5(1)(a) had to be applied. But, in accordance with Article 5(5),¹⁸⁵ protection should not be automatic even in the case of Article 5(1)(a): “the proprietor of a trade mark may not prevent ‘any use’ of a sign, but only uses whose purpose is to distinguish the goods or services to which it relates from those of other undertakings. Otherwise, Article

179. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 84 (AGO).

180. *Id.* ¶ 13 (AGO).

181. *Id.*

182. *Arsenal*, 2002 E.C.R. ___, [2001] 1 C.M.L.R. 12, ¶ 20 (AGO).

183. Trademark Directive, *supra* note 1, at art. 6.

184. Trademark Directive, *supra* note 1, at art. 7.

185. Article 5 provides that “[p]aragraphs 1 to 4 of [Article 5] shall not affect provisions in any Member State relating to the protection against the use of a sign other than for . . . distinguishing goods or services, here use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.” Trademark Directive, *supra* note 1, at art. 5(5).

5(5) would have no *raison d'être*.”¹⁸⁶ Inevitably, the Advocate General had to turn to the functions of the trade marks in order to define the scope of the right. The function of a trade mark was

to distinguish the goods and services of various undertakings with the purpose of guaranteeing to the user or the consumer the identity of their respective origins, that immediate and specific purpose of trade marks is no more than a staging post on the road to the final objective, which is to ensure a system of genuine competition in the internal market¹⁸⁷ With that unfailing purpose of distinguishing between the goods and services of various undertakings, distinctive signs may indicate provenance as well as quality, the reputation or the renown of the producer or the provider, while trade marks may also be used for advertising purposes in order to inform and persuade the consumer.¹⁸⁸

According to the Advocate General, all these functions enable the consumer to distinguish between products and as a result they constitute types of use that the proprietor should be allowed to prevent, provided that the positive and negative requirements set by the law have been satisfied.¹⁸⁹ He boldly stated that it would be

simplistic reductionism to limit the function of the trade mark to an indication of trade origin. The Commission, moreover, took the same view in its oral submissions to the Court. Experience teaches that, in most cases, the user is unaware of who produces the goods he consumes. The trademark acquires a life of its own, making a statement, as [he has] suggested, about quality,

186. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 38 (AGO).

187. *Id.* ¶ 42 (AGO). In footnote 38 of his Opinion, the Advocate General remarked that there is a

lack of symmetry in the case-law of the Court of Justice on the functions of trade marks. When defining the concept of likelihood of confusion as to origin, the Court has emphasised the function of that type of industrial property which is to indicate the trade origin of the goods or services which the trade mark represents . . . However, where the findings have been made in a different context, that of the exhaustion of the rights conferred by a trade mark, the Court has opted for a broader view and has borne in mind the ultimate objective of establishing in the internal market an undistorted system of competition, which depends on protecting the proprietor of the trade mark and the quality of his goods against those who would take unfair advantage of his status and the reputation of the distinctive sign, an approach which, evidently, goes beyond the narrower notion of likelihood of confusion In all those cases, trade marks perform similar functions and the legal status of the proprietor should therefore also be the same.

Id. n.38 (AGO).

188. *Id.* ¶ 43 (AGO)(citations omitted).

189. *Id.* ¶ 44 (AGO).

reputation and even, in certain cases, a way of seeing life.¹⁹⁰

Therefore, the answer to the High Court in respect of the first question should be that the proprietor of a trade mark “is entitled to prevent third parties from using, in relation to the same goods or services, signs identical with those of which the trade mark consists, which are capable of giving a misleading indication as to their origin, provenance, quality or reputation.”¹⁹¹ The Advocate General noted that confusion, albeit of a new wider type, remained the cornerstone of Article 5, even in the case of identical signs and identical products.¹⁹² Regarding the absolute nature of protection in the case of identity, the Advocate General adopted the position submitted before the Court by the European Free Trade Association Surveillance Authority:

‘absolute’ means that protection is afforded to the proprietor, irrespective of whether there is a likelihood of confusion, because in such situations there is a presumption that there is such a likelihood, and not, on the contrary, that protection is accorded to the proprietor *erga omnes* and in all circumstances.¹⁹³

The latter proposition had been supported by the Commission and Arsenal who submitted that only the limitations of Article 6 had to be taken into account in such circumstances.¹⁹⁴ Advocate General Colomer suggested that it should also be presumed that “the use a third party makes of a trade mark is use of it as such.”¹⁹⁵ When these presumptions are being challenged courts may have to look at the nature of the goods and services, their prospective consumers, the structure of the market, and the position of the proprietor. These factual considerations fall within the jurisdiction of national courts.

Having described the scope of protection, Advocate General Colomer turned to the types of use that remain outside the scope of protection. First, he mentioned use of a sign that does not legitimately constitute a trade mark.¹⁹⁶ Another obvious instance would be use outside the course of trade defined as use “outside any commercial activity involving the production and supply of goods and services on the market”¹⁹⁷ or use “not intended for commercial purposes.”¹⁹⁸ Other

190. *Id.* ¶ 46 (AGO).

191. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 49 (AGO).

192. *See id.* ¶ 52 (AGO).

193. *Id.* ¶ 51 (AGO).

194. *See id.*

195. *Id.* ¶ 52 (AGO).

196. *See Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 57 (AGO).

197. *Id.* ¶ 59 (AGO).

examples he mentioned were the case of an artist using a colour that might also be protected as a trade mark, the private use of a car manufacturer's trade mark on a key ring, or the use of trade marks by Warhol in his paintings, despite the obvious financial benefit in the latter case.¹⁹⁹

From the proprietor's perspective "use in trade" that can be prevented is that "which occurs in the world of business, in trade, the subject of which is, precisely, the distribution of goods and services in the market."²⁰⁰ According to the Advocate General's reasoning, uses expressing support, loyalty, or affiliation to the proprietor of the trade mark would, in principle, fall within this description, because they do express a connection between the goods in question and the football club. "The key to the problem is that [the consumer] has decided to purchase [the article] on account of the fact that the article is identified with the trade mark and, through it, with its proprietor, that is to say with the team."²⁰¹ He believed that the critical issue in such cases is not so much why the consumer buys the product but why a person other than the proprietor is exploiting the sign:

If, regardless of the reason which motivates him, he attempts to exploit it commercially, then he can be said to be using it 'as a trade mark' and the proprietor will be entitled to object, within the limits and to the extent allowed under Article 5 of the [Trademark] Directive.²⁰²

Continuing on the same theme, and following his socio-economic analysis of the phenomenon of football, he concluded that when the "emporia" football clubs

register a sign in order to use it as a trade mark and to supply on the market, either directly or through a licensee, certain goods or services identified with the mark, they make effective use of their intangible property and are entitled to object to third parties using an identical indication, with the purpose of exploiting it commercially and making an economic profit, by employing all the methods available under the law, including the most extreme.²⁰³

Accordingly, the Advocate General stated that the clubs should be

198. *Id.* ¶ 64 (AGO).

199. *Id.* ¶¶ 61, 63 (AGO).

200. *Id.* ¶ 62 (AGO).

201. *Arsenal*, 2002 E.C.R. __, [2003] 1 C.M.L.R. 12, ¶ 68 (AGO).

202. *Id.* ¶ 69 (AGO).

203. *Id.* ¶ 84 (AGO).

entitled to prevent use of the signs they had registered as trade marks for the purposes of marketing products connected with the team.²⁰⁴

A sceptic could argue that the Opinion of Advocate General Colomer shifted the basis of registered trade mark law. First, by expanding the scope of confusion; second, by relying more on the motivation and behaviour of the defendant, rather than the consumer, which, according to the law, is not directly relevant in the case of confusion; and, finally, by putting too much emphasis on the commercial value of the marks for football clubs. At the same time, as a counter balance, he stressed that a presumption of confusion – not automatic protection – was the basis of protection in the case of total identity between both marks and products, leaving it open as to whether and how this presumption could be rebutted. Even those disagreeing with the thrust of his argument would have to accept that his conclusion followed a coherent route.

4. The Judgment of the ECJ

In its judgment²⁰⁵ the ECJ contrasted the diametrically opposed positions of the parties. Arsenal argued before the Court that Article 5(1)(a) does not require use of the sign as a trade mark; it suggested that the existence of the exhaustive list of limitations in Article 6(1) strengthened its case.²⁰⁶ In the alternative, the use made by Mr. Reed should be considered use of the sign as a trade mark because it did indicate origin, albeit without designating the trade mark proprietor.²⁰⁷ Mr. Reed contended that the relevant commercial activities were outside the scope of Article 5(1) since Arsenal had failed to show that his use of the signs constituted use as a trade mark, that is as an indicator of origin.²⁰⁸ He also argued that the list of activities contained in Article 6 was not exhaustive.²⁰⁹ The Commission had submitted that whether the sign was used as a trade mark had no effect on the right arising from Article 5(1); “[t]he specific object of a trade mark is to guarantee that only its proprietor can give the product its identity of

204. *Id.* ¶ 95 (AGO).

205. Case C-206/01, *Arsenal Football Club Plc v. Reed*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶¶ 1-63 (ECJ), available at http://europa.eu.int/eur-lex/en/search/search_case.html.

206. *Id.* ¶ 29. See *supra* notes 43-52 & accompanying text.

207. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 30.

208. *Id.* ¶ 31.

209. *Id.*

origin by affixing the mark.”²¹⁰ Further, protection under Article 5(1)(a) should be absolute.²¹¹ Even if there were a “trade mark use” requirement, “the proprietor should be entitled to prohibit . . . commercial activit[ies]” such as Mr. Reed’s.²¹²

In its analysis the ECJ accepted that Mr. Reed’s use was in the context of commercial activities, “with a view to [an] economic advantage” rather than use “as a private matter”; it constituted “use in the course of trade.”²¹³ His use also fell within the scope of Article 5(1)(a) since identical signs were used on identical goods for activities described in Article 5(3)(a) and (b).²¹⁴ Thus, according to the ECJ, in order to

answer the High Court’s questions, it must be determined whether Article 5(1)(a) of the Trademark Directive entitles the trade mark proprietor to prohibit any use by a third party in the course of trade of a sign identical to the trade mark for goods identical to those for which the mark is registered, or whether that right of prohibition presupposes the existence of a specific interest of the proprietor as trade mark proprietor, in that use of the sign in question by a third party must affect or be liable to affect one of the functions of the mark.²¹⁵

The Court underlined that Article 5(1) is part of the complete harmonisation provisions of the Trademark Directive and defines the exclusive rights of a trade mark proprietor.²¹⁶

Accordingly, it was essential to provide a uniform interpretation for the term “use.” In respect of the functions of a trade mark, the Court noted that “[t]rade mark rights constitute an essential element in the system of undistorted competition”²¹⁷ Interestingly, the starting

210. *Id.* ¶ 32.

211. *Id.*

212. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 33.

213. *Id.* ¶ 40.

214. *Id.* ¶¶ 40-41. Article 5 provides that

[t]he following, inter alia, may be prohibited under [Article 5(1) and (2)]: (a) affixing the signs to the goods or the packaging thereof; (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder; (c) importing or exporting the goods under the sign; (d) using the sign on business papers and in advertising.

Trademark Directive, *supra* note 1, at art. 5(3).

215. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 42. Note that it is common for the ECJ to interpret or identify the essential elements of the questions referred by national courts.

216. *Id.* ¶ 43.

217. *Id.* ¶ 47.

point was the position of the trade mark proprietor: “undertakings must be able to attract and retain customers by the quality of their goods or services, which is made possible only by distinctive signs allowing them to be identified.”²¹⁸ This led the Court to stress once again that the essential function of a trade mark is “to guarantee the identity of origin of the marked [products,] . . . by enabling [the consumer] . . . to distinguish [them,]” without any possibility of confusion, from other products with another origin.²¹⁹ This is achieved by ensuring that all the products bearing a particular trade mark “have been manufactured or supplied under the control of a single undertaking which is responsible for their quality.”²²⁰ For the trade mark proprietor this meant “protect[ion] against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it.”²²¹

Counterbalancing this, the Court also stated that the tenth recital of the preamble to the Trademark Directive points out the absolute nature of protection in Article 5(1)(a) by indicating that its aim “is in particular to guarantee the trade mark as an indication of origin.”²²² Thus, the exclusive right under Article 5(1)(a)

was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.²²³

The Court added that Article 5(5) delineated further the limits imposed on the exercise of the right.²²⁴ Accordingly, the Court ruled that a

218. *Id.* (citing Case C-10/89, HAG GF, [1990] E.C.R. I-3711, ¶ 13; Case C-517/99, Merz & Krell GmbH & Co., [2001] E.C.R. I-6959, ¶ 21).

219. *Id.* ¶ 48.

220. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 48 (citing Case 102/77, Hoffman-LaRoche, 1978 E.C.R. 1139, ¶ 7; Case C299/99, Philips Elecs. NV v. Remington Consumer Prods. Ltd., 2002 E.C.R. I-05475, ¶ 30).

221. *Id.* ¶ 50 (citing Case 102/77, Hoffman-LaRoche, 1978 E.C.R. 1139, ¶ 7; Case C-349/95, Frits Londersloot, 1997 E.C.R. I-6227, ¶ 22).

222. *Id.* ¶ 50. See also Trademark Directive, *supra* note 1.

223. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 51.

224. See *id.* ¶¶ 53-54 (referring to Case C-2/00, Hölderhoff v. Freiesleben, [2002] E.C.R. I-4187, as an example of limitations imposed on the exercise of the right, and the result of the descriptive nature of the protected sign’s use). The Court distinguished *Arsenal* from *Hölderhoff* by stating that in the former “use of the sign[s] [took] place in the context of sales to consumers and [was] obviously not intended for purely descriptive purposes.” *Id.* ¶ 55.

proprietor may not prohibit use of even an identical sign for identical goods “if that use cannot affect his own interests as proprietor of the mark, having regard to its functions.”²²⁵

The Court held that the signs were used in such a way “as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor.”²²⁶ The presence of the notice on Mr. Reed’s stall was immaterial because, even if those who were aware of it would not be confused, there was a possibility that others who came across the goods after their sale and away from the stall might perceive the signs as designating the club as the undertaking from which the goods originated.²²⁷

Another line of argument followed by the Court was that the guarantee that all goods bearing the same trade mark are “manufactured or supplied under the control of a single undertaking [that] is responsible for their quality” would be impaired by activities such as Mr. Reed’s.²²⁸ The Court concluded that this type of use was “liable to jeopardise the guarantee of origin which constitutes the essential function of the mark” and constitutes a use which the trade mark proprietor should be entitled to prevent.²²⁹

It is submitted that the judgment of the Court was a strenuous balancing exercise. On the one hand, it concurred with the Advocate General on the need to establish some sort of confusion, rejecting the argument that in the case of total identity protection should be absolute and automatic. On the other hand, it appeared unwilling to follow the Advocate General’s thinking on the wider concept of scope of confusion. The Court chose to focus on the protectable function of a trade mark as an indication of origin, within the traditional framework created by its earlier jurisprudence. However, the Court started its analysis from the position and the expectations of the trade mark proprietor rather than the state of mind of the consumer which is the ultimate infringement test. Further, instead of providing guidelines based on the evidence and the facts of the case, it concentrated too much on evaluating, and hypothesising on, the actual facts. In a way, it behaved like a court contemplating a summary judgment, very similar to

225. *Id.* ¶ 54.

226. *Id.* ¶ 56.

227. *Id.* ¶ 57.

228. *Arsenal*, 2002 E.C.R. ____ , [2003] 1 C.M.L.R. 12, ¶ 58.

229. *Id.* ¶ 60.

its approach in *Hölterhoff*.²³⁰ In many trade mark cases this is inevitable because of the nature of the issues under consideration; in trade mark law theory and practice, doctrine and factual situations are inextricably linked. Thus, taking a novel doctrinal path in order to deal with an unusual factual situation carries its risks when a court is setting a precedent. Thus, existing principles are sometimes abused by cautious courts. Indeed, in this case the Court made assertions about the facts rather than provide the necessary guidelines. For example, the ECJ could impel the High Court in the UK to take into account the likelihood of post-sale confusion rather than assume its existence. But then again, putting too much emphasis on the likelihood of post sale confusion would dilute the position of the Court expressed in *Canon*²³¹ and *Adidas*.²³² The ECJ was confronted with more than one intricate dilemma. One could say that *Arsenal* was a wasted opportunity, a juridical fudge: yet, another could say that it was a successful balancing attempt. For the author, it is simply evidence of the normative ambivalence of European registered trade mark law within the wider context of unfair competition.

5. Back to the High Court

Following the judgment of the ECJ, the High Court in the UK had to reach a decision on the facts of the case.²³³ Regarding the scope of the ECJ's judgment, the parties agreed before Laddie J. that in a case like *Arsenal*, when a national court refers a question of interpretation, the ECJ's jurisdiction is not that of an appellate court:

[the] national court is referring a question of interpretation to the ECJ for determination so that it, the national court, can then apply the law to the facts of the case. Normally the national court decides the facts first because it is easier for the ECJ to determine issues of law in a factual context.²³⁴

230. Case C-2/00, *Hölterhoff v. Freiesleben*, 2002 E.C.R. I-4187, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

231. Case C-39/97, *Cannon Kabushi Kaisha v. Metro-Goldwyn-Mayer Inc.*, 1998 E.C.R. I-5507.

232. Case C-425/98, *Marca Mode CV v. Adidas AG*, 2000 E.C.R. I-4861.

233. *Arsenal Football Club Plc v. Reed*, 2002 E.W.H.C. 2695, [2003] 1 C.M.L.R. 13, 2002 WL 31676299 (Ch. D. 2002).

234. *Id.* ¶ 7. The judge cited the Opinion of Advocate General Warner in Case 51/75, *E.M.I. Records Ltd v. C.B.S. UK Ltd.*, 1976 E.C.R. 811, 854 stating that the ECJ "cannot determine issues of fact that are relevant not to the ascertainment of that law, but to its application." *Id.* ¶ 8. The judge also cited the judgment of the ECJ in Case 26/79, *Denkavit Futtermittel GmbH v. Finanzamt Warendorf*, 1979 E.C.R. 3439, 3455, stating that "[t]he

Furthermore, the materials put before the ECJ were limited to those necessary to enable the Court to give “a definitive and community-wide ruling on the meaning of legislation” that will guide national courts in applying the law.²³⁵ According to Laddie J., in this case in particular, the ECJ had not been “invited to resolve issues of fact.”²³⁶

After reviewing the judgment of the ECJ, Laddie J. juxtaposed the ECJ’s understanding of his findings with the actual wording of the original judgment. The ECJ “noted that [he] had rejected AFC’s argument that the use of the signs by Mr. Reed ‘was perceived by those to whom they were addressed as a badge of origin.’”²³⁷ Whereas, his judgment had included the following findings of fact: 1) “use of the Arsenal signs on Mr. Reed’s products carrie[d] no message of trade origin”; and 2) “the Arsenal signs on Mr. Reed’s products would be perceived as a badge of support, loyalty or affiliation” and not as signs indicating origin.²³⁸

Laddie J. then stressed that under the ECJ’s analysis the scope of exclusive trade mark rights is to protect the essential function of a trade mark, which in turn is to guarantee the identity of origin of the goods or services.²³⁹ This was reinforced by the ECJ’s statement in *Hölterhoff* that a trade mark proprietor may not prohibit use of an identical sign on identical products if that use “cannot affect his own interests as proprietor of the mark, having regard to its functions.”²⁴⁰ Laddie J. concluded on this issue that it

appears from the above analysis that the ECJ held that where the defendant’s use of a mark is not intended by him, or understood by the public, to be a designation of origin, there can be no infringement because such use does not prejudice the essential

Court cannot, within the framework of proceedings brought under Article [234] . . . of the Treaty, settle a difference of this kind which, like any other assessment of the facts involved, is within the province of the national court.” *Id.* Lastly, he cited the judgment in Case 253/83, *Sektkelleri C.A. Kupferberg & Cie K.G. a.A. v. Hauptzollamt Mainz*, 1985 E.C.R. 157, 184, available at http://europa.eu.int/eur-lex/en/search/search_case.html, stating that “it is not for the Court of Justice but for the national court to establish the facts underlying the dispute” *Id.*

235. *Id.* ¶ 10.

236. *Id.*

237. *Id.* ¶ 20 (quoting Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12 (ECJ)).

238. *Arsenal*, 2002 E.W.H.C. 2695, [2003] 1 C.M.L.R. 13, 2002 WL 31676299, ¶ 13.

239. According to the ECJ, origin means the supply or manufacture from a particular source.

240. Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 54 (ECJ), available at http://europa.eu.int/eur-lex/en/search/search_case.html.

function of the registered mark. If that is so, then the first question in the reference should have been answered in the affirmative. However [sic] it will be seen that the ECJ did not answer that question in the affirmative or the negative but only stated that “in the circumstances” of this case, the claimant should succeed.²⁴¹

For Laddie J., the ECJ’s assertions on the impression conveyed by use of the Arsenal signs²⁴² were findings of fact rather than law.

The ECJ had also found that use of the signs by Mr. Reid would undermine the guarantee that goods bearing the same “trade mark have been manufactured or supplied under the control of a single undertaking which is responsible for their quality.”²⁴³ In the words of the ECJ:

Once it has been found that, [as] in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin of the goods and that the trade mark proprietor must be able to prevent this, it is immaterial that in the context of that use the sign is perceived as a badge of support for or loyalty or affiliation to the proprietor of the mark.²⁴⁴

Laddie J. remarked that

The finding “in the present case” referred to in the first line of that paragraph is one of fact. The nature of the finding is that set out in the first two lines, namely that use of the sign in question is liable to affect the guarantee of origin of the goods. If one inquires in relation to the words “once it has been found[,]” who has made that finding, the answer is the ECJ. That finding is at odds with the finding in the High Court.²⁴⁵

Inevitably, he found himself bound by the ECJ’s guidance on the law, but not by its final conclusion that was outside its jurisdiction.²⁴⁶ He characterized the difference between the views expressed by the High Court and the ECJ as a “most unattractive”²⁴⁷ outcome for all parties and, expressing his anguish, stated that

The courts of [the UK] cannot challenge rulings of the ECJ within its areas of competence. . . . Furthermore national courts

241. *Arsenal Football Club Plc v. Reed*, 2002 E.W.H.C. 2695, [2003] 1 C.M.L.R. 13, 2002 WL 31676299, ¶ 20 (Ch. D. 2002).

242. *Id.* ¶ 24.

243. *Arsenal*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12, ¶ 58 (ECJ).

244. *Id.* ¶ 61.

245. *Arsenal*, 2002 E.W.H.C. 2695, [2003] 1 C.M.L.R. 13, 2002 WL 31676299, ¶ 26.

246. *Id.* ¶ 27.

247. *Id.* ¶ 28.

do not make references to the ECJ with the intention of ignoring the result. On the other hand . . . the High Court has no power to cede to the ECJ a jurisdiction it does not have.²⁴⁸

For Laddie J. there was only one option: to decide that there was no trade mark infringement.²⁴⁹

6. A Parallel Merchandising Case in the U.K.

In a similar English case, *Rugby Football Union v. Cotton Traders Ltd.*,²⁵⁰ Lloyd J. had to decide whether Nike and the RFU could stop Cotton Traders from using, on shirts, the red rose appearing on the shirts of the English Rugby team between 1920 and 1998. The defendant was the official licensee between 1991 and 1997 and had created a new version of the jersey, but had not been manufacturing or selling the classic jersey (a version of the jersey bearing the rose, but worn before 1991) to the public.²⁵¹ This period coincided with the commercialization of the game and a rather lukewarm attempt by RFU to stop the marketing of unauthorized products.²⁵² In 1997, the licence was terminated following an agreement between the parties and a new agreement was made, this time with Nike.²⁵³ The exclusive licence provided that Nike could sell versions of the official strip to the public; the new shirt also bore Nike's trade mark and the logo of the current sponsor.²⁵⁴ In 1998, the strip and the rose were redesigned, partly in order to ensure that the RFU could control more effectively the use of the insignia.²⁵⁵ In the meantime, Cotton Traders was producing and selling the classic jersey to the public.²⁵⁶ In its suit against Cotton Traders, the RFU relied on the licensing agreement it had with Cotton Traders, passing off, and a registration of the rose as a CTM. Lloyd J. noted that even after 1997, the RFU's threats against unauthorized traders were not followed up by action, and there were still several other companies producing classic English rugby jerseys.²⁵⁷ The defendant, the

248. *Id.*

249. *Id.* ¶ 29.

250. *Rugby Football Union v. Cotton Traders Ltd*, 2002 E.W.H.C. 467, 2002 E.T.M.R. 76 (Ch. D. 2002). Nike European Operations Netherlands BV was also a party to this suit.

251. *Id.* ¶ 2.

252. *Id.*

253. *Id.*

254. *Id.*

255. *Rugby Football Union*, 2002 E.W.H.C. 467, 2002 E.T.M.R. 76, ¶¶ 2, 15-16.

256. *Id.* ¶ 2.

257. *Id.* ¶ 13.

only one against whom the RFU has started proceedings, was the biggest player in this market.²⁵⁸ Regarding the agreement between the RFU and Cotton Traders, Lloyd J. referred to a clause providing that upon termination, the Licensee should cease to make use of the mark with the exception of products already in stock or on order.²⁵⁹ The defendant claimed that this was superseded by the Termination Agreement that referred to Products as defined in the original agreement and that the classic English rugby jersey did not fall within the scope of the definition.²⁶⁰ Lloyd J. held that the defendant's claims were correct; the clause referred to the "specially designed strip, capable of protection by virtue of design right or other intellectual property rights[.]"²⁶¹

In respect of the CTM rights, the defendant claimed that the mark should not have been registered since it is "not perceived by members of the public as a mark of trade origin, but as a national emblem or symbol, associated with the English rugby team."²⁶² According to Lloyd J., looking at the relevant evidence as a whole, even at the time of the hearing, "the primary association in the minds of the public evoked by the English Rugby Rose [was] with the national team[;]" it was not seen "by a significant proportion of the relevant public as denoting the trade origin of the goods to which it [was] applied."²⁶³ Even if it were, he added, its primary meaning was generic, that of a national emblem or symbol, in particular since the rebranding exercise had created a re-designed version of the rose that could, with difficulty, function as an indication of origin.²⁶⁴ The contended English Rugby Rose had not been used by the RFU since 1999.²⁶⁵

Contrasting his case with *Arsenal*, Lloyd J. noted that the validity defence had failed since "it was clear that there was an association between the team and the club[.]"²⁶⁶ In addition there had been trade mark use of the registered marks on swing tickets and neck labels.²⁶⁷ "In the case of the national team, . . . the team represent[ed] the country";

258. *Id.*

259. *Id.* ¶ 20

260. *Rugby Football Union*, 2002 E.W.H.C. 467, 2002 E.T.M.R. 76, ¶ 24.

261. *Id.* ¶¶ 25-26.

262. *Id.* ¶ 30.

263. *Id.* ¶ 50.

264. *Id.*

265. *Rugby Football Union*, 2002 E.W.H.C. 467, 2002 E.T.M.R. 76, ¶ 50.

266. *Id.* ¶ 51.

267. *Id.*

therefore, the association with the entity that manages the team would be secondary.²⁶⁸ The judge also noted that the “English Rugby Rose was never used for swing tickets or neck labels”; it appeared exclusively on the breast of the garment.²⁶⁹ Thus, any use so far had been as that of a national emblem rather than a trade mark.²⁷⁰ In all likelihood, the sign was not capable of distinguishing origin and, certainly, “not in fact distinctive[.]”²⁷¹

Lloyd J. even suggested that even if the Community Trade Marks based on variations of the rose were ultimately considered to be valid, then the defendant would have a defence under Article 12(b) of the CTM Trademark Regulation, provided that it could establish honest use, noting that upon termination of a licence, the licensee could take a stance against the expired licence without being guilty of less than honest practice.²⁷² Finally, as to the passing off claim, he re-stated his findings on how the English Rugby Rose was perceived. The RFU did not “have goodwill in the English Rugby Rose as a trade mark”; it failed on the first hurdle.²⁷³

D. Davidoff – A Postscript on Ambivalence

1. The Opinion of the Advocate General in *Davidoff* – A Cautious Approach

In *Davidoff & Cie SA, Zino Davidoff SA v. Gofkid Ltd.*,²⁷⁴ a case running concurrently with *Arsenal*, Advocate General Jacobs followed a rather more cautious route than Advocate General Colomer regarding the scope of protection. The case, a reference from the German Federal Court of Justice, involved similar marks and identical and similar goods.²⁷⁵ The two marks were figurative marks, both based on representations with similar fonts of the words “Davidoff” and “Durftee” respectively.²⁷⁶ The “Davidoff” mark was considered to be a

268. *Id.*

269. *Id.* ¶ 52.

270. *Rugby Football Union*, 2002 E.W.H.C. 467, 2002 E.T.M.R. 76, ¶ 52.

271. *Id.* ¶ 53.

272. *Id.* ¶ 55.

273. *Id.* ¶ 60.

274. Case C-292/00, *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.*, 2002 E.C.R. ___, Celex No. 600C0292, Jan. 9, 2003, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

275. *Id.* ¶¶ 6-10 (AGO).

276. *Id.* ¶¶ 13, 15 (AGO).

mark with a reputation possibly deserving protection under Article 5(2).²⁷⁷ Since there was overlap between the specifications, the Federal Court sought an answer (a) as to whether Article 5(2) can be applied in cases where the relevant goods or services are identical or similar, but there is no likelihood of confusion, and/or (b) whether the only cases in which the additional protection [of Article 5(2)] may be granted are those in which the use of the sign would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier mark, or whether other national rules . . . may also be applied.²⁷⁸

The Federal Court had observed in its judgment that before the transposition of the Trademark Directive into German law in 1995 it had been possible, under registered trade mark and unfair competition law, to prevent use or registration of a sign similar to an earlier mark, provided that the earlier mark “was well known in the relevant sections of the public” and “enjoyed a particular reputation and prestige value[,]” and the later sign was deliberately, and unnecessarily, resembling the earlier mark.²⁷⁹

Advocate General Jacobs started looking at the first question by reviewing the provisions of the Trademark Directive noting that the optional additional protection for marks with a reputation has been adopted by all Member States.²⁸⁰ The Trademark Directive also provided for the transition from the old to the new regime: “[u]nder Article 4(6), a Member State may provide that the grounds for refusal of registration or invalidity in force prior to the date of transposition of the [Trademark] Directive are to apply to trade marks applied for before that date.”²⁸¹ Further, “under Article 5(4) it may [also] provide that, where the use of a sign could not be prohibited before the date of transposition, the rights conferred by a (subsequent) trade mark may not be relied on to prevent the continued use of the sign.”²⁸²

The Advocate General had to choose between two contrasting positions. According to the scheme of the Trademark Directive, a trade mark with a reputation can be protected against the use of a similar sign for dissimilar products, so it should also *a fortiori* be protected against

277. *Id.* ¶¶ 16-18 (AGO).

278. *Id.* ¶ 3 (AGO) (emphasis omitted).

279. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 12 (AGO).

280. *Id.* ¶ 7 (AGO).

281. *Id.* ¶ 8 (AGO). *See also* Trademark Directive, *supra* note 1, at art. 4(6).

282. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 8 (AGO). *See also* Trademark Directive, *supra* note 1, at art. 5(4).

use for similar products.²⁸³ On the other hand, the wording and the scope of the relevant provisions are clear and they do not seem to refer to such protection.²⁸⁴ The ECJ in its earlier jurisprudence, in *Sabel*²⁸⁵ and *General Motors*,²⁸⁶ had referred to Article 5(2) as providing protection “even” against use on non-similar goods, perhaps an indication that Article 5(2) covers similar and dissimilar products alike. The analysis in *Canon*,²⁸⁷ however, showed that the language of the Court pointed towards the antithesis of the two provisions rather than the inclusion of similar products within the scope of Article 5(2).

The Advocate General considered that the explicit language of the provision reflected the intention of the legislator:

Where a legislative provision is clear, it is in principle unnecessary and undesirable to look behind the terms adopted. That having been said, however, in the present case the drafting history of the [Trademark] Directive – which is closely linked to that of the [Trademark] Regulation – tends to support a literal interpretation.²⁸⁸

Indeed, the Advocate General’s review of the history of the Trademark Directive and the Trademark Regulation supported this assertion.²⁸⁹

Accordingly, Article 5(2) could be interpreted liberally only if there was an obvious gap regarding marks with a reputation.²⁹⁰ The Advocate General felt unable to accept the sweeping argument that an Article 5(2) type of use of a similar sign for dissimilar products would always give rise to a likelihood of confusion and fall within the scope of Article 5(1)(b).²⁹¹ He did not accept this argument because it would be against the finding of the ECJ in *Marca Mode*²⁹² that it should not always be inferred that there is a likelihood of confusion where a mark that is similar with a trade mark with a reputation is used for similar products.²⁹³

However, The advocate General accepted that in practice, in most

283. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 26 (AGO).

284. *Id.*

285. Case C-251/95, *Sabel BA v. Puma A.G.*, 1997 E.C.R. I-1691.

286. Case C-375/97, *General Motors Corp. v. Yplon S.A.*, 1999 E.C.R. I-5421.

287. Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldyn-Mayer, Inc.*, 1998 E.C.R. I-5507.

288. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 34 (AGO).

289. *See id.* ¶¶ 35-37 (AGO).

290. *See id.* ¶ 38 (AGO).

291. *See id.* ¶¶ 40-41 (AGO).

292. Case C-425/98, *Marca Mode CV v. Adidas AG*, 2000 E.C.R., 2000 E.C.R. I-4861.

293. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 41 (AGO).

cases, there would not be a real gap in protection.²⁹⁴ Even where a trader uses such a sign and at the same time explicitly denies the connection with the mark with a reputation – mentioning *Arsenal* as an example – there may be a likelihood of confusion. Thus, it would not be “difficult to interpret those provisions as providing a continuum of protection, without going beyond their literal terms.”²⁹⁵ “Marks having a reputation . . . do not enjoy a separate and independent system of protection but rather the same general protection as is afforded to all marks, together with a specific, supplementary and optional protection,”²⁹⁶ which is dependent on different criteria. These criteria are as follows: confusion is not necessary; instead, “it must be established that the use of the competing mark or sign is without due cause and would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the protected mark.”²⁹⁷

The Advocate General also noted that for marks with a particularly distinctive character, either as such or because of their reputation, the scope of protection is wider under Article 5(1),²⁹⁸ according to *Sabel*²⁹⁹ and *Canon*.³⁰⁰ This “reinforces the bridge over what might otherwise have been perceived as a gap.”³⁰¹ The area in which a trade mark with a reputation is not protected against the use of identical or similar signs would be “insignificant in practice.”³⁰²

In deliberately not providing for that area, moreover, the legislature may well have been expressing its intention that likelihood of confusion should be the normal criterion for protection. It may also have had in mind that the area of dissimilar products is one in which dishonest operators might well take unfair advantage of a well-known mark unless extra protection is granted, whereas it would be considerably more difficult to take such advantage in the area of similar products without giving rise to a likelihood of confusion.³⁰³

The Advocate General conceded that in a small number of cases

294. *Id.* ¶ 42 (AGO).

295. *Id.* ¶ 43 (AGO).

296. *Id.* ¶ 46 (AGO).

297. *Id.* ¶ 47 (AGO).

298. *See Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 48 (AGO).

299. *Case C-251/95, Sabel BA V. Puma A.G.*, 1997 E.C.R. I-1691.

300. *Case C-39/97, Canon Kabushiki Kaisha v. Metro-Goldyn-Mayer, Inc.*, 1998 E.C.R. I-5507.

301. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 48 (AGO).

302. *Id.* ¶ 51 (AGO).

303. *Id.*

where product similarity would be a borderline issue there may be some practical problems “because of the differences in the nature of the evidential criteria [required] under the two sets of provisions.”³⁰⁴ Trade mark proprietors would then have to put forward two alternative claims, one based on confusion and the other based on reputation.³⁰⁵ This did not appear to be an insurmountable problem. Finally, he added, a liberal interpretation of the Trademark Directive would jeopardise the success of the Community Trade Mark and the establishment of an internal market, which would create more clashes with earlier marks on the one hand and more obstacles in intra-community trade on the other.³⁰⁶

In respect of the second question, the Advocate General referred to the seventh recital pointing out that

the grounds for refusal or invalidity concerning the trade mark itself, for example, the absence of any distinctive character, or concerning conflicts between the trade mark and earlier rights, *are to be listed in an exhaustive manner, even if some of these grounds are listed as an option for the Member States* which will therefore be able to maintain or introduce those grounds in their legislation.³⁰⁷

Therefore, he reasoned that it was

clear that the legislature intended the more extensive optional protection to be confined to that set out in the relevant enacting terms. Indeed, had that not been the case, there would have been little purpose in specifying any details at all of the protection which might be accorded under Articles 4(4)(a) and 5(2). As matters stand, those provisions lay down very clearly the limits of the discretion available to the Member States.³⁰⁸

The Advocate General acknowledged that the sixth recital stated that the Trademark Directive “does not exclude the application to trade marks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil liability or consumer protection.”³⁰⁹ However, he viewed this as a reference to national unfair competition provisions, the application of which is not

304. *Id.* ¶ 52 (AGO).

305. *Id.*

306. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 63 (AGO).

307. *Id.* ¶ 61 (AGO) (quoting Trademark Directive, *supra* note 1, at Recitals) (emphasis added).

308. *Id.* ¶ 62 (AGO).

309. *Id.* ¶ 65 (AGO) (quoting Trademark Directive, *supra* note 1, at Recitals).

otherwise excluded by the Trademark Directive: “the legislature did not intend to authorise other, more extensive, such provisions to be applied in those circumstances; had it so intended, it would either have stated so explicitly or it would not have specified the type of provision which was authorised.”³¹⁰

2. *Davidoff* – The Judgment of the ECJ

In its judgment,³¹¹ the ECJ held that Article 5(2) of the Trademark Directive “cannot be given an interpretation which would lead to [well-known] marks . . . having less protection where a sign is used for identical or similar goods or services than where a sign is used for non-similar goods or services.”³¹² Where a sign is used for identical or similar goods or services, a well-known mark “must enjoy protection[,] which is at least as extensive . . . where a sign is used for non-similar goods [or] services.”³¹³ It is noted that the judgment refers to “well known” marks rather than “marks with a reputation.”³¹⁴ A comparison between the English version of the judgment with its version in other languages hints that this may be a translation oversight rather a structural weakness.

The question debated before the Court was essentially whether protection of a [well-known] mark . . . against the use of a sign for identical or similar goods or services which is detrimental to the distinctive character or repute of the mark cannot already be obtained under Article 5(1) of the [Trademark] Directive, so that it is not necessary to seek it under Article 5(2).³¹⁵

....

Although, in the light of the 10th recital of the Trademark Directive, the protection conferred under Article 5(1)(a) is an absolute right when the use affects or is liable to affect one of the functions of the mark . . . , the application of Article 5(1)(b) depends on there being a likelihood of confusion The Court points out that in *Sabel*, . . . it has already excluded a broad interpretation . . . which had been suggested to it on the ground, *inter alia*, that Article 5(2) of the Trademark Directive, on its wording, applies only where a sign is used for non-similar goods

310. *Id.* ¶ 66 (AGO).

311. *See generally Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292 (ECJ).

312. *Id.* ¶ 25.

313. *Id.* ¶ 26.

314. The English version available at http://europa.eu.int/eur-lex/en/search/search_case.html uses the language “marks with a reputation.”

315. *Davidoff*, 2002 E.C.R. ___, Celex No. 600C0292, ¶ 27.

or services.³¹⁶

The Court concluded that

the answer to the first question must be that Articles 4(4)(a) and 5(2) of the [Trademark] Directive are to be interpreted as entitling the Member States to provide specific protection for [well-known] registered trade marks . . . in cases where a later mark or sign, which is identical with or similar to the registered mark, is intended to be used for goods or services identical with or similar to those covered by the registered mark.³¹⁷

The judgment of the ECJ is another attempt to strike a balance between protection against unfair competition at the national level and trade mark protection at the EU level, favouring the national *status quo* in respect of unfair competition. But, in doing, it appeared to widen the scope of protection of registered trade marks. It remains unclear, however, whether the judgment also delineates the scope of protection of trade marks with a reputation as defined in the Trademark Directive and the Trademark Regulation.

IV. CONCLUSION

There have been evident inconsistencies in the recent wave of the ECJ's case law on trade marks. First, what signs can be protected as a trade mark? Starting from a traditional standpoint in *Windsurfing*,³¹⁸ the Court followed a very liberal path towards *Baby Dry*³¹⁹ and then returned to the security of *Windsurfing* through *Philips*.³²⁰ Similarly, regarding the scope of protection, the Court started from a clear position expressed in *Sabel*³²¹ as reconfirmed in *Adidas*,³²² whilst updating the meaning of confusion as to origin in *Canon*.³²³ At the same time it

316. *Id.* ¶ 28 (citations omitted).

317. *Id.* ¶ 30.

318. Joined Cases C-108/97 & C-109/97, *Windsurfing Chiemsee Produktions – und Vertriebs GmbH v. Boots – und Segelzubehör Walter Huber and Franz Attenberger*, 1999 E.C.R. I-2799.

319. Case C-383/99, *Procter & Gamble Co v. OHIM (Baby Dry)*, 2001 E.C.R. I-6251, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

320. Case C-299/99, *Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 2002 E.C.R. I-05475, [2002] 2 C.M.L.R. 52, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

321. Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, 1997 E.C.R. I-6191.

322. Case C-425/98, *Marca Mode CV v. Adidas AG & Adidas Benelux BV*, 2000 E.C.R. I-4861.

323. Case 39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer Inc.*, 1998 E.C.R. I-5507.

opened the door to new types of infringement in *Dior*³²⁴ and, potentially, transformed the basis of protection in *Davidoff*.³²⁵ In *Arsenal*,³²⁶ the Court used traditional trade mark language to cover a new type of infringing behaviour. *BMW*,³²⁷ *Hölterhoff*,³²⁸ and *Toshiba*³²⁹ came as warnings that the new regime would not offer automatic protection against all types of use. Further, in respect of the interface between competition considerations and the scope of trade mark protection, the Court established a strong policy on functionality in *Philips*³³⁰ and reminded us of the supremacy of competition and free movement of goods rules in *Ballantine*.³³¹ In terms of symmetry between what is protected and how it should be protected, a joint reading of *Baby Dry*³³² with *Davidoff*³³³ could result into too many conflicts with uncertain outcomes.

In balance, however, the verdict should not be damning. The ECJ did the best it could with a law that was based on a compromise between different systems of protection. In some cases the language could be much clearer, but this is the result of the nature of trade mark cases and, more importantly, the lack of a harmonised unfair competition regime. This distinction between registered trade mark law and unfair competition may seem historical, in particular since registered trade mark law has a place within a wider system of unfair competition.

324. Case C-337/95, *Dior SA & Parfums Christian Dior BV v. Evora BV*, 1997 E.C.R. I-6013.

325. Case C-292/00, *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd.*, 2003 E.C.R. ___, Celex No. 600C0292, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

326. Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 E.C.R. ___, [2003] 1 C.M.L.R. 12.

327. Case C-63/97, *BMW AG & BMW Nederland BV v. Ronald Karel Deenik*, 1999 E.C.R. I-905.

328. Case C-2/00, *Michael Hölterhoff v. Ulrich Freiesleben*, 2002 E.C.R. I-04187, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

329. Case C-112/99, *Toshiba Europe GmbH v. Katun Germany GmbH*, 2001 E.C.R. I-7945, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

330. Case C-299/99, *Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 2002 E.C.R. I-05475, [2002] 2 C.M.L.R. 52, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

331. Case C-349/95, *Frits Loendersloot v. George Ballantine & Son Ltd.*, 1997 E.C.R. I-6227.

332. Case C-383/99, *Procter & Gamble Co. v. OHIM (Baby Dry)*, 2001 E.C.R. I-6251, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

333. Case C-292/00, *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd.*, 2003 E.C.R. ___, Celex No. 600C0292, available at http://europa.eu.int/eur-lex/en/search/search_case.html.

However, their relative targets are still distinct. In Europe, trade marks have become the subject matter of property.³³⁴ Trade mark proprietors and their competitors deserve a stable and predictable system untainted by the vagaries of the Court's subjectivity in categorising behaviour.

334. See generally Spyros M. Maniatis, *Trade Mark Rights – A Justification Based on Property*, 2002 INTELL. PROP. Q. 123.

